

Banco Popular

The Success of a Strategy

July 2002

STRATEGY

1 Optimise short term performance

Horizon: 2002 & 2003

2 Build up medium term momentum

Horizon: 2004 through 2007

STRATEGY

Optimise short term performance

1 Main gauge: cost/income ratio

**fast revenues growth
slower cost growth**

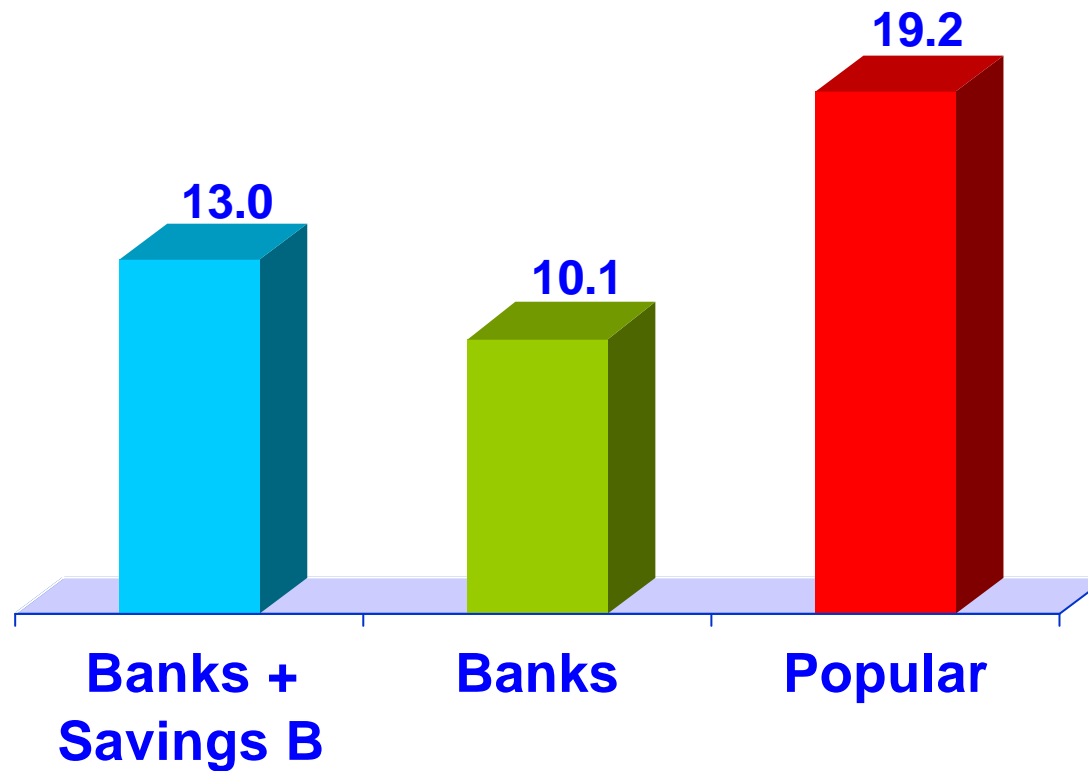
2 Close credit quality monitoring

STRATEGY

Optimise short term performance

LOANS OF PRIVATE-SECTOR RESIDENTS

(May 31, 2002 year-on-year % change)



STRATEGY

Optimise short term performance

CORE LOAN BUSINESS (Residents only)

	<i>April</i>	<i>May</i>	<i>June</i>
Bill discounting	(1.1)	(3.2)	(4.1)
Mortgage	31.3	31.8	31.7
Personal & overdrafts	8.6	7.9	7.3
Leasing	12.4	11.2	11.6
TOTAL CORE LOAN PORTFOLIO	16.1	15.7	15.2

