

Banco Popular Group



**LOOKING AHEAD
WITH CONFIDENCE**

October 2003

FROM TODAY'S VANTAGE POINT

- ▶ **Looking back:**
 - dismal Macro Economic background**
 - but**
 - superb performance of the Bank**
- ▶ **Looking ahead:**
 - brighter Macro Economic background**
 - and**
 - better prospect for Popular**

LOOKING BACK

We have been living in the worst possible environment, with

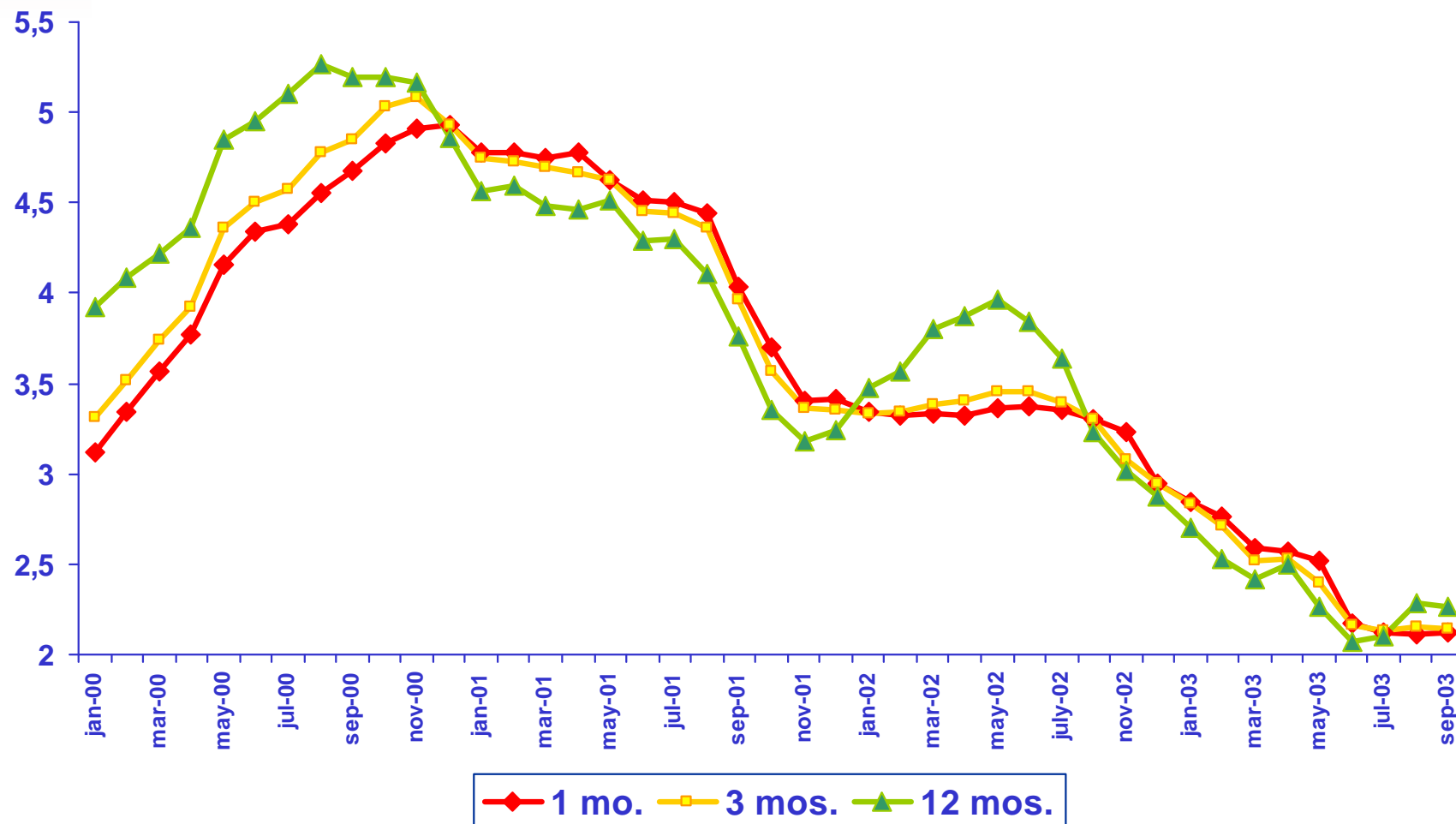
- ▶ **fast decreasing interest rates and**
- ▶ **economic slowdown**

BUT

Banco Popular has delivered a strong performance

LOOKING BACK: MACRO BACKGROUND

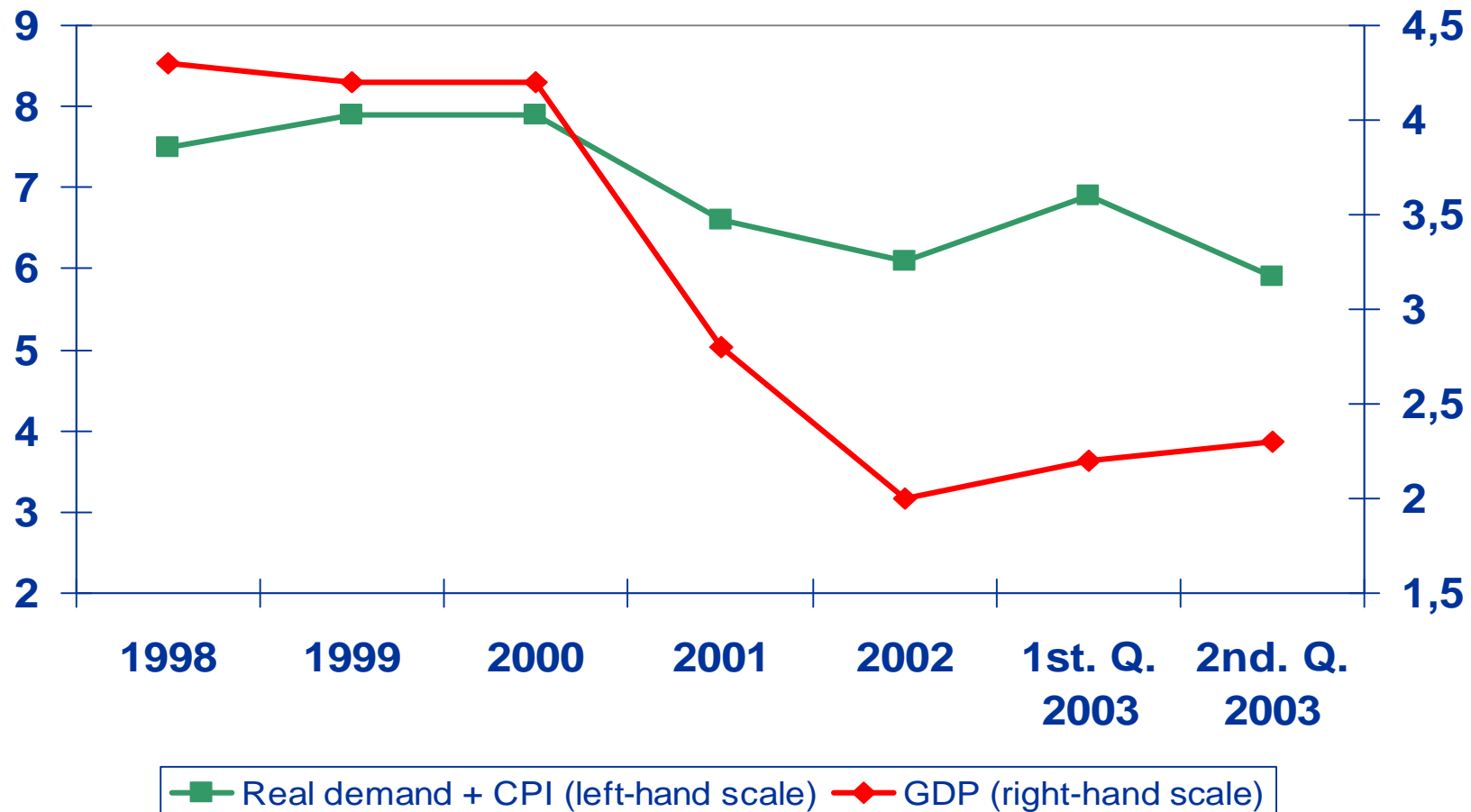
PRESSURE FROM DECREASING INTEREST RATES



LOOKING BACK: MACRO BACKGROUND

... AND DECLINE IN GDP & NOMINAL DEMAND

Annual growth (%)



LOOKING BACK: STRONG PERFORMANCE

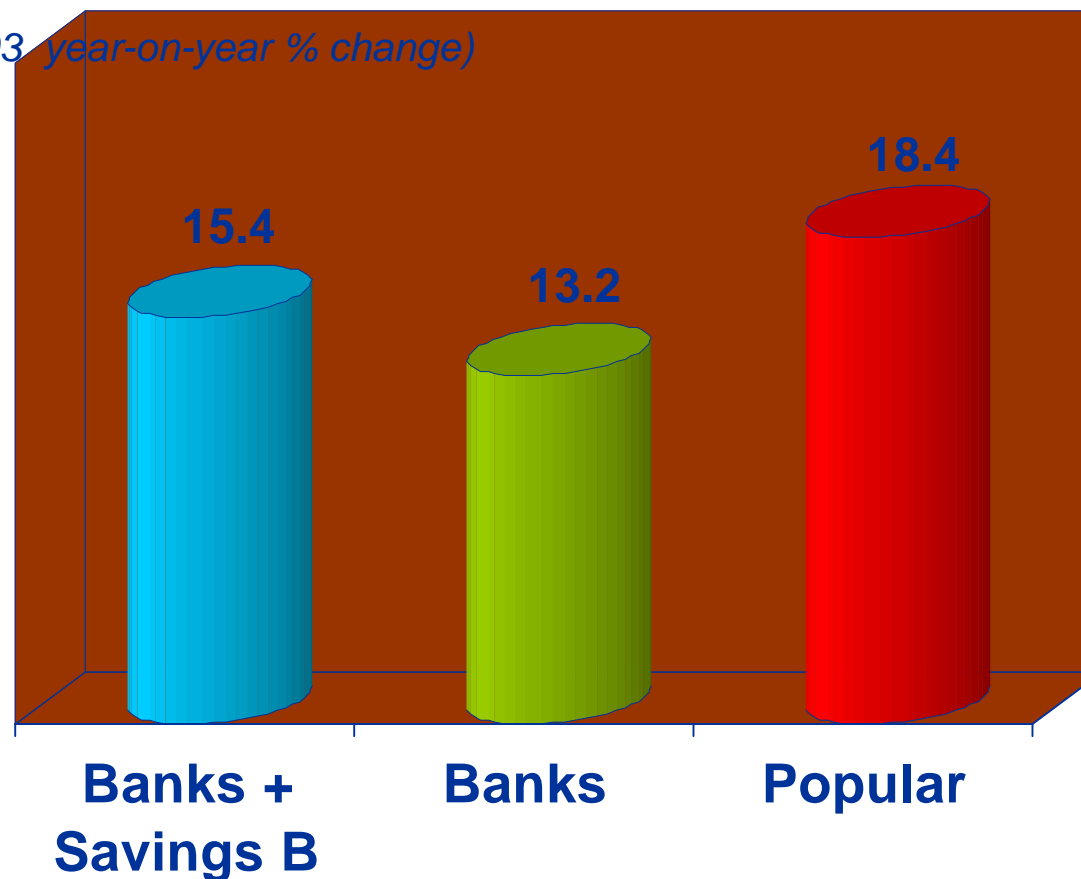
IN THIS DIFFICULT WORLD WE REACHED:

- ▶ **Market share gain**
- ▶ **Improvement in asset quality**
- ▶ **Customer base expansion**
- ▶ **Increasing penetration in credit cards**
- ▶ **Strong Revenues & EPS growth**
- ▶ **Operating costs restraint**
- ▶ **Best ROE in Spain & Europe**
- ▶ **Best Cost/Income ratio in Spain & Europe**

MARKET SHARE GAIN

LOANS TO PRIVATE-SECTOR RESIDENTS (ex BNC)

(August 31, 2003 year-on-year % change)



MARKET SHARE GAIN

MAJOR PRODUCTS MARKET SHARE

(Accumulated % change)

| | Growth rate <i>September 03</i> | | Market share <i>June 03</i> | Of total loans |
|--------------------------------|------------------------------------|---------------------------|-----------------------------------|-------------------|
| | As reported | Like for like (ex BNC) | | |
| Bill discounting | 15.8 | 13.1 | 10.9 | 12.0 |
| Mortgage loans | 35.2 | 26.5 | 4.8 | 49.7 |
| Personal loans & overdrafts | 24.3 | 9.8 | 4.2 | 30.7 |
| Leasing | 11.0 | 11.0 | 9.1 | 5.4 |
| TOTAL | 28.5 | 19.2 | | |
| Pension funds* | 17.1 | | 6.8 | |
| Mutual funds | 22.1 | | 3.3 | |