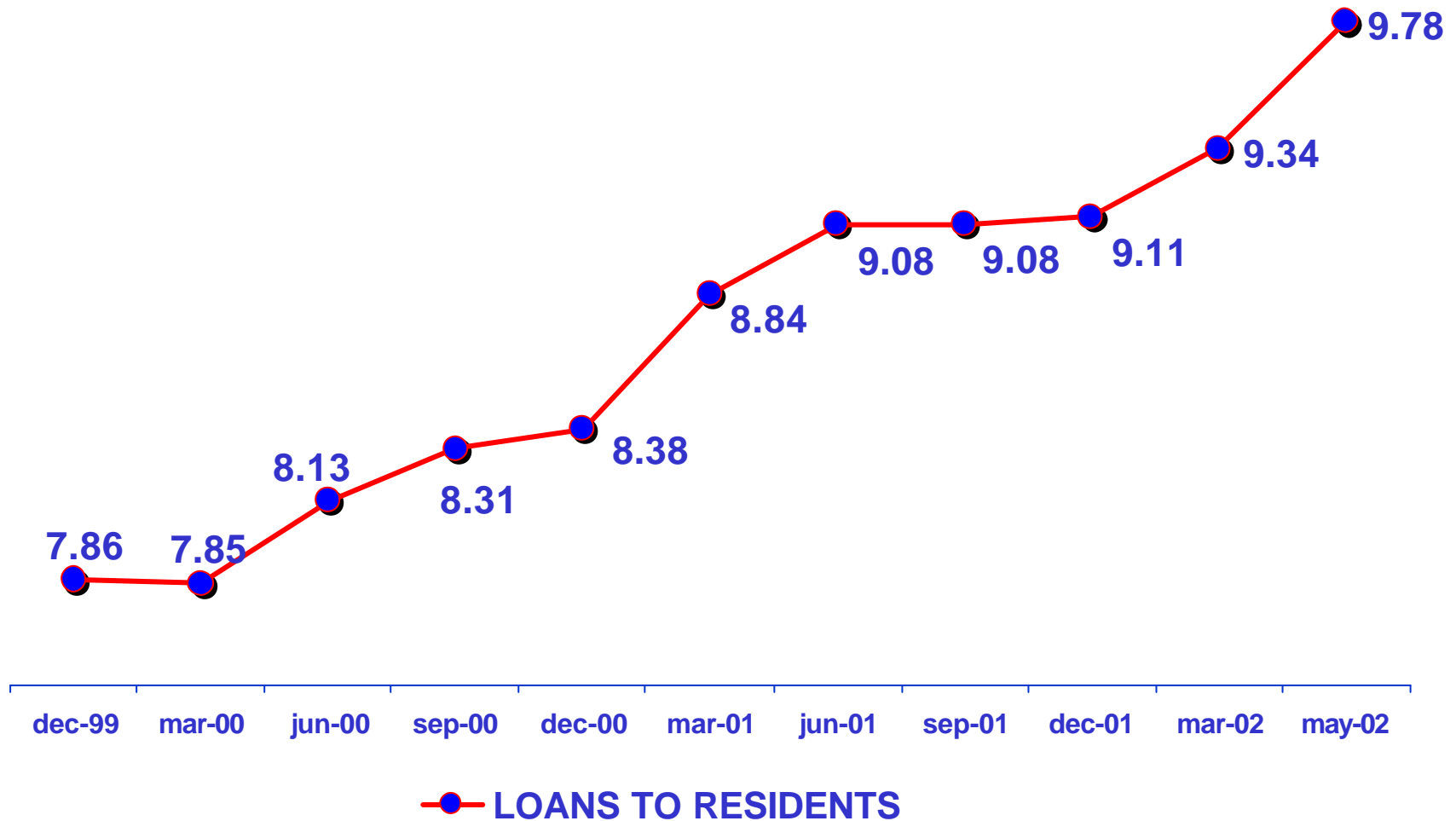
Excluding NPLs, REPOs & Advances to Social Security & BPH

Total resident lending	16.2	19.2	16.9
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STRATEGY