* Assets in private/individual accounts

MARKET SHARE GAIN

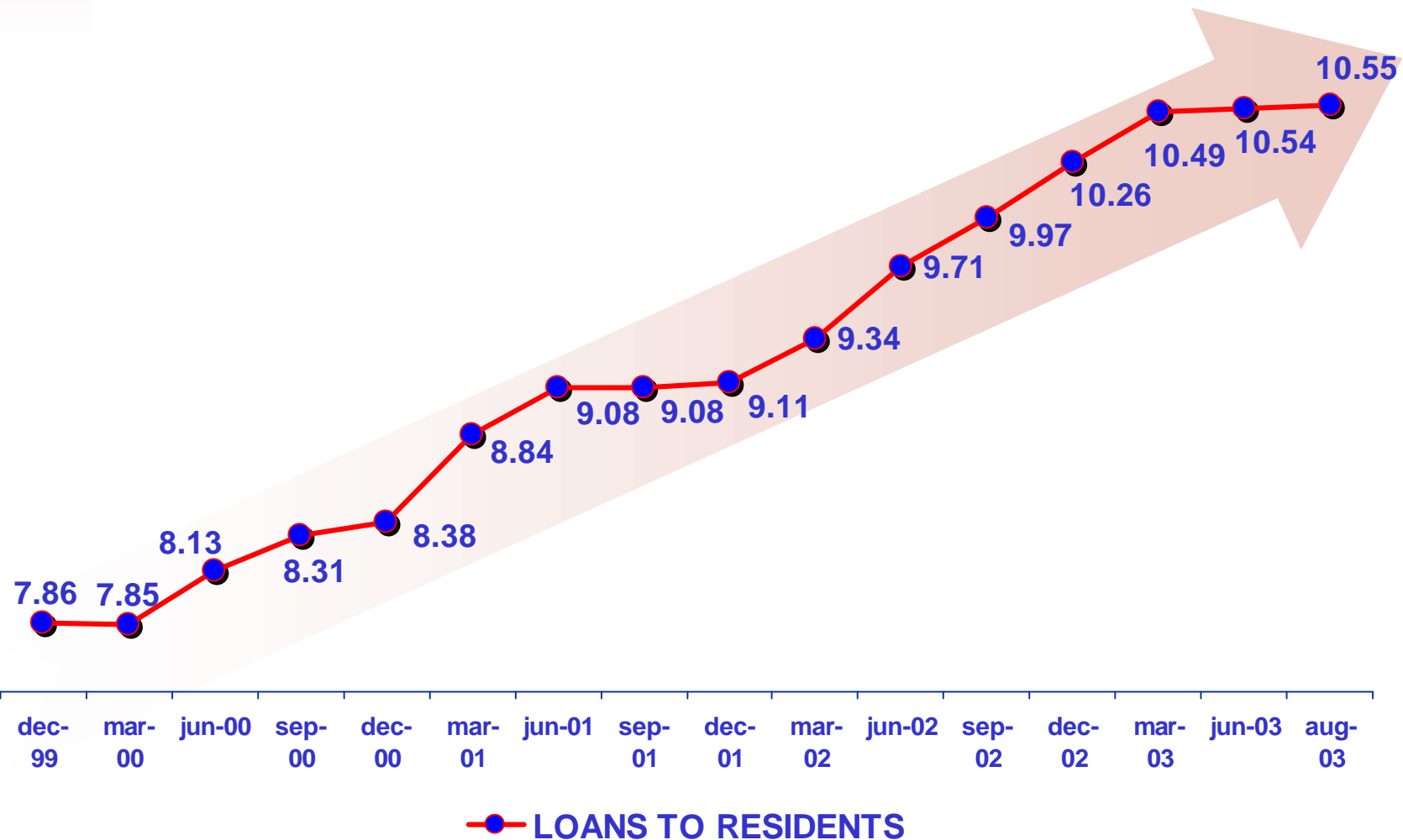
MUTUAL FUNDS (ex BNC)

(Accumulated % change)

| | <i>December 02</i> | | <i>September 03</i> | |
|----------------|------------------------------|---------------------|------------------------------|---------------------|
| | <i>% Δ</i> | <i>Market share</i> | <i>% Δ</i> | <i>Market share</i> |
| AuM | -4.33 | 3.45 | 20.10 | 3.59 |
| Clients | 1.80 | 3.89 | 16.05 | 4.12 |
| Sector: | | | | |
| AuM | -3.97 | | 14.25 | |
| Clients | 4.20 | | 4.90 | |

MARKET SHARE GAIN

MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)

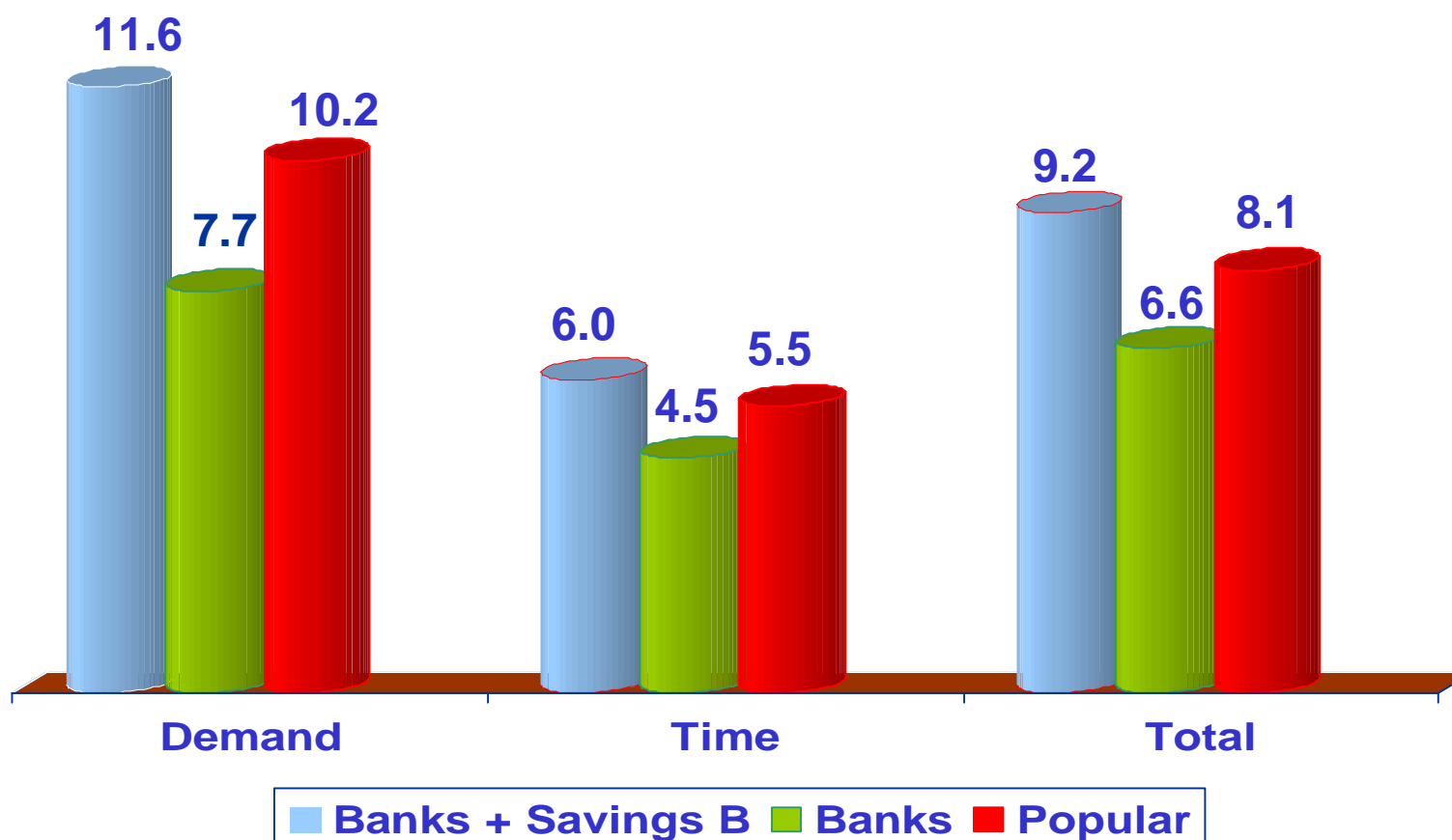


MARKET SHARE GAIN

GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(August 31, 2003 year-on-year % change)

(ex BNC)



MARKET SHARE GAIN

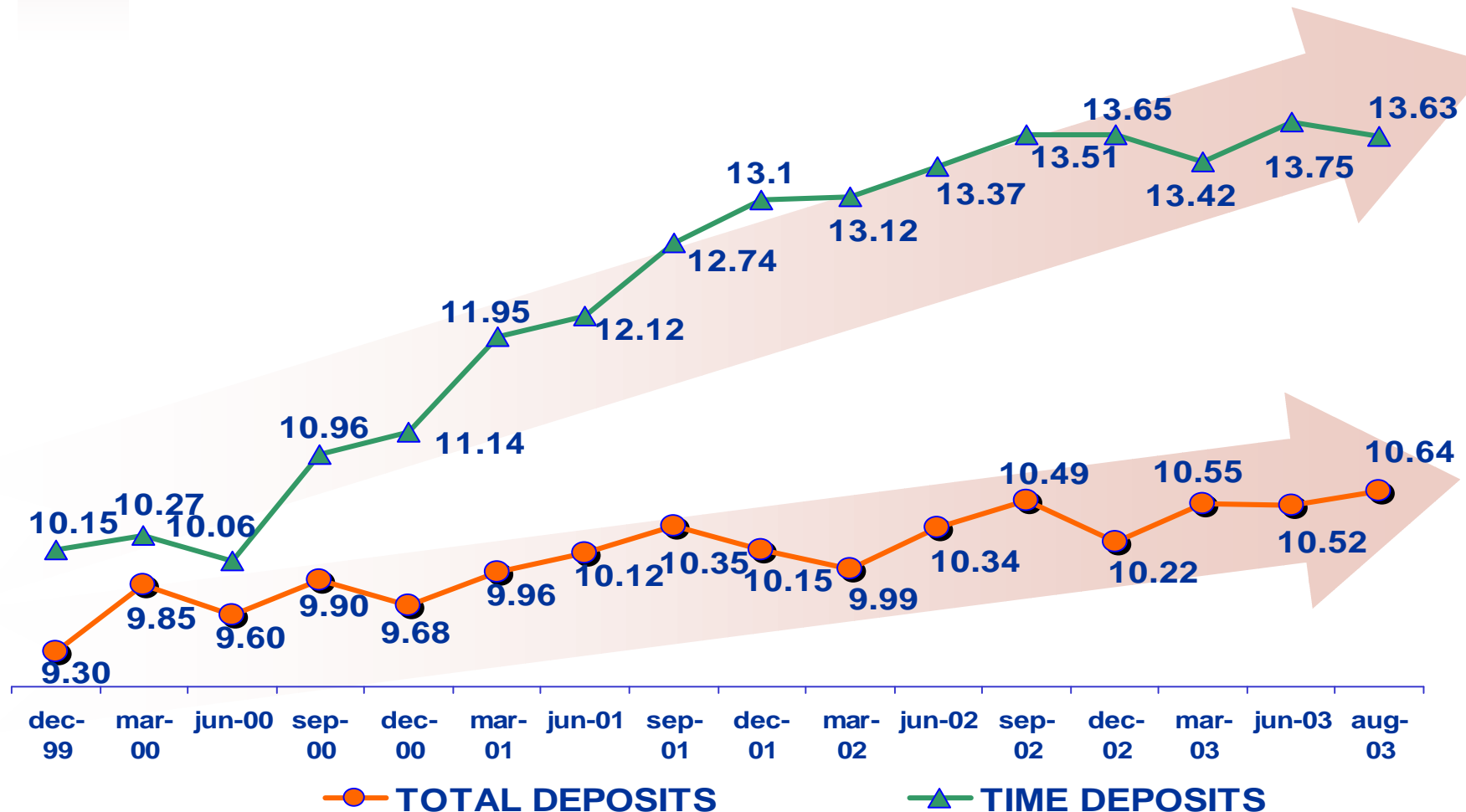
CORE RESIDENT-CUSTOMER DEPOSITS (ex BNC)

(Accumulated % change)

| | <i>Dec.-02</i> | <i>March-03</i> | <i>June-03</i> | <i>Sept.-03</i> |
|-----------------------------------|----------------|-----------------|----------------|-----------------|
| Demand deposits | 4.7 | 7.3 | 6.1 | 9.1 |
| Time deposits | 9.8 | 11.7 | 10.2 | 8.7 |
| Customers commercial paper | 71.4 | 54.8 | 51.5 | 29.5 |
| TOTAL | 10.3 | 12.0 | 10.8 | 10.8 |