Optimise short term performance

MARKET SHARE OVER COMMERCIAL BANKS



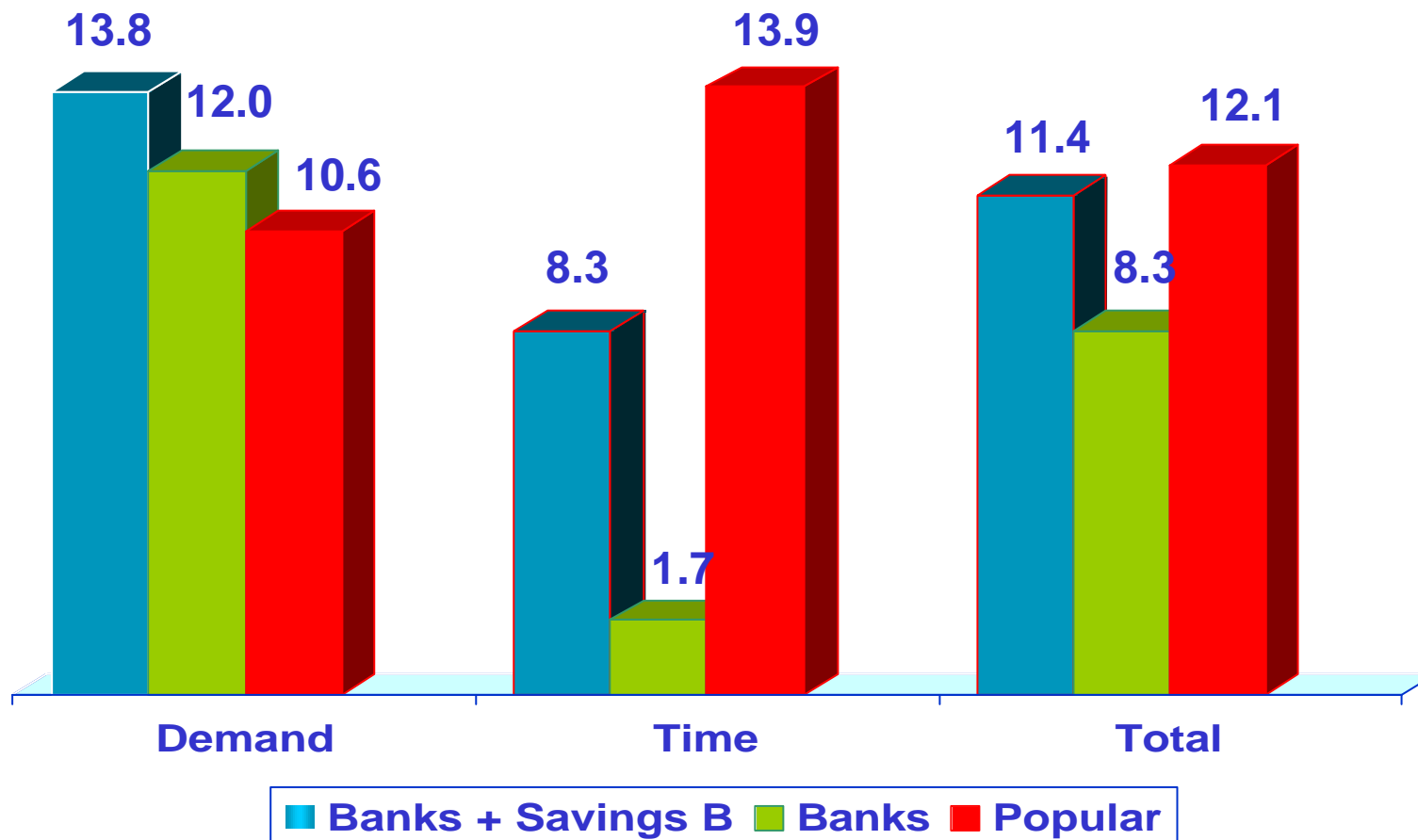
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STRATEGY

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GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(May 31, 2002 year-on-year % change)



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STRATEGY

Optimise short term performance

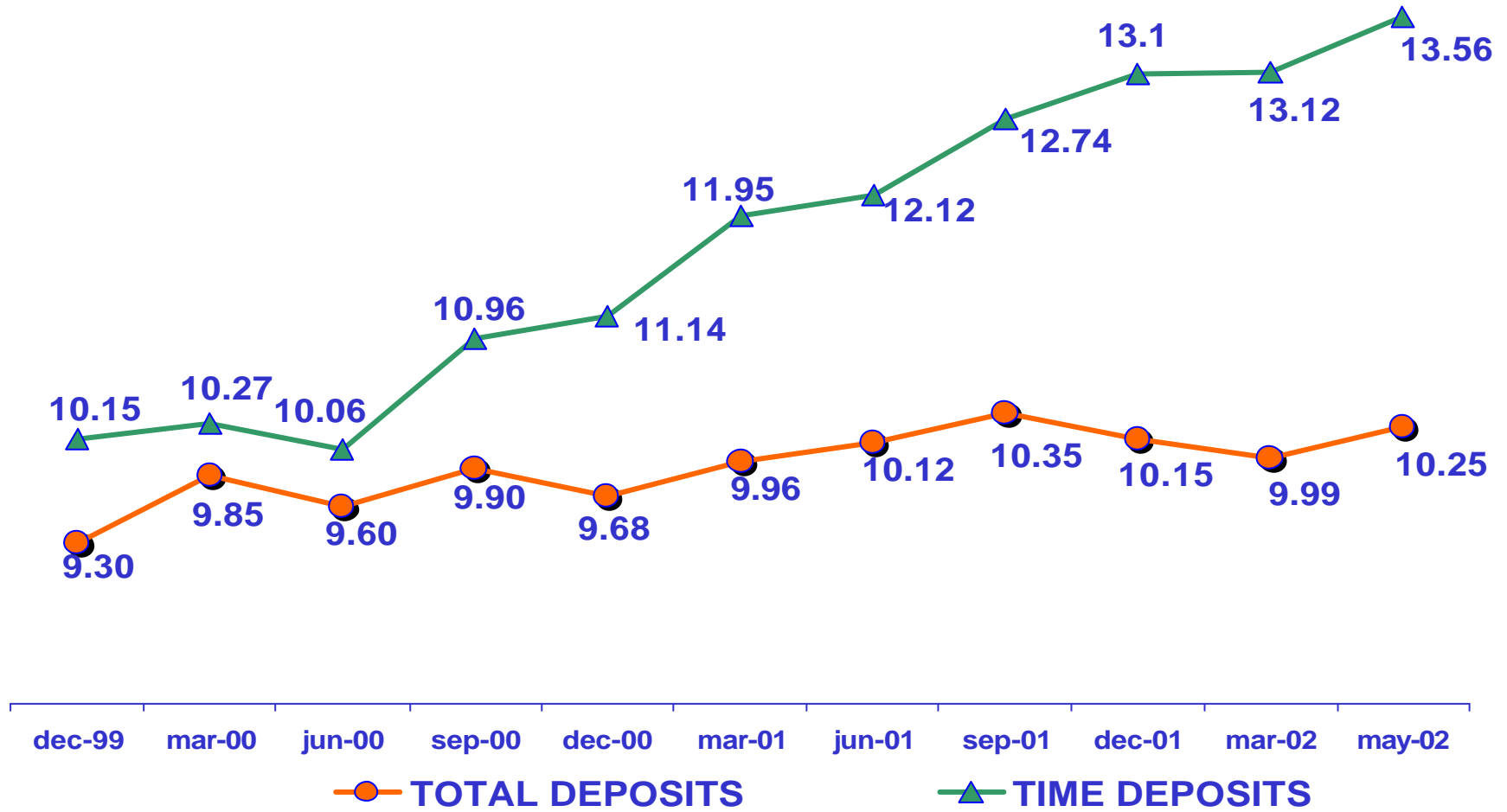
CORE RESIDENTS CUSTOMER DEPOSITS

	<i>April</i>	<i>May</i>	<i>June</i>
Demand deposits	10.9	10.6	9.1
Time deposits	14.2	13.9	12.4
Customers commercial paper	42.5	44.5	52.8
TOTAL	13.8	13.7	12.6