MARKET SHARE GAIN

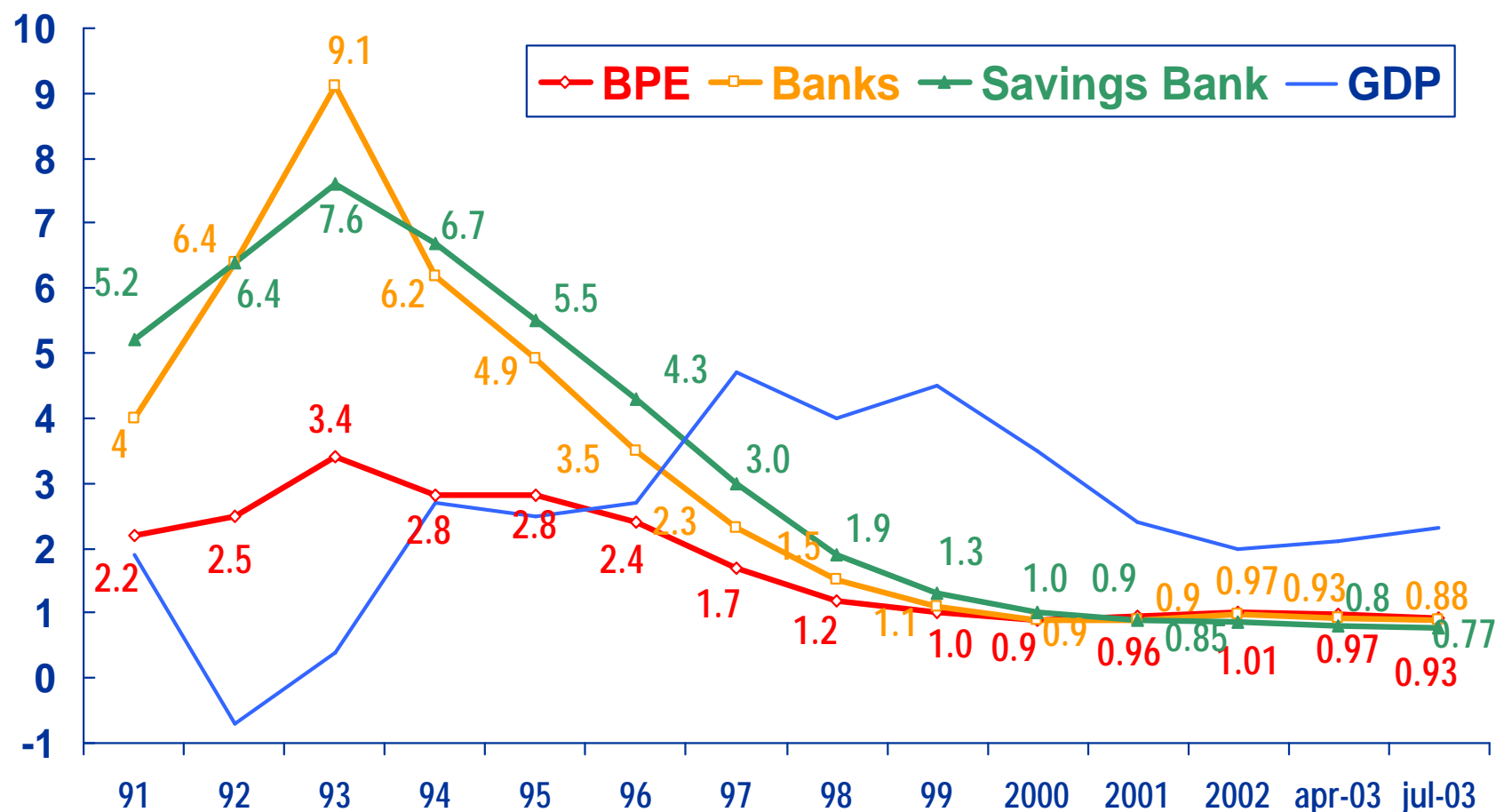
MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)



IMPROVEMENT IN ASSET QUALITY

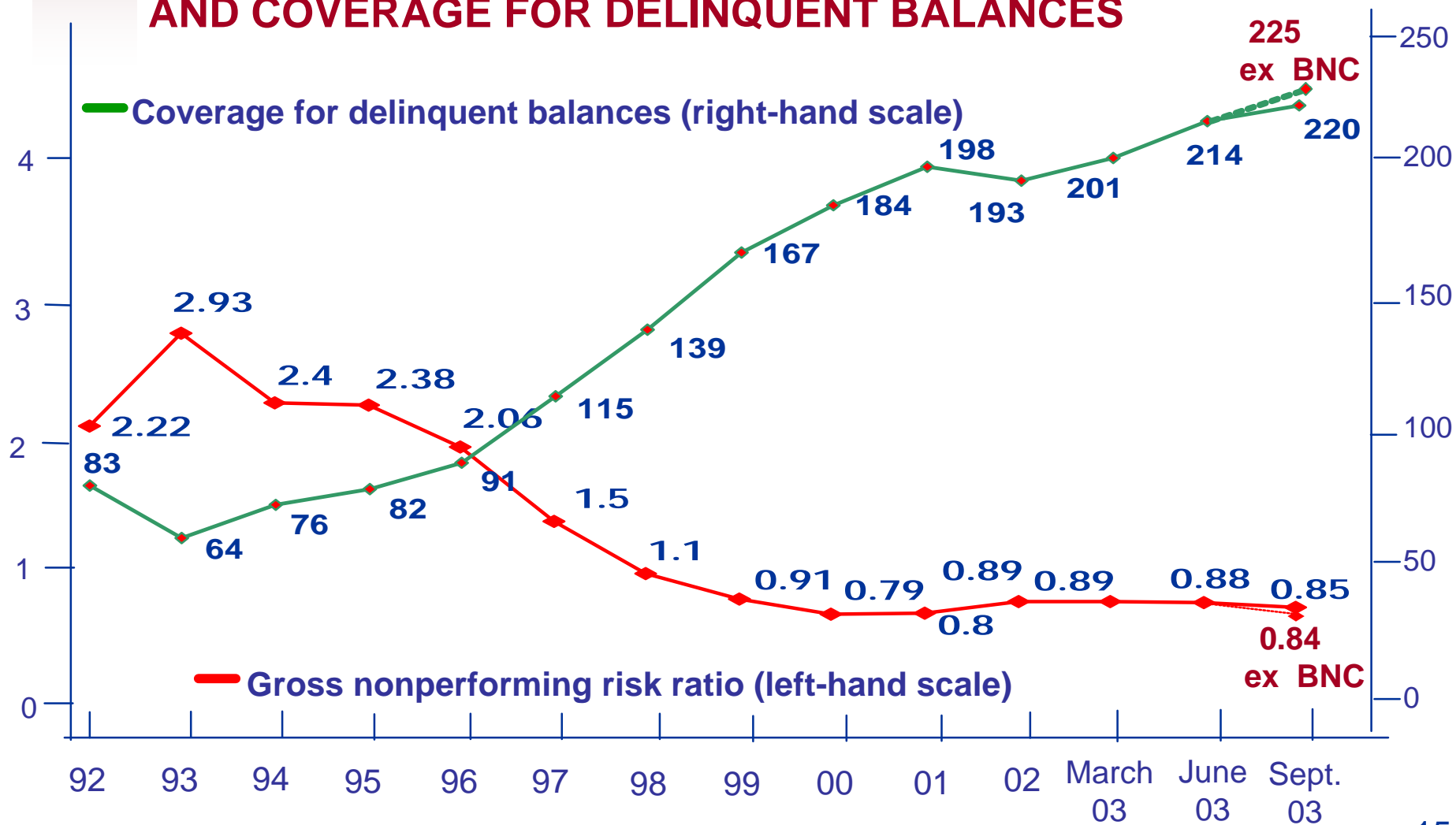
LOAN PORTFOLIO QUALITY

Nonperforming loans / Credit to private-sector resident borrowers (%)



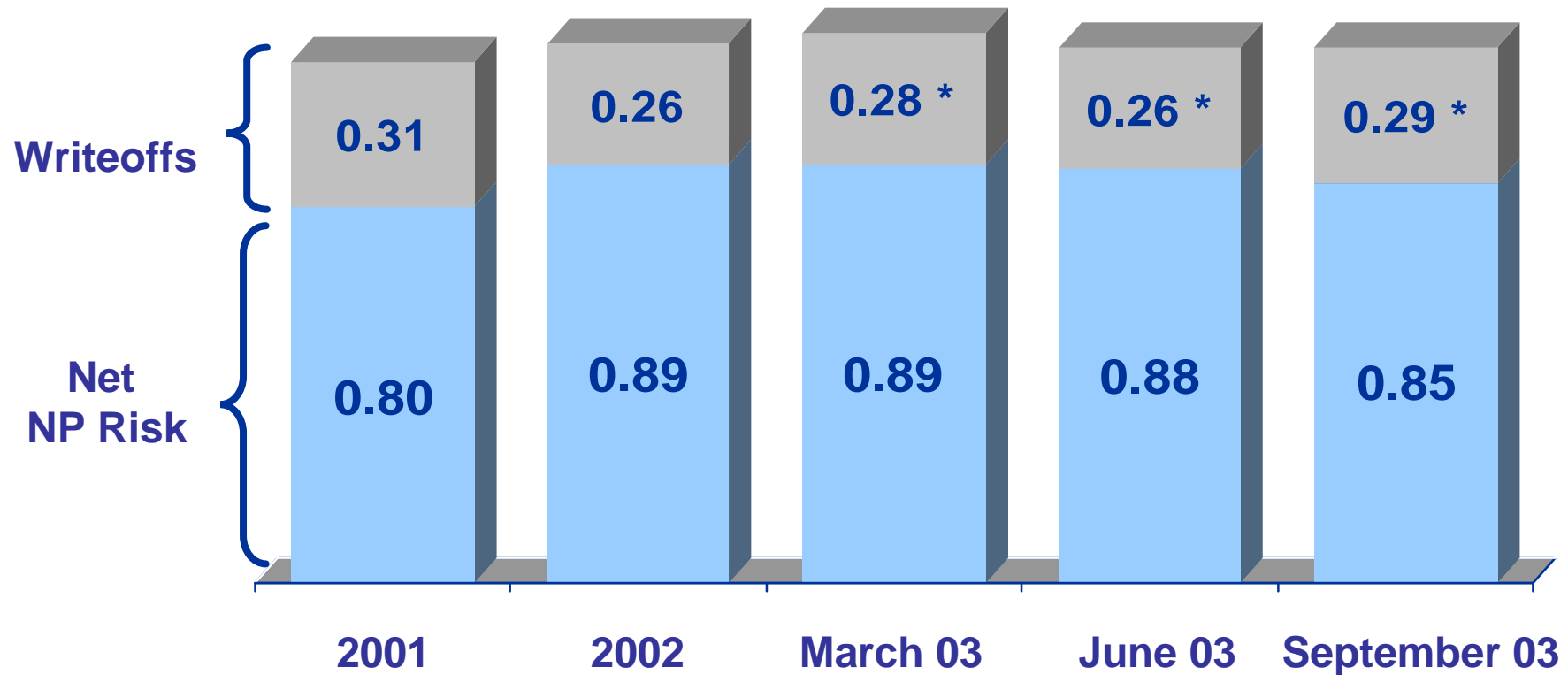
IMPROVEMENT IN ASSET QUALITY

VARIATION IN THE NON PERFORMING RISK RATIO AND COVERAGE FOR DELINQUENT BALANCES



IMPROVEMENT IN ASSET QUALITY

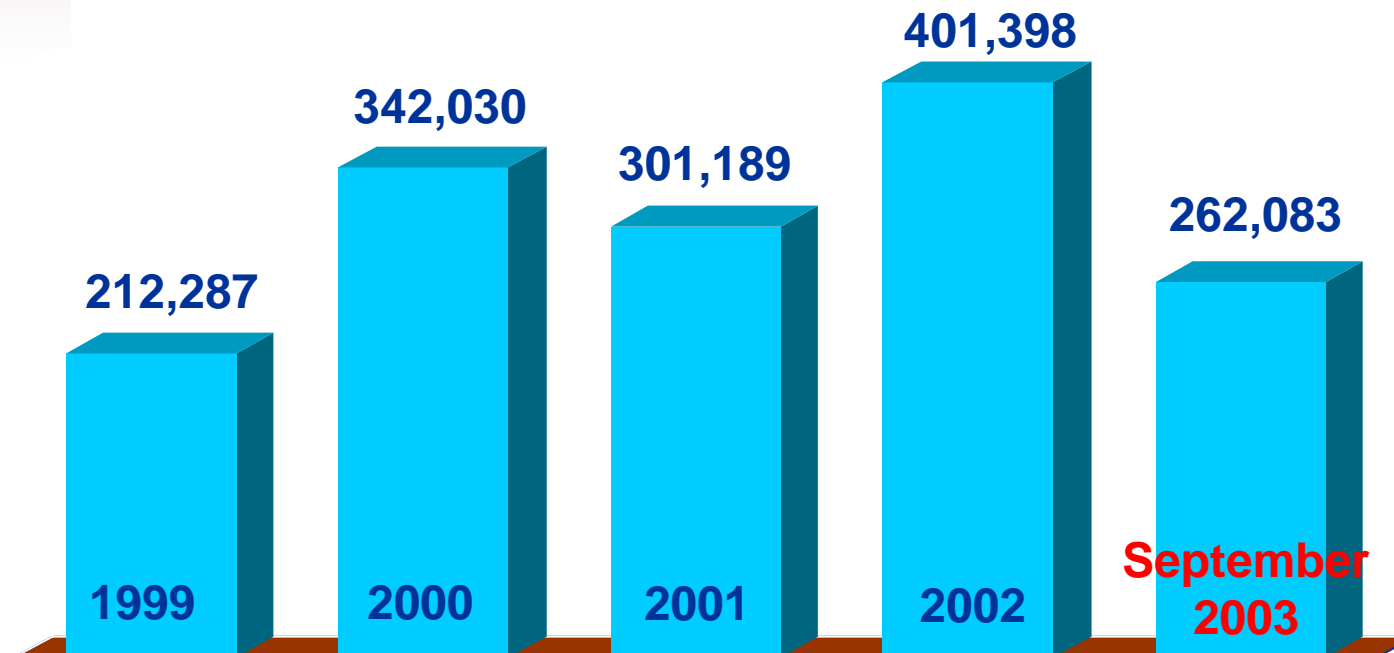
NON PERFORMING RISK (bps)



* Annualized

CUSTOMER BASE EXPANSION

NET NEW CLIENTS (ex BNC)