STRATEGY

Optimise short term performance

MARKET SHARE OVER COMMERCIAL BANKS



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STRATEGY

Optimise short term performance

MAJOR PRODUCTS MARKET SHARE

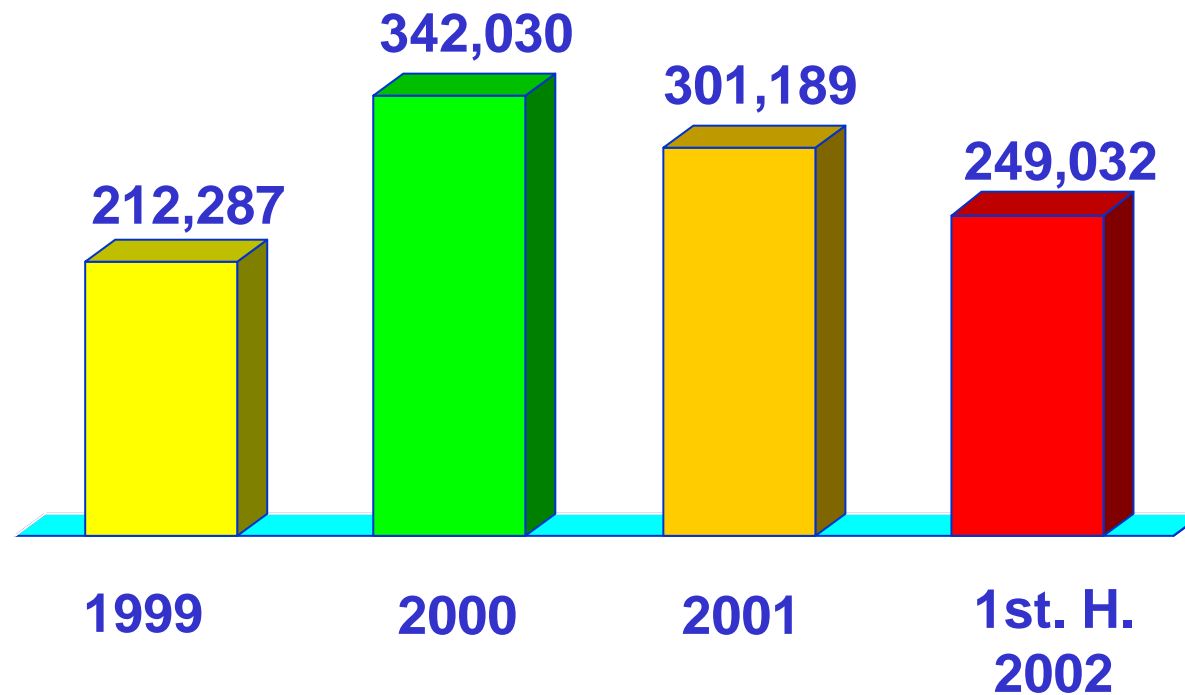
	Growth rate (june-02)		Market share (mar-02)
	w/BPH	without BPH	
Bill discounting	(6.3)	(6.3)	10.8
Mortgage loans	38.7	31.7	3.7
Personal loans & overdrafts	6.6	6.5	4.2
Leasing	13.4	11.6	8.9
Factoring	27.2	27.2	7.4
Pension funds*	27.6	27.6	7.3
Mutual funds	(3.7)	(3.7)	3.2