Total number of clients: 4,915,291

Individuals: 4,543,562

Corporate: 371,729

y-o-y %

7.23

7.19

7.78

INCREASING PENETRATION IN CREDIT CARDS

CARDS BUSINESS - PLACEMENT GROWTH

(September, 30 2003)

| | Number | | Turnover | | In use % | |
|-----------------------|-----------|---------|-----------|---------|----------|------|
| | Number | y-o-y % | €thou. | y-o-y % | 2003 | 2002 |
| Credit * | 1,138,268 | 13.1 | 1,777,185 | 3.2 | 58.9 | 57.1 |
| Debit | 1,486,952 | 11.6 | 1,902,895 | 11.9 | 55.3 | 55.6 |
| Other Affinity | 994,310 | 8.9 | 180,973 | 27.2 | 20.4 | 21.0 |
| Petrol | 1,191,503 | (0.3) | 215,549 | 9.8 | 32.0 | 30.0 |
| TOTAL | 4,811,033 | 8.2 | 4,076,602 | 8.4 | 36.4 | 31.2 |
| Retailers | 117,876 | (1.8) | 3,878,071 | 15.6 | 44.4 | 41.4 |

* Excl. revolving "Hop" card

STRONG REVENUES GROWTH

| | 2003 | | | | 2003/2002 |
|-------------------------|-------|-------|-------|---------|---------------|
| | 1 Q | 2 Q | 3 Q | 9 mos. | y-on-y % Δ |
| Net interest revenue | 431.8 | 438.0 | 464.9 | 1,334.7 | 11.7 |
| Fees for services | 148.2 | 148.7 | 151.7 | 448.6 | 5.1 |
| Ordinary revenue | 585.6 | 596.0 | 619.4 | 1,801.0 | 10.0 |
| Operating costs | 199.7 | 200.6 | 213.7 | 614.0 | 5.5 |
| Operating income | 359.4 | 368.7 | 377.2 | 1,105.3 | 12.8 |
| Income before taxes | 285.1 | 292.4 | 313.5 | 891.0 | 12.2 |
| Net income attributable | 165.5 | 166.3 | 191.6 | 523.4 | 10.7 |

STRONG REVENUES GROWTH

EXCLUDING BNC

| | 2003 | | | | 2003/2002 |
|-------------------------|-------|-------|-------|---------|----------------------|
| | 1 Q | 2 Q | 3 Q | 9 mos. | y-on-y % Δ |
| Net interest revenue | 431.8 | 438.0 | 440.1 | 1,309.9 | 9.6 |
| Fees for services | 148.2 | 148.7 | 147.1 | 444.0 | 4.1 |
| Ordinary revenue | 585.6 | 596.0 | 589.7 | 1,771.3 | 8.1 |
| Operating costs | 199.7 | 200.6 | 200.1 | 600.4 | 3.2 |
| Operating income | 359.4 | 368.7 | 362.5 | 1,090.6 | 11.3 |
| Income before taxes | 285.1 | 292.4 | 309.2 | 886.7 | 11.7 |
| Net income attributable | 165.5 | 166.3 | 189.5 | 521.3 | 10.2 |

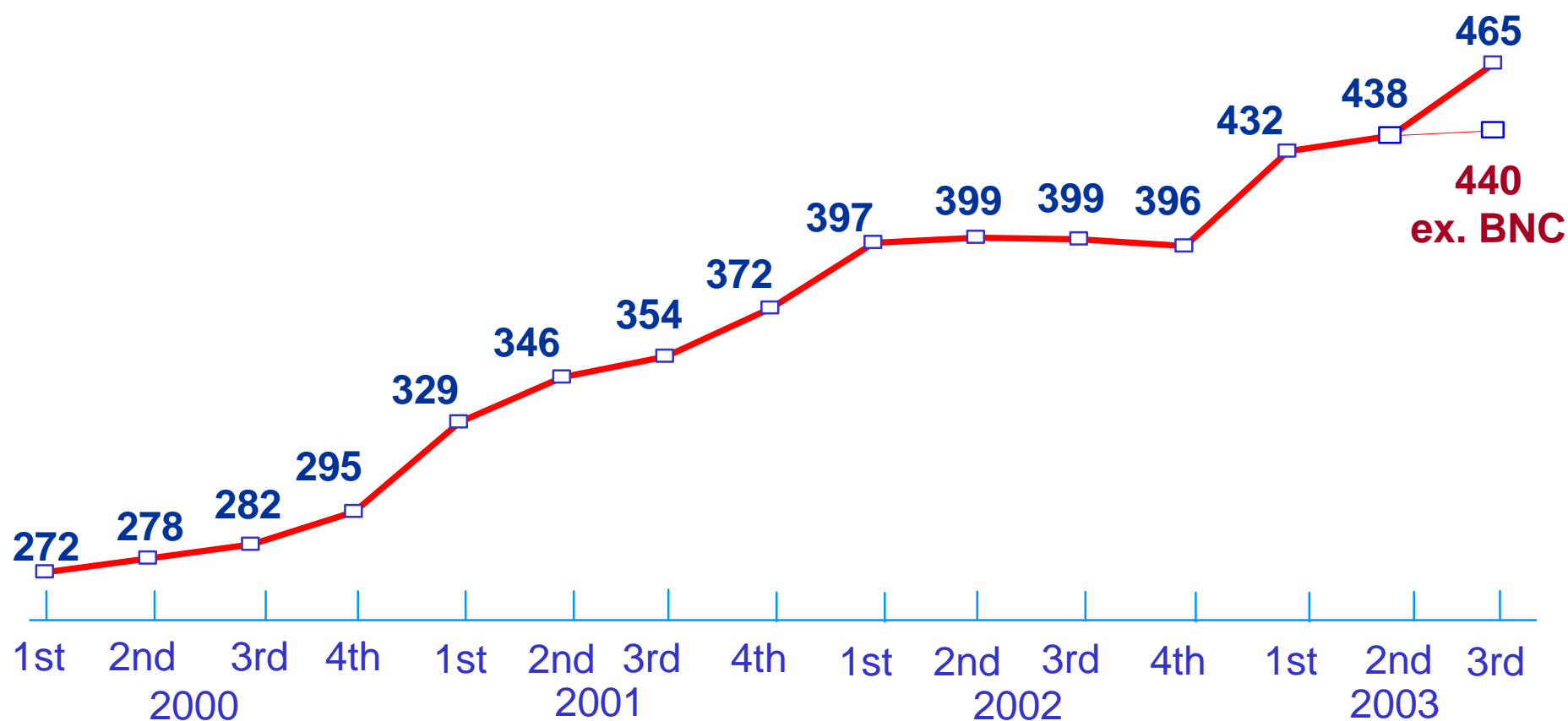
STRONG REVENUES GROWTH

| | 2003/2002 | | | |
|-------------------------|----------------------|----------------------|----------------------|---------------------------------|
| | 1 Q y-on-y % Δ | 2 Q y-on-y % Δ | 3 Q y-on-y % Δ | 3 Q y-on-y % Δ exc.BNC |
| Net interest revenue | 8.76 | 9.67 | 16.61 | 10.4 |
| Fees for services | 7.08 | 3.55 | 4.88 | 1.7 |
| Ordinary revenue | 7.29 | 8.55 | 14.05 | 8.6 |
| Operating costs | 3.62 | 3.71 | 9.19 | 2.3 |
| Operating income | 9.67 | 11.63 | 17.19 | 12.6 |
| Income before taxes | 8.98 | 13.99 | 13.62 | 12.1 |
| Net income attributable | 8.59 | 9.83 | 13.31 | 12.1 |

STRONG REVENUES GROWTH

NET INTEREST REVENUE (Quarter standalone)

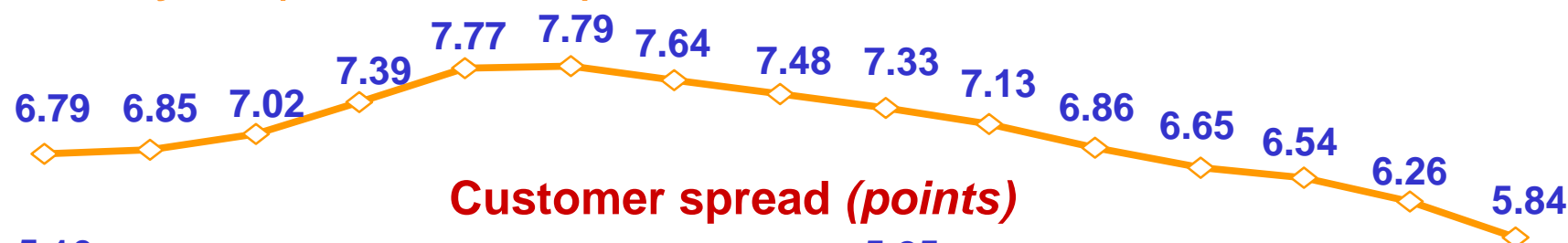
(Euro million)



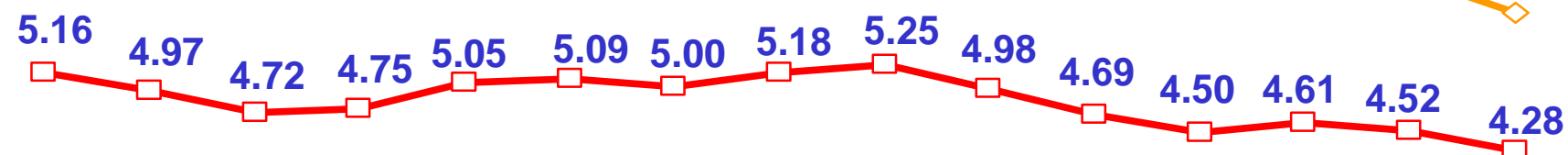
STRONG REVENUES GROWTH

QUARTERLY CUSTOMER SPREAD

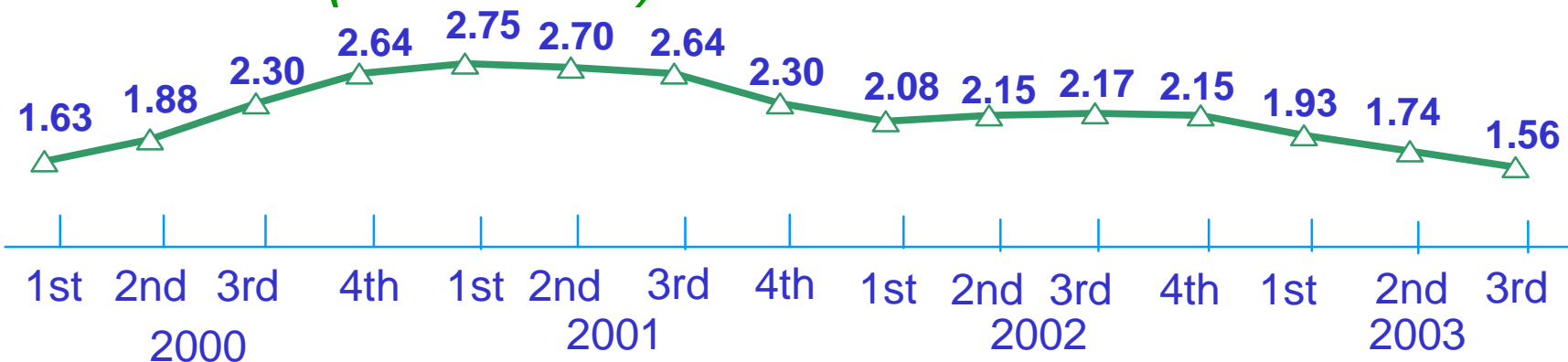
Credit yield (annualized %)



Customer spread (points)

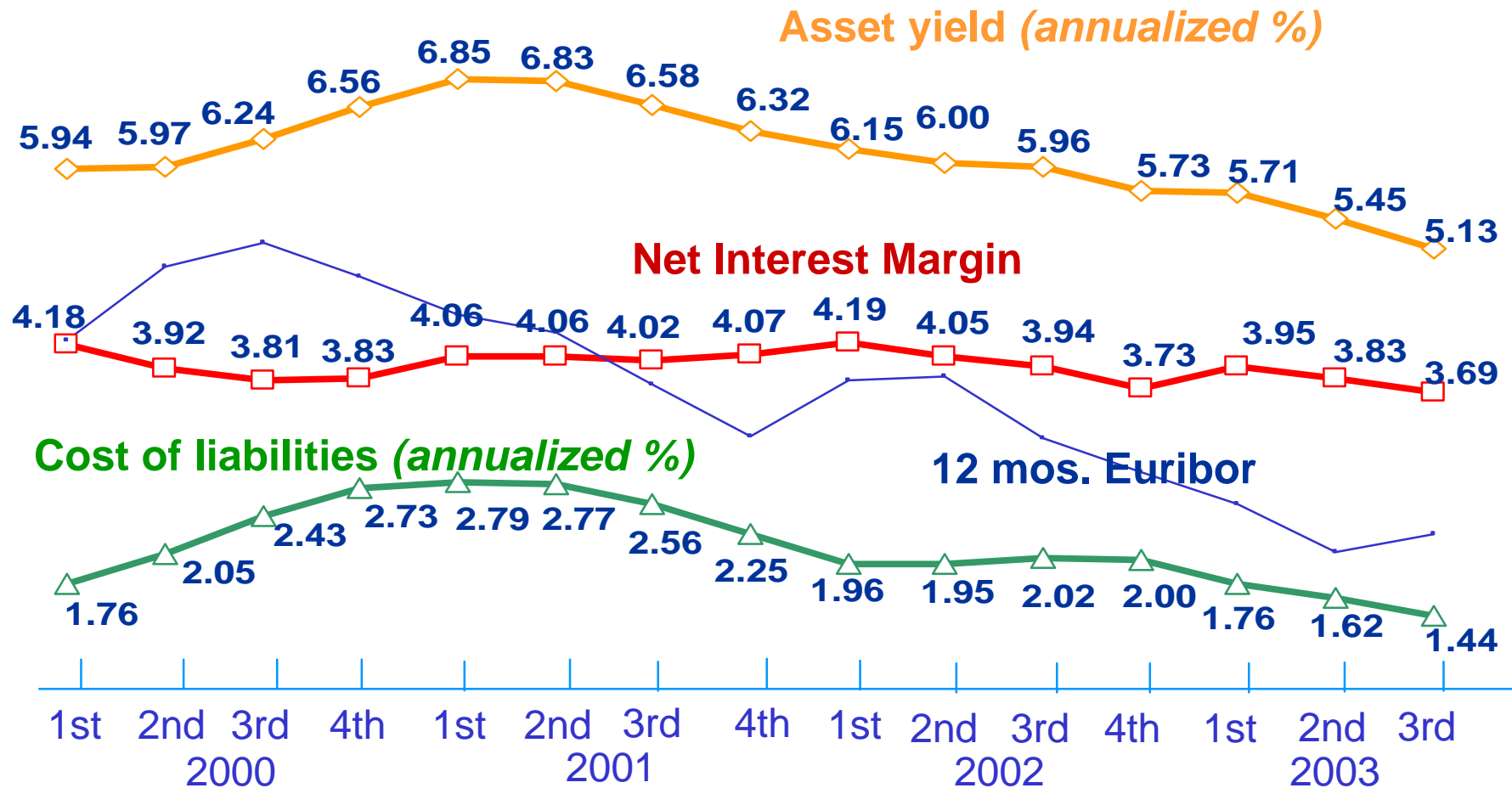


Cost of funds (annualized %)



STRONG REVENUES GROWTH

NET INTEREST MARGIN



OFFSET SPREAD PRESSURE

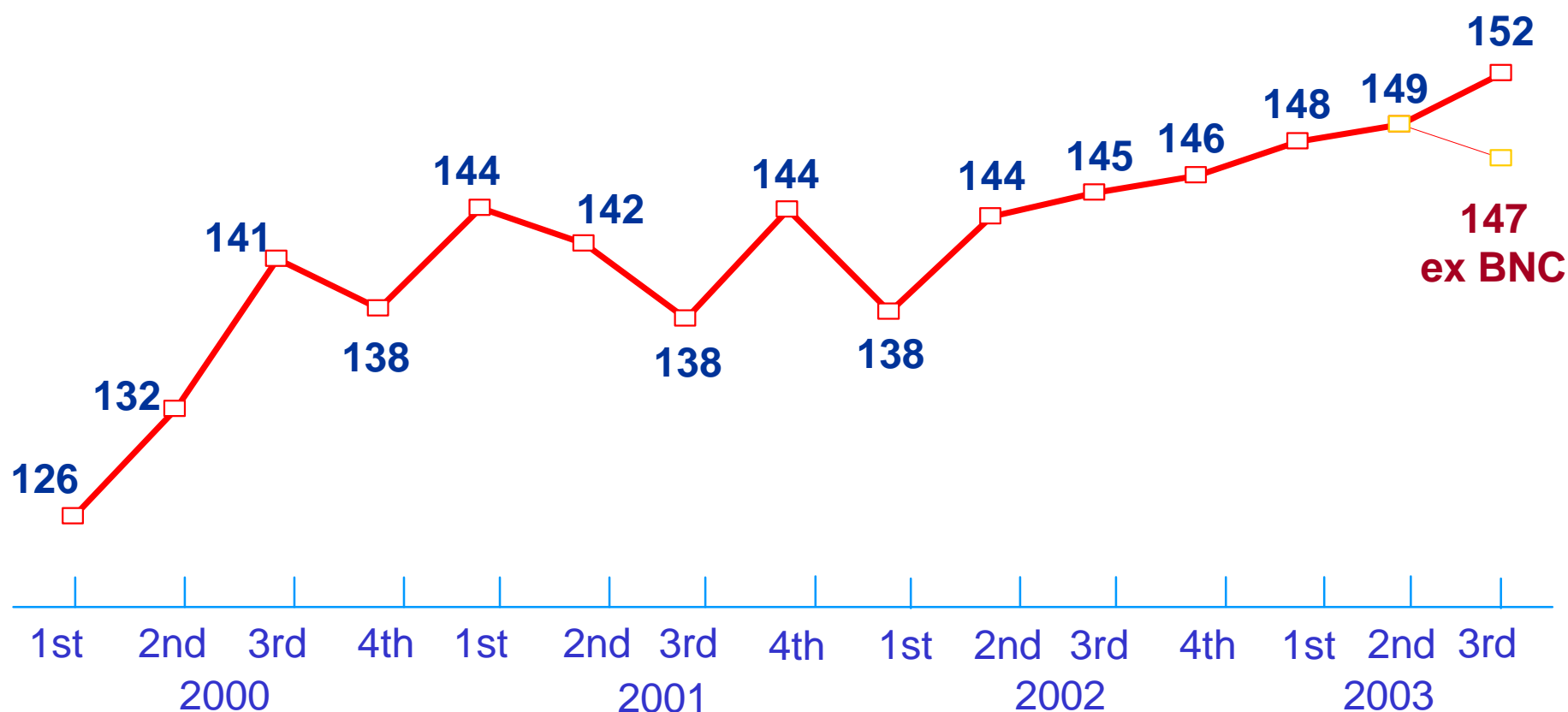
EFFECT ON YIELDS AND COSTS (ex BNC)

| | From Base To | Mar 02/ Jun 02 | Jun 02/ Sep 02 | Sep 02/ Dec 02 | Dec 02/ Mar 03 | Mar 03/ Jun 03 | Jun 03/ Sep 03 |
|---------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Bill discounting | | -0.18 | -0.07 | -0.17 | -0.28 | -0.29 | -0.32 |
| Mortgages | | -0.21 | -0.16 | -0.17 | -0.24 | -0.23 | -0.26 |
| Consumer | | -0.06 | -0.13 | -0.16 | -0.25 | -0.31 | -0.22 |
| Overdrafts | | -0.07 | -0.12 | -0.13 | -0.37 | -0.21 | -0.24 |
| Leasing | | -0.12 | -0.12 | -0.17 | -0.17 | -0.27 | -0.46 |
| TOTAL | | -0.16 | -0.15 | -0.17 | -0.28 | -0.26 | -0.27 |
| Demand Deposits | | 0.05 | -- | -0.18 | -0.06 | -0.11 | -0.01 |
| Time Deposits | | 0.02 | 0.04 | -0.14 | -0.26 | -0.29 | -0.35 |
| Commercial Paper | | 0.10 | 0.03 | -0.28 | -0.41 | -0.40 | -0.14 |
| TOTAL | | 0.03 | 0.04 | -0.20 | -0.15 | -0.21 | -0.15 |
| Differential | | -0.19 | -0.19 | +0.03 | -0.13 | -0.05 | -0.12 |

STRONG REVENUES GROWTH

FEEs FOR SERVICES (Quarter standalone)

(Euro million)



STRONG REVENUES GROWTH

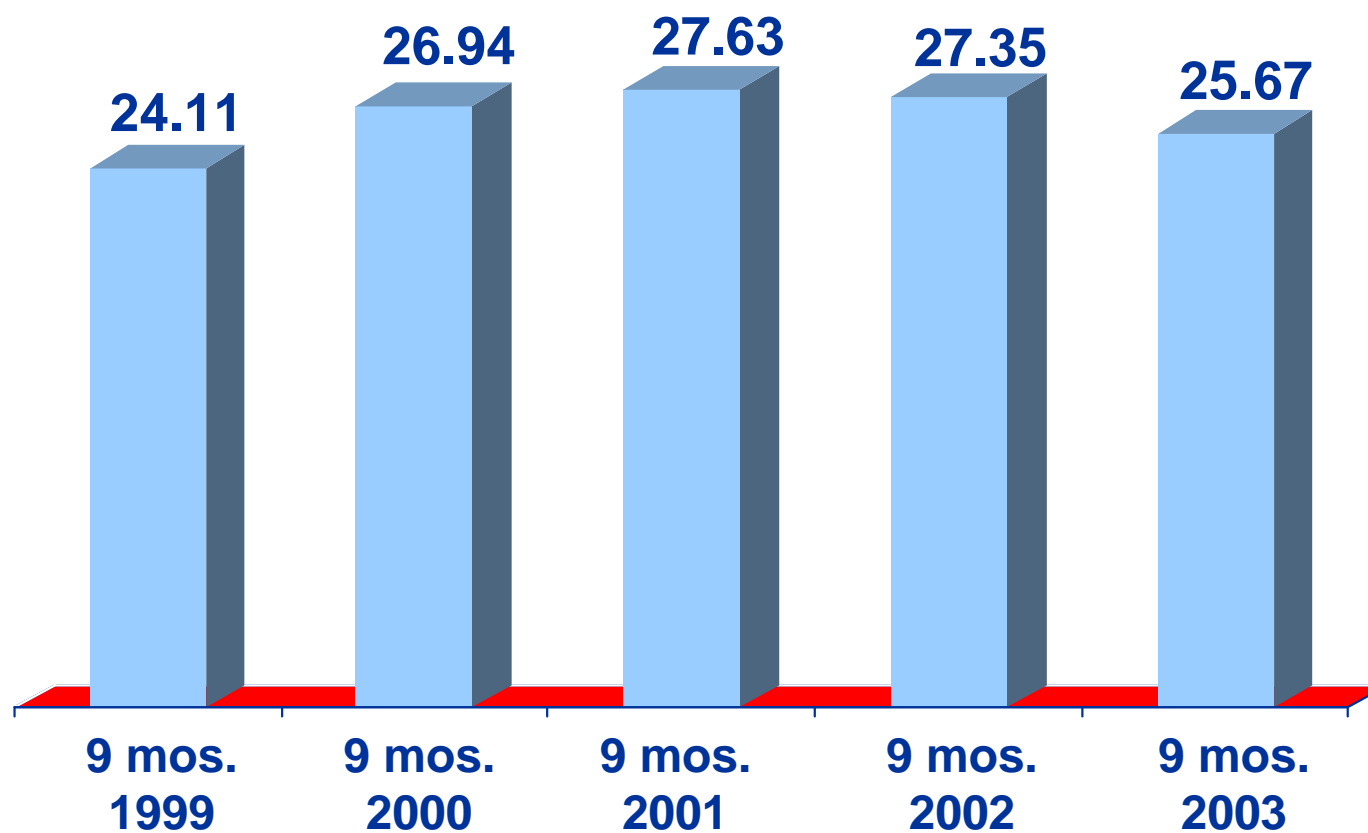
FEEES FOR SERVICES

Year-on-year % accum. Δ

| | <i>March-03</i> | <i>June-03</i> | <i>Sep.-03</i> | <i>As % of total fees</i> |
|-------------------------------|-----------------|----------------|----------------|-------------------------------|
| Loan-related fees | (1.1) | (2.7) | (1.6) | 12.0 |
| Fees from guarantees | 17.3 | 15.3 | 17.4 | 10.9 |
| Collection & card-related | 3.5 | 2.5 | 0.5 | 40.4 |
| Customer financial asset mgt. | (2.1) | 0.8 | 5.0 | 23.9 |
| Mutual funds | (2.4) | 1.1 | 5.7 | 15.6 |
| Other AM | (1.4) | 0.3 | 3.8 | 8.3 |
| Account mgt. Fees | 8.9 | 5.5 | 5.6 | 7.9 |
| Other (inc. Inv. Banking) | 114.9 | 73.9 | 53.0 | 4.9 |
| TOTAL | 7.1 | 5.3 | 5.1 | 100 |
| Exc. BNC | | | 4.1 | |

BEST ROE

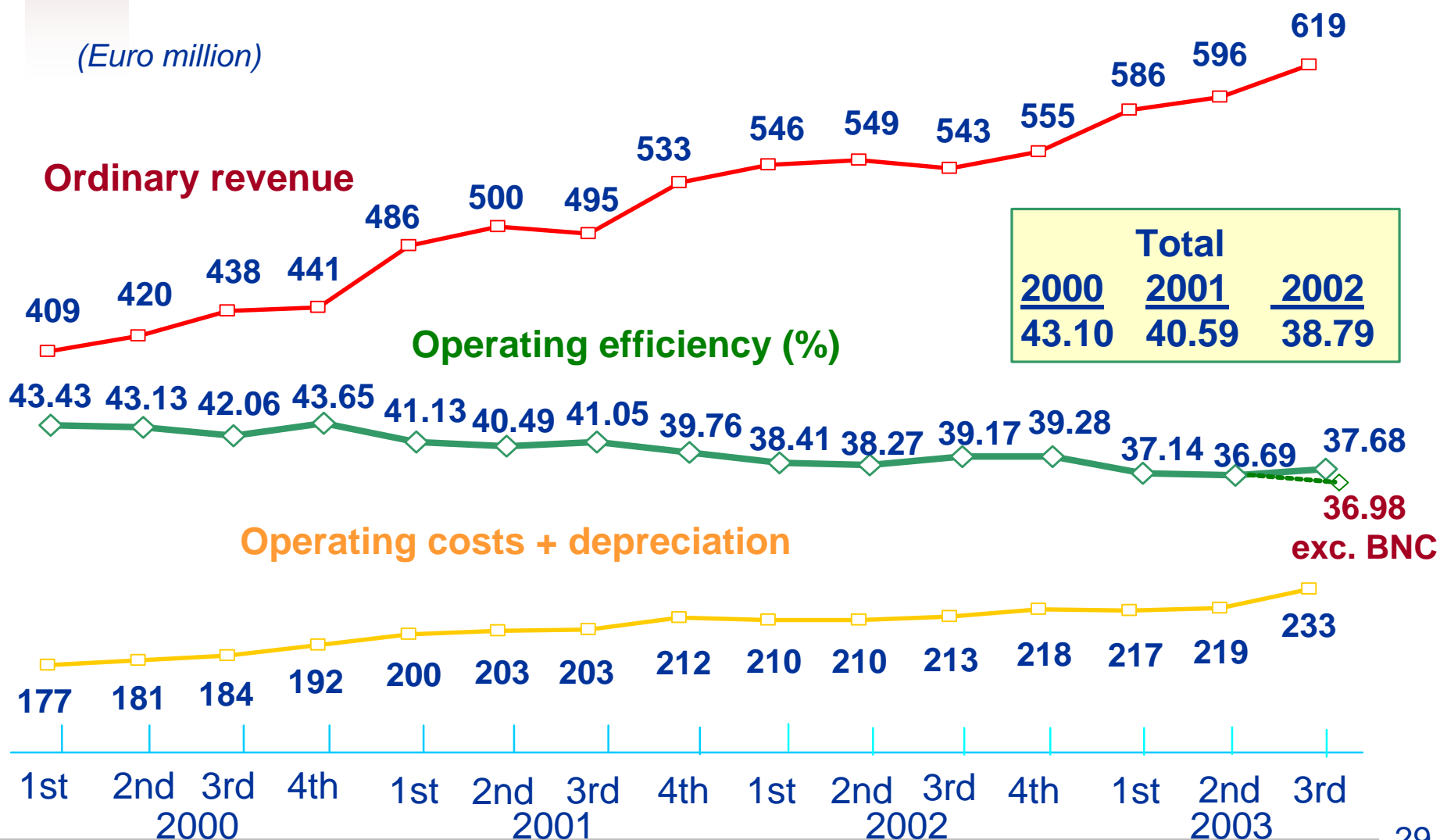
ROE (%)



BEST COST/INCOME RATIO

COST/INCOME RATIO

(Euro million)



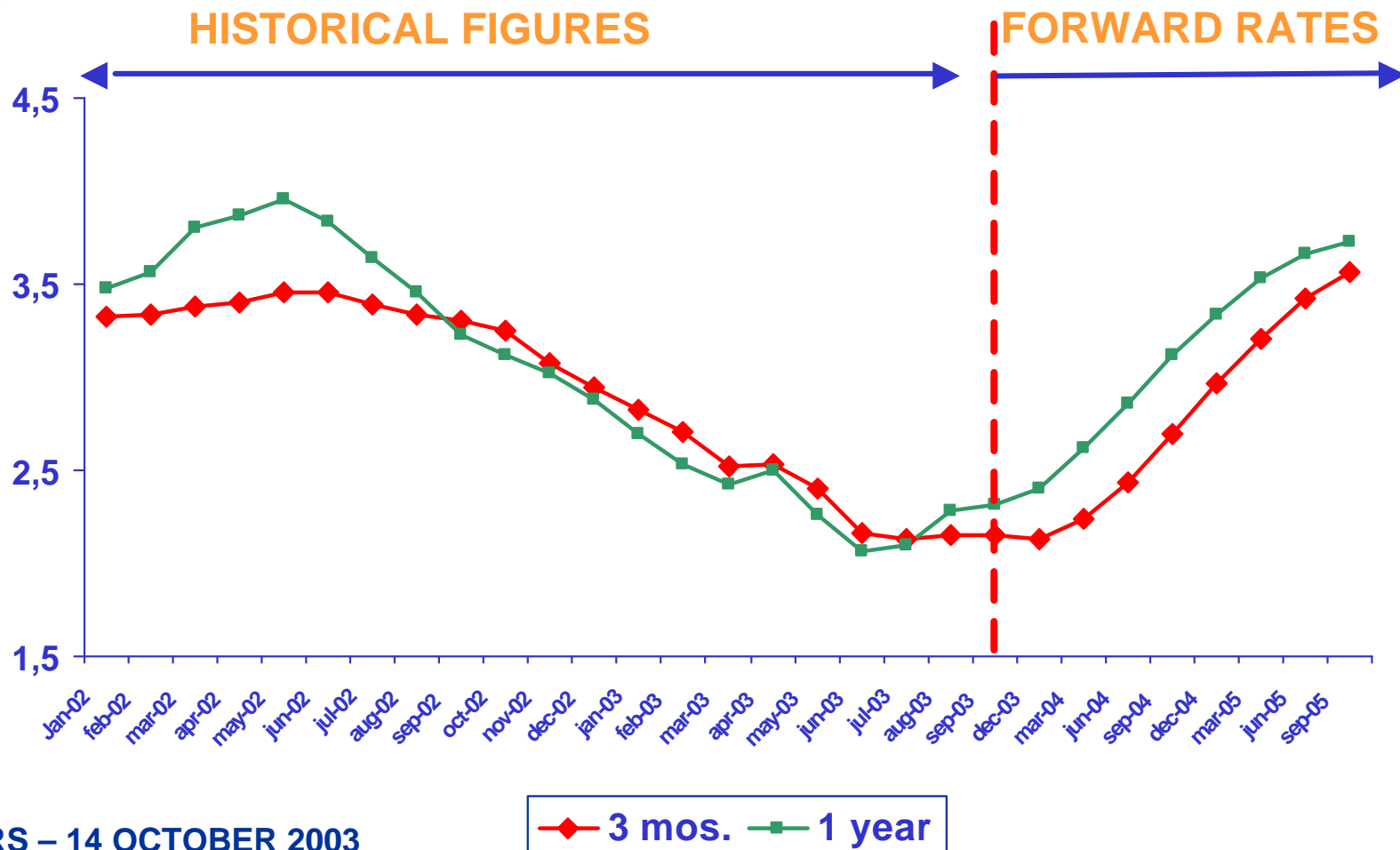
LOOKING AHEAD

**From 2004 onwards, the Macro environment
will work for Banco Popular**

- ▶ **Increasing interest rates will boost the Income before taxes:
for 1 % increase → + 130 million €**
- ▶ **GDP growth will boost credit demand from
SMEs & individuals**

LOOKING AHEAD

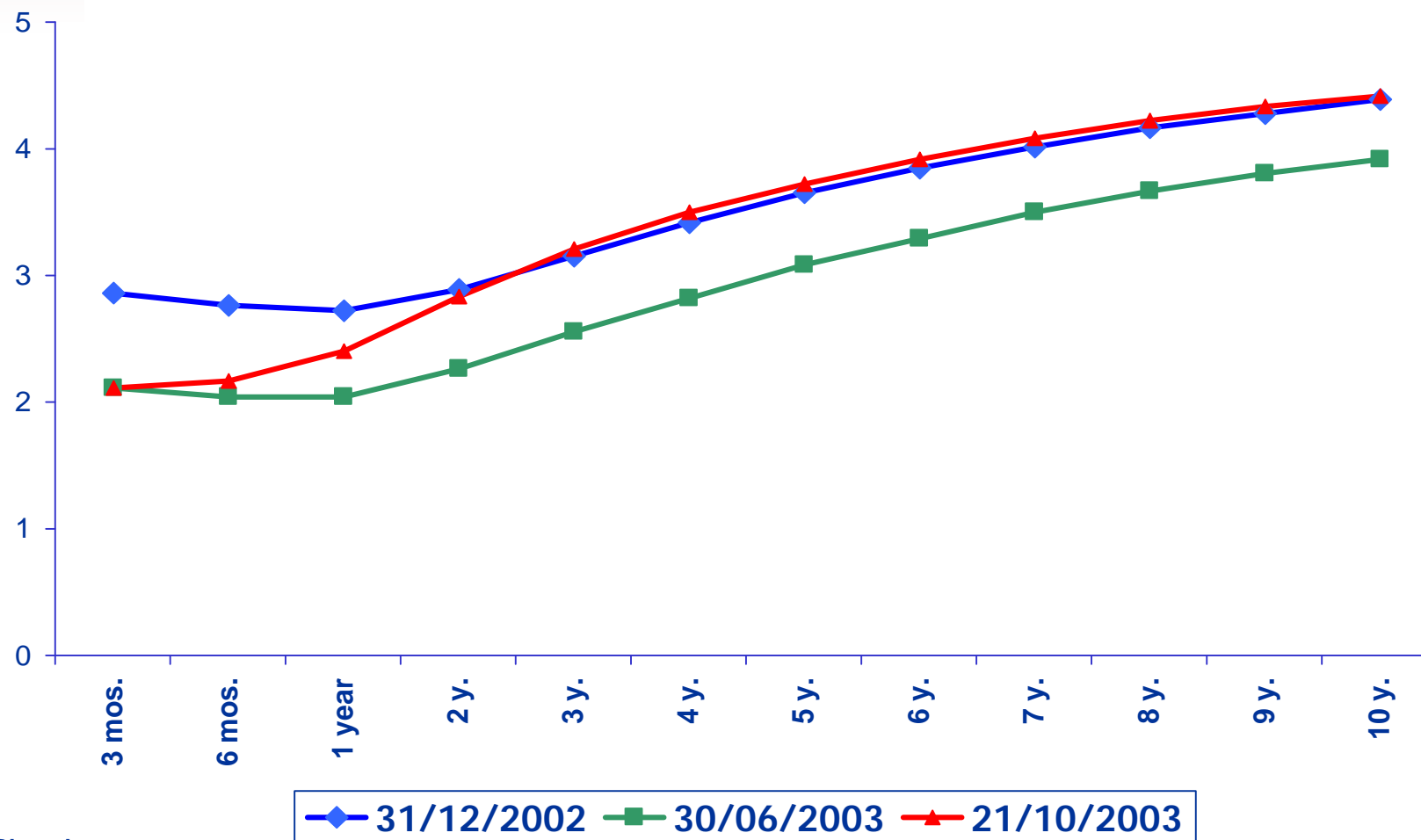
INTEREST RATES TRENDS: Change of cycle



REUTERS – 14 OCTOBER 2003

OFFSET PRESSURE ON SPREAD

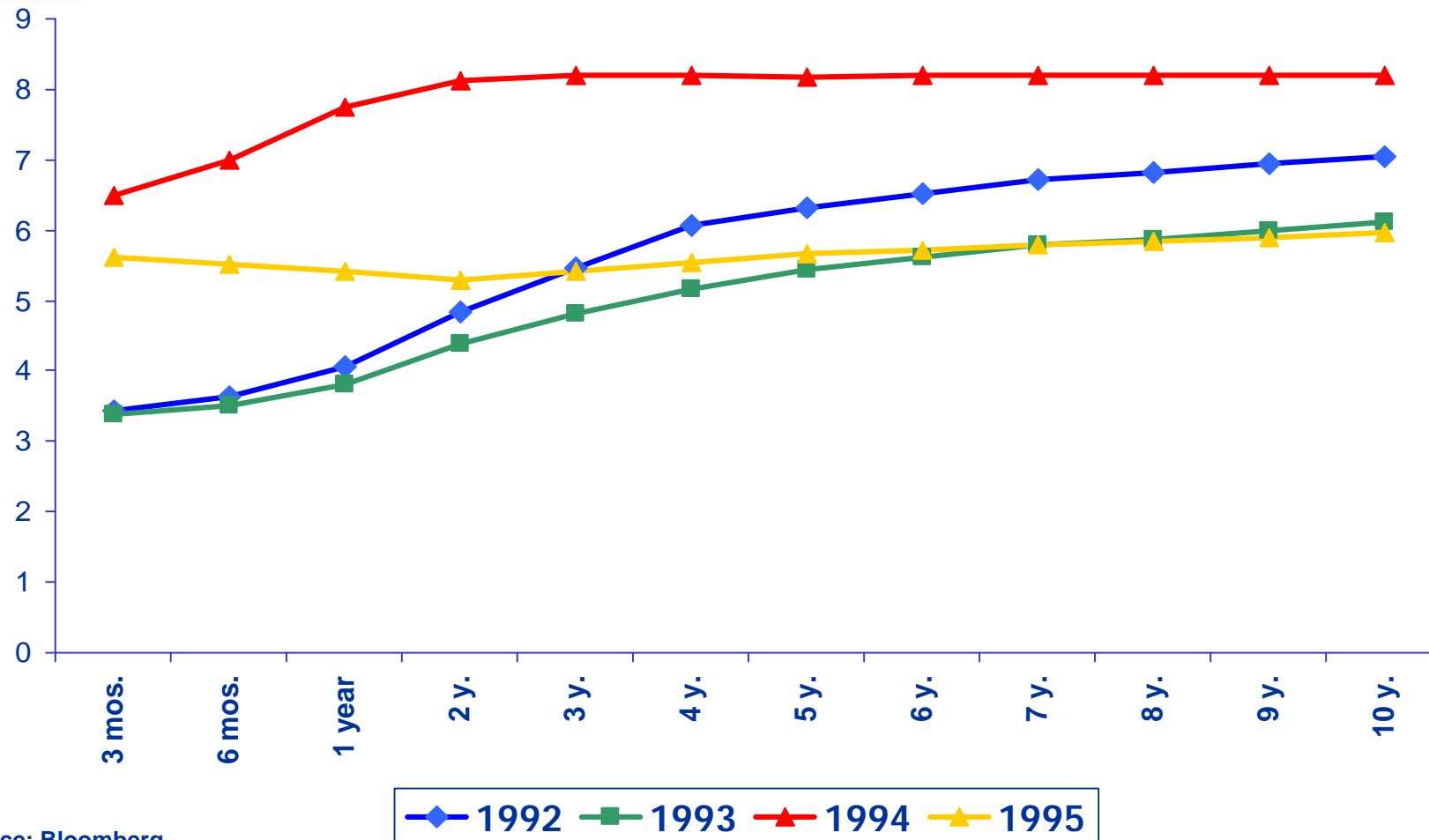
EURO SWAP ANNUAL



Source: Bloomberg

OFFSET PRESSURE ON SPREAD

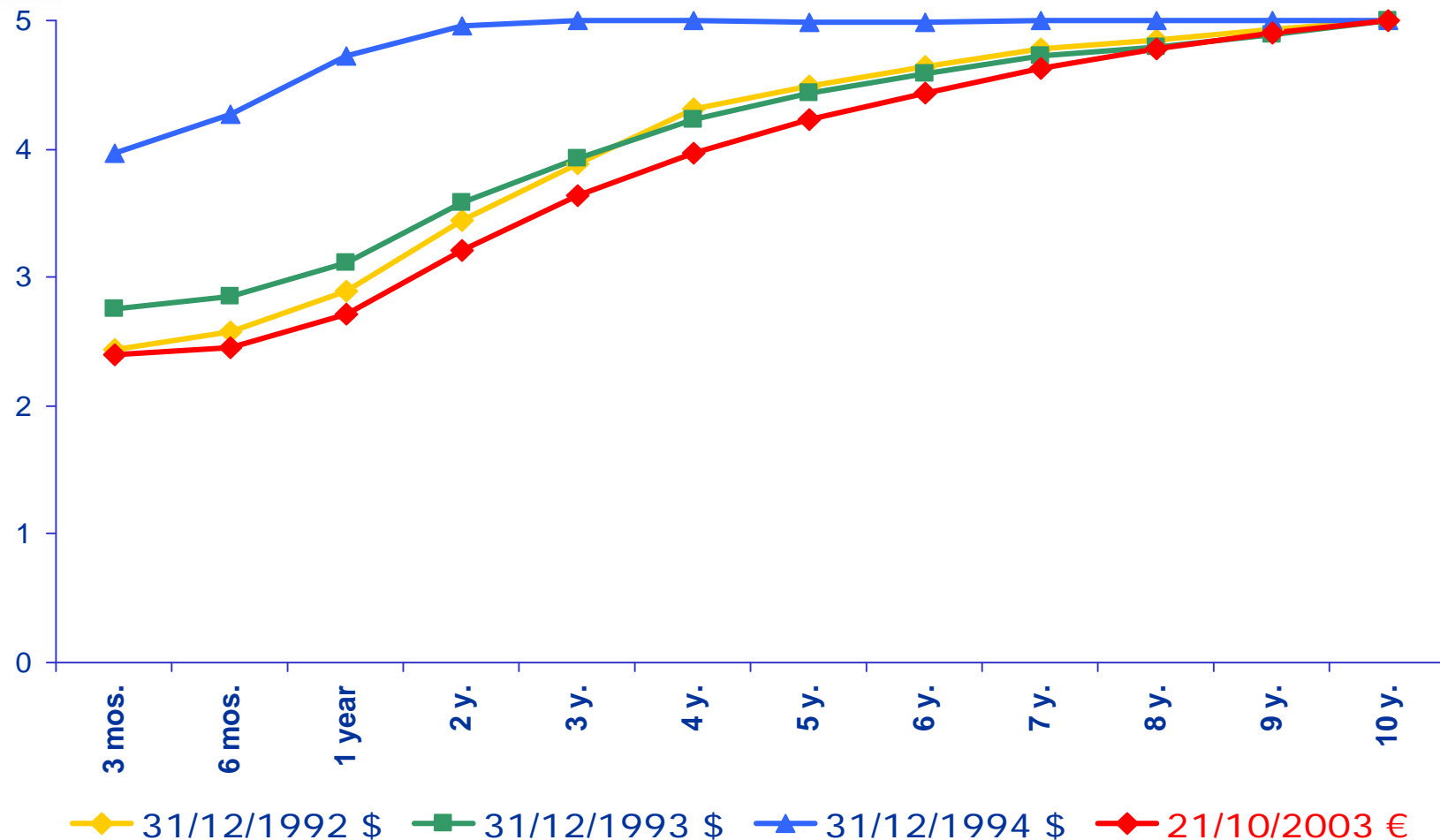
1992-95 \$ INTEREST RATES PATTERNS



Source: Bloomberg

OFFSET PRESSURE ON SPREAD

IF INTEREST RATES FOLLOW 1992-95 PATTERN

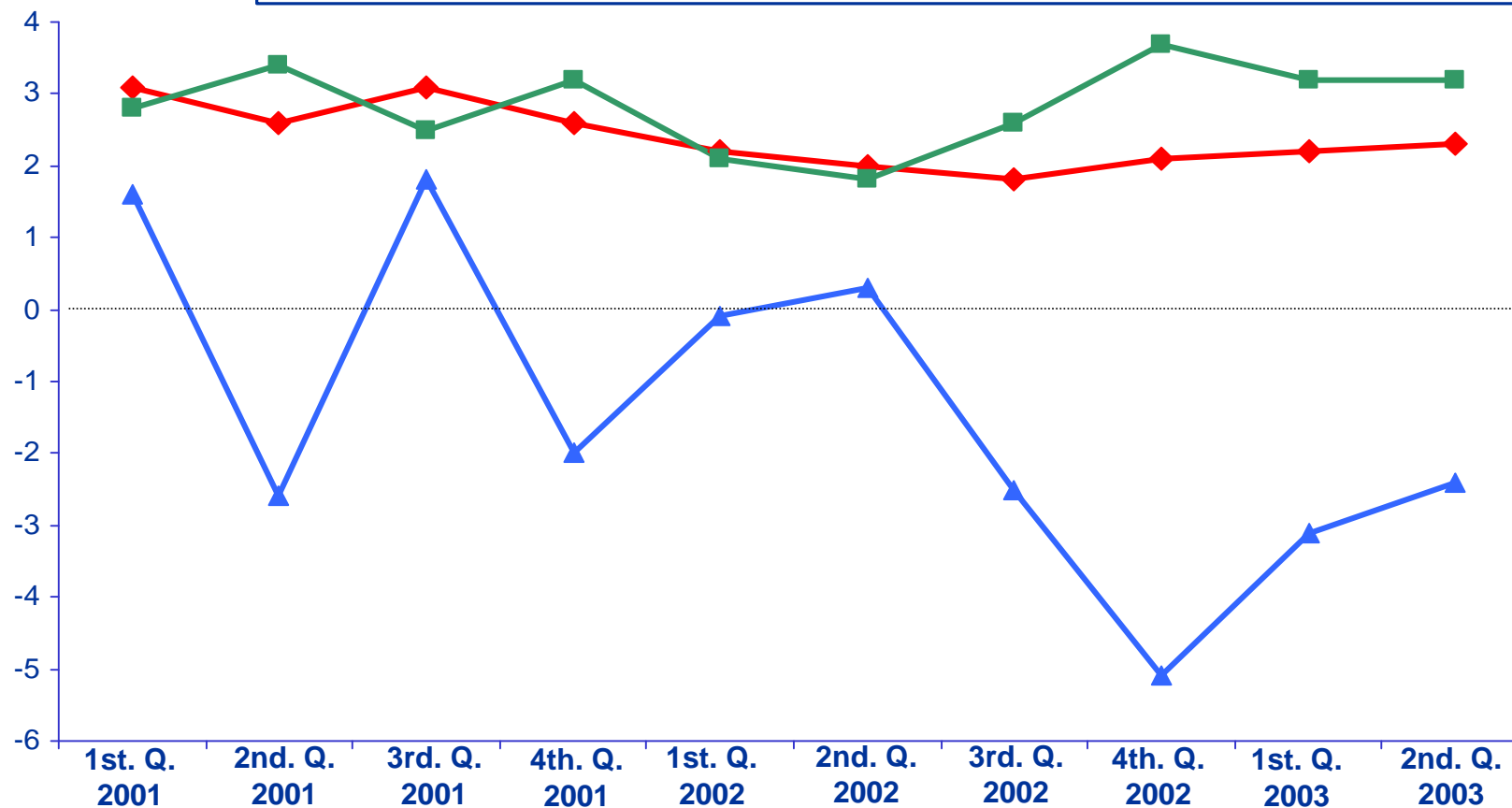


Source: Bloomberg

LOOKING AHEAD: DRIVERS OF SPAIN GDP GROWTH

% annual growth (standalone quarters)

**Internal demand is sustaining Spanish recovery,
timid but already in place**



Source: INE

◆ GDP

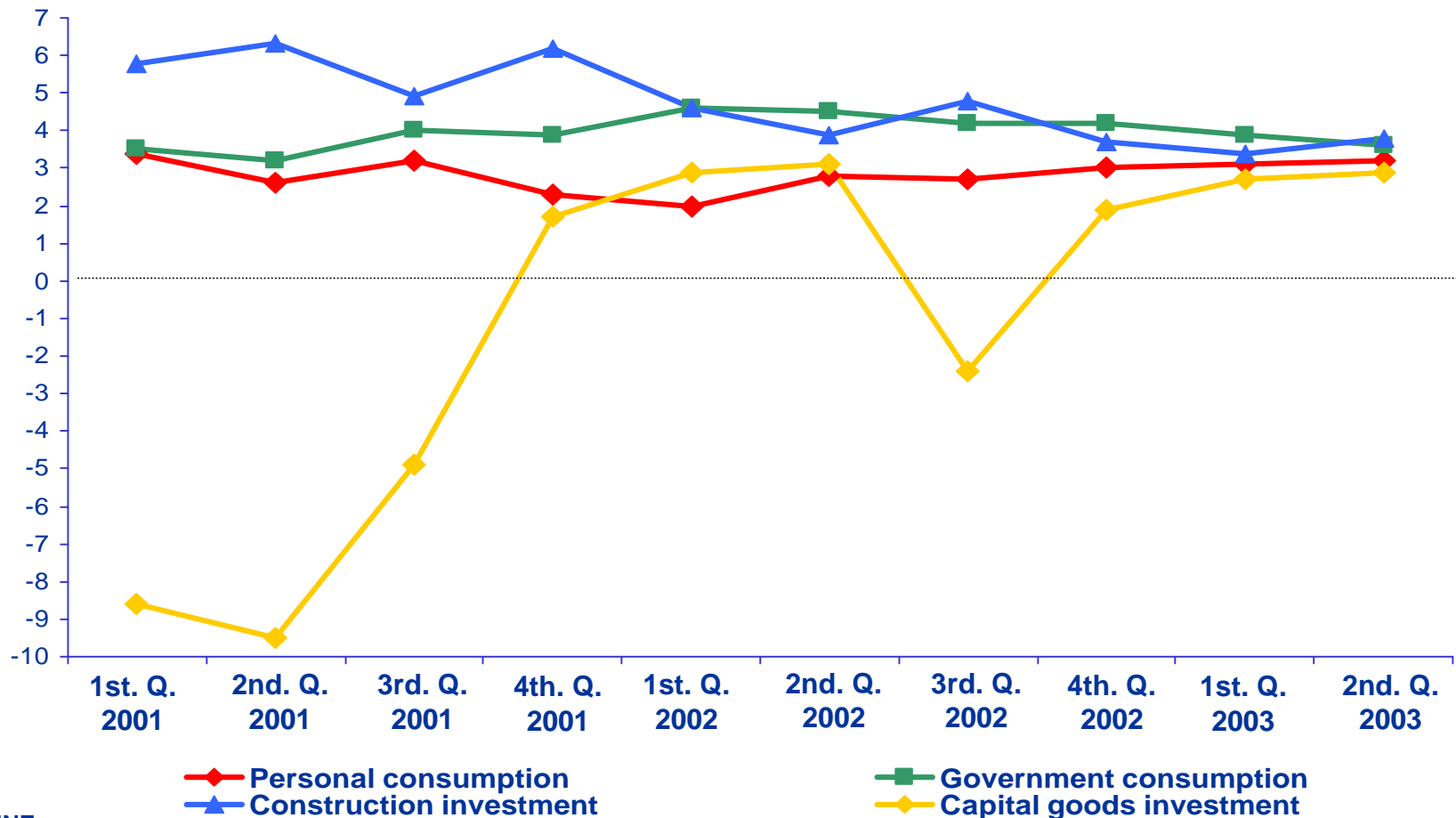
■ Internal Demand

▲ Balance of Trade

LOOKING AHEAD: DRIVERS OF SPAIN INTERNAL DEMAND

% annual growth (standalone periods)

Capital goods investment is taking over and personal consumption is not flagging

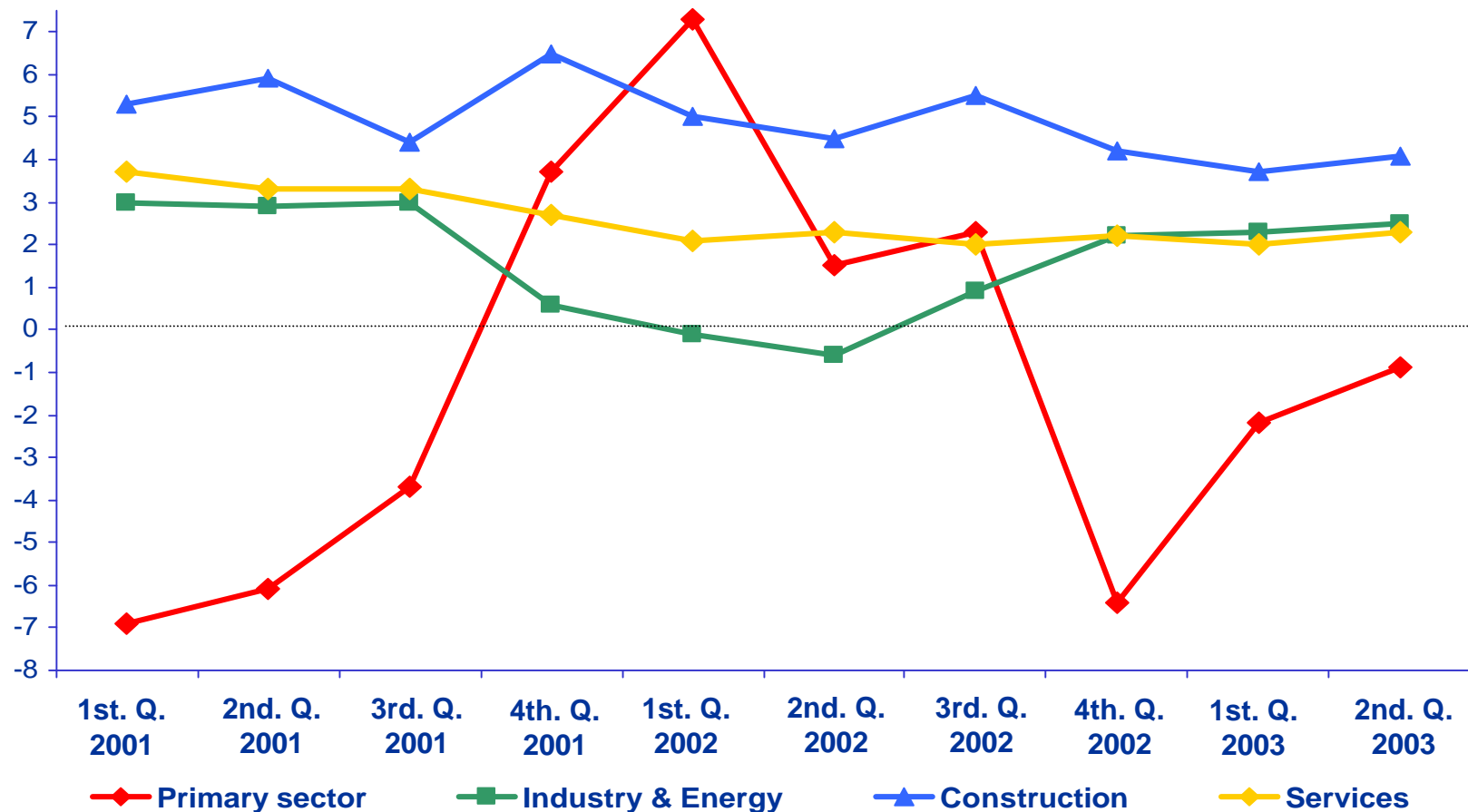


Source: INE

LOOKING AHEAD: STRUCTURE OF SPAIN DEMAND GROWTH

% annual growth gross added value

Industry's driving power is coming back



Source: INE

LOOKING AHEAD: POSITIVE IMPACT FROM RATES INCREASE

DURATION

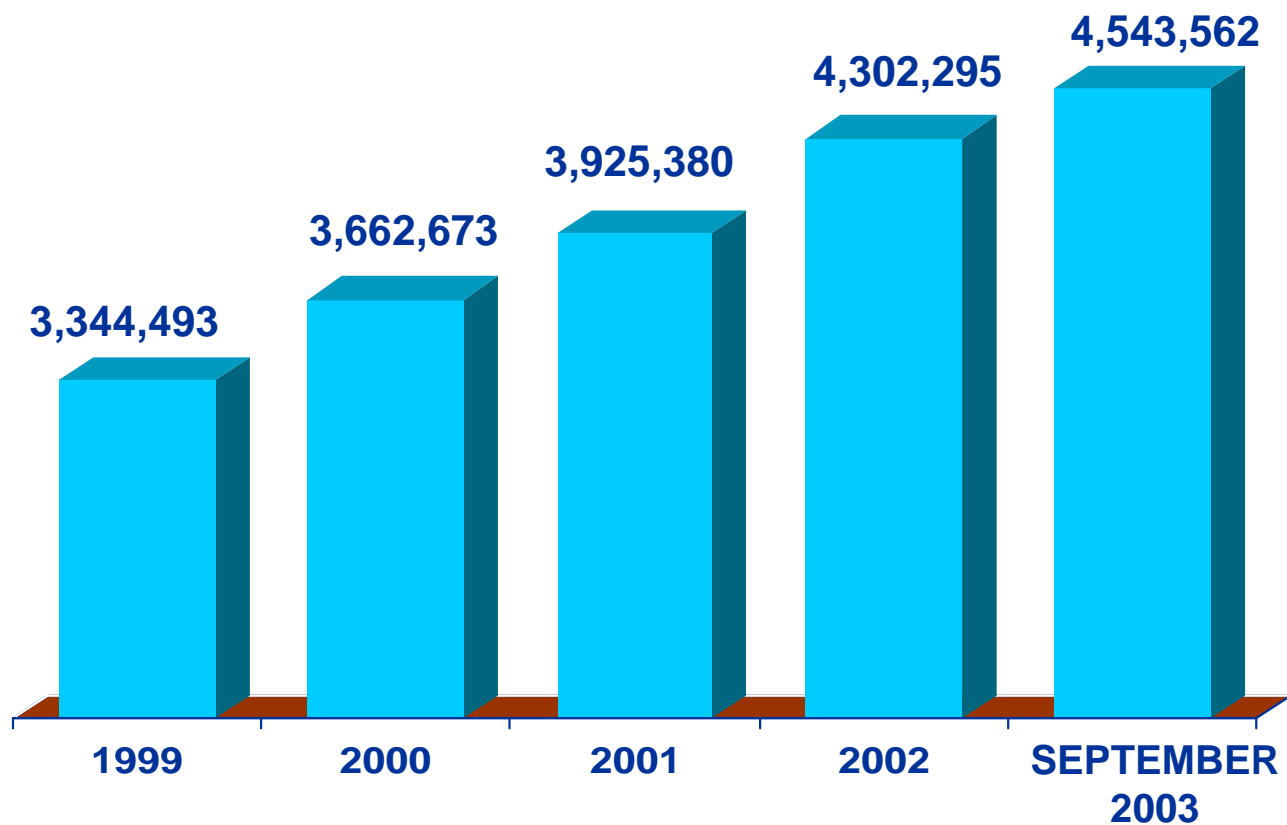
(September 30, 2003)

Holding Period 365

| | Amount MM Euros | Interest Rate % | PV MM Euros | Duration Days | PV MM Euros | Duration Days |
|-----------------------------|--------------------|--------------------|-----------------|------------------|-----------------|------------------|
| SENSITIVE ASSETS | 44,460.1 | 4.34 | 45,032.5 | 182.75 | 43,547.4 | 130.22 |
| MONETARY MARKET | 8,379.5 | 2.20 | 8,410.7 | 51.24 | 8,359.5 | 48.53 |
| LOANS | 35,625.7 | 4.84 | 36,170.0 | 172.90 | 35,161.2 | 149.57 |
| SECURITIES | 454.9 | 4.60 | 451.8 | 3,419.32 | 26.7 | 218.67 |
| SENSITIVE LIABILITES | 31,493.3 | 2.13 | 31,575.4 | 73.37 | 31,059.4 | 61.28 |
| MONETARY MARKET | 15,342.1 | 2.20 | 15,380.8 | 60.49 | 15,196.4 | 52.21 |
| CUSTOMER DEPOSITS | 12,408.3 | 1.97 | 12,438.8 | 93.35 | 12,111.4 | 73.21 |
| SECURITIES | 3,742.9 | 2.34 | 3,755.8 | 59.95 | 3,751.6 | 59.49 |
| EQUITY | 2,903.8 | | 13,457.1 | 439.41 | | |

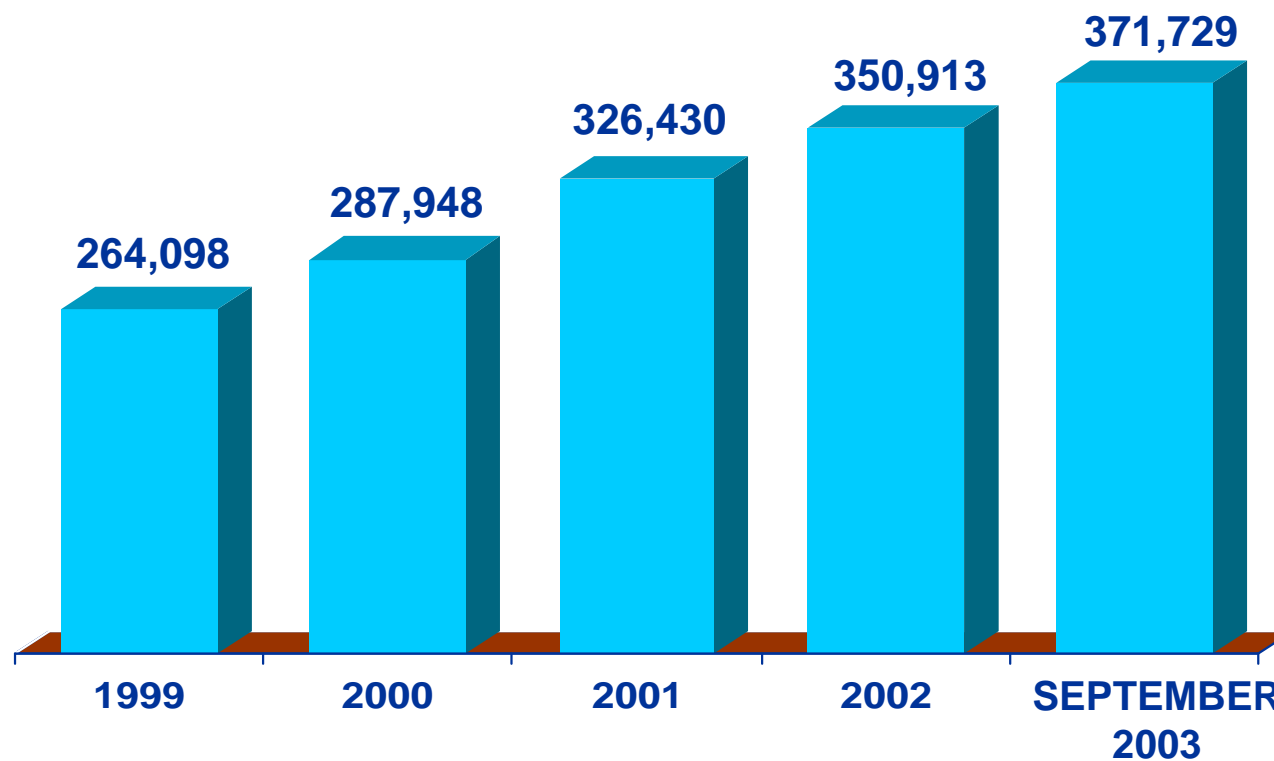
LOOKING AHEAD: NEW CLIENTS

INDIVIDUALS (ex BNC)



LOOKING AHEAD: NEW CLIENTS

CORPORATES (ex BNC)



LOOKING AHEAD: NEW PERIMETER

**From 2004 onwards, the expanded perimeter
will deliver additional business growth**

From recent acquisitions:

2001: Heller Factoring Portugal

2001: Iberagentes → Private Bank

2002: 50% of Banco Popular Hipotecario

2003: BNC Portugal

+ From new branches:

1999: + 75 new branches

2000: + 90 new branches

2001: + 93 new branches

2002: + 40 new branches

Total: + 298 new branches

LOOKING AHEAD: A NEW BANK



September 30, 2003

BNC - BALANCE SHEET

| | Of total Assets (%) | % Δ |
|-------------------|------------------------|------------|
| Monetary Market | 9.05 | -47.6 |
| Loans | 84.57 | 17.6 |
| Securities | 1.82 | -7.6 |
| Other | 4.56 | - |
| Total assets | 100.00 | 5.2 |
| Monetary Market | 18.58 | 63.1 |
| Customer deposits | 69.81 | -2.4 |
| Securities | 1.23 | -45.6 |
| Other | 10.38 | - |
| Total liabilities | 100.00 | 5.2 |

LOOKING AHEAD: A NEW BANK



BNC - INCOME STATEMENT

y-on-y accum.% Δ

| | 1st. Q.03 | 1st. Half 03 | 9 mos. 03 |
|-------------------------|-----------|--------------|-----------|
| Net interest revenue | -1.1 | -0.8 | 2.0 |
| Fees for services | 34.7 | 31.3 | 27.5 |
| Ordinary revenue | 4.0 | 5.1 | 7.8 |
| Operating cost | 4.2 | 4.8 | 5.2 |
| Operating income | 3.4 | 3.8 | 13.7 |
| Income before taxes | -59.1 | -47.8 | -35.4 |
| Net income attributable | -57.6 | -46.8 | -33.8 |

LOOKING AHEAD: A NEW BANK



BNC - GROWTH TARGETS IN 2003 - 2007

Average loan growth → 20% annual

Average deposit growth → 14% “

Loan spread → from Euribor +310 pbts, in 2003
to Euribor +200 pbts in 2007

Deposit spread:

Demand → from Euribor –165 pbts in 2003
to –175 pbts in 2007

Time → remain at Euribor

Increase in fee income → 20% annual

LOOKING AHEAD: A NEW BANK



BNC – TO ATTAIN THESE TARGETS

| | 2003 | 2007 |
|----------------------|-------|-------|
| No. branches | 130 | 200 |
| No. employees | 1,133 | 1,548 |
| Employees per branch | 8.7 | 7.7 |

LOOKING AHEAD: A NEW BANK



BNC – EXPECTED RESULTS

| | 2003 | 2007 |
|-------------------|------|------|
| Cost income ratio | 48.5 | 37.8 |
| ROE | 8.8 | 15.4 |
| ROA | 0.6 | 1.0 |

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