* Assets in private/individual accounts

STRATEGY

Optimise short term performance

NET NEW CLIENTS

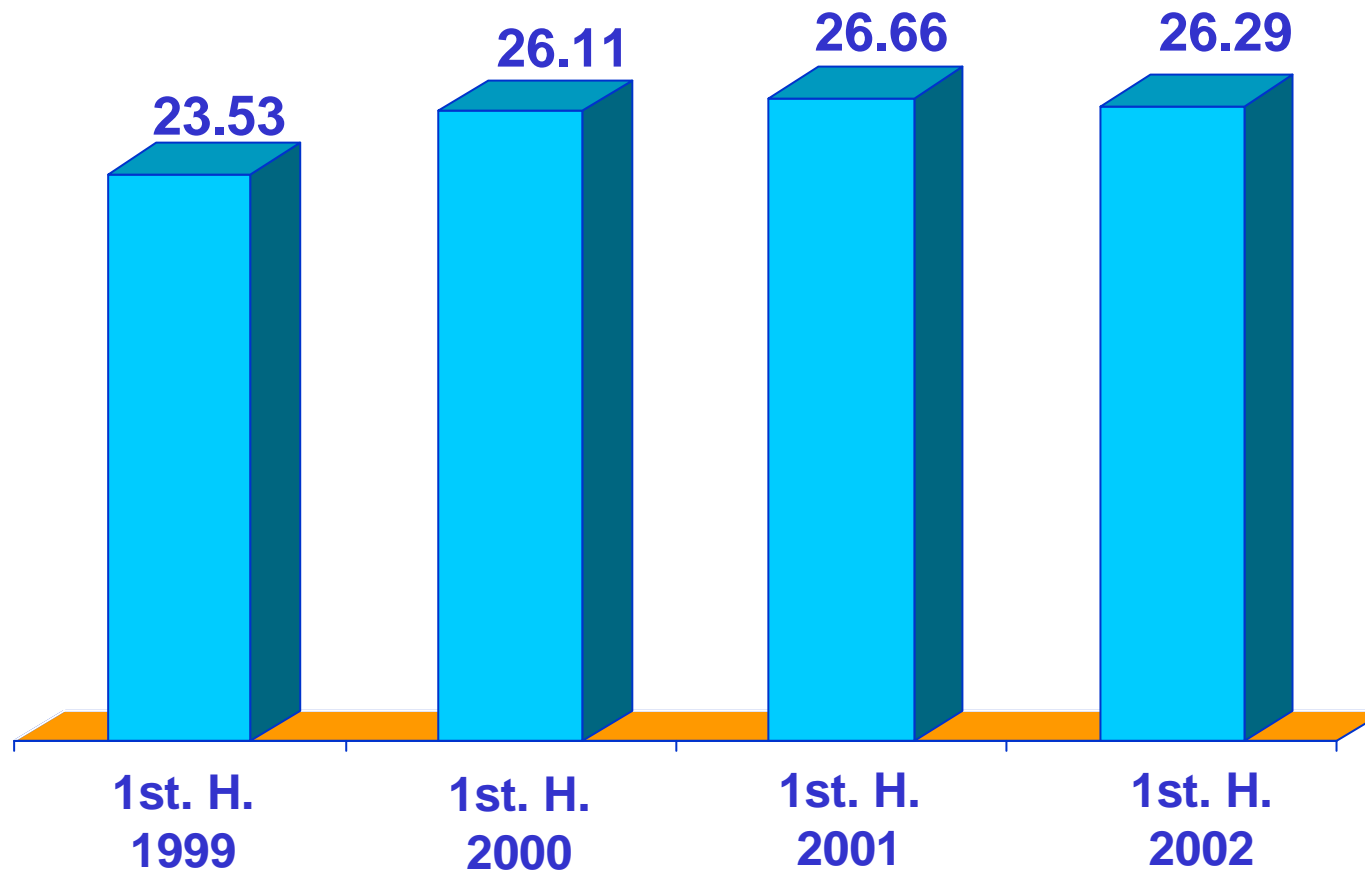


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ROE (%)



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(Accumulated % change)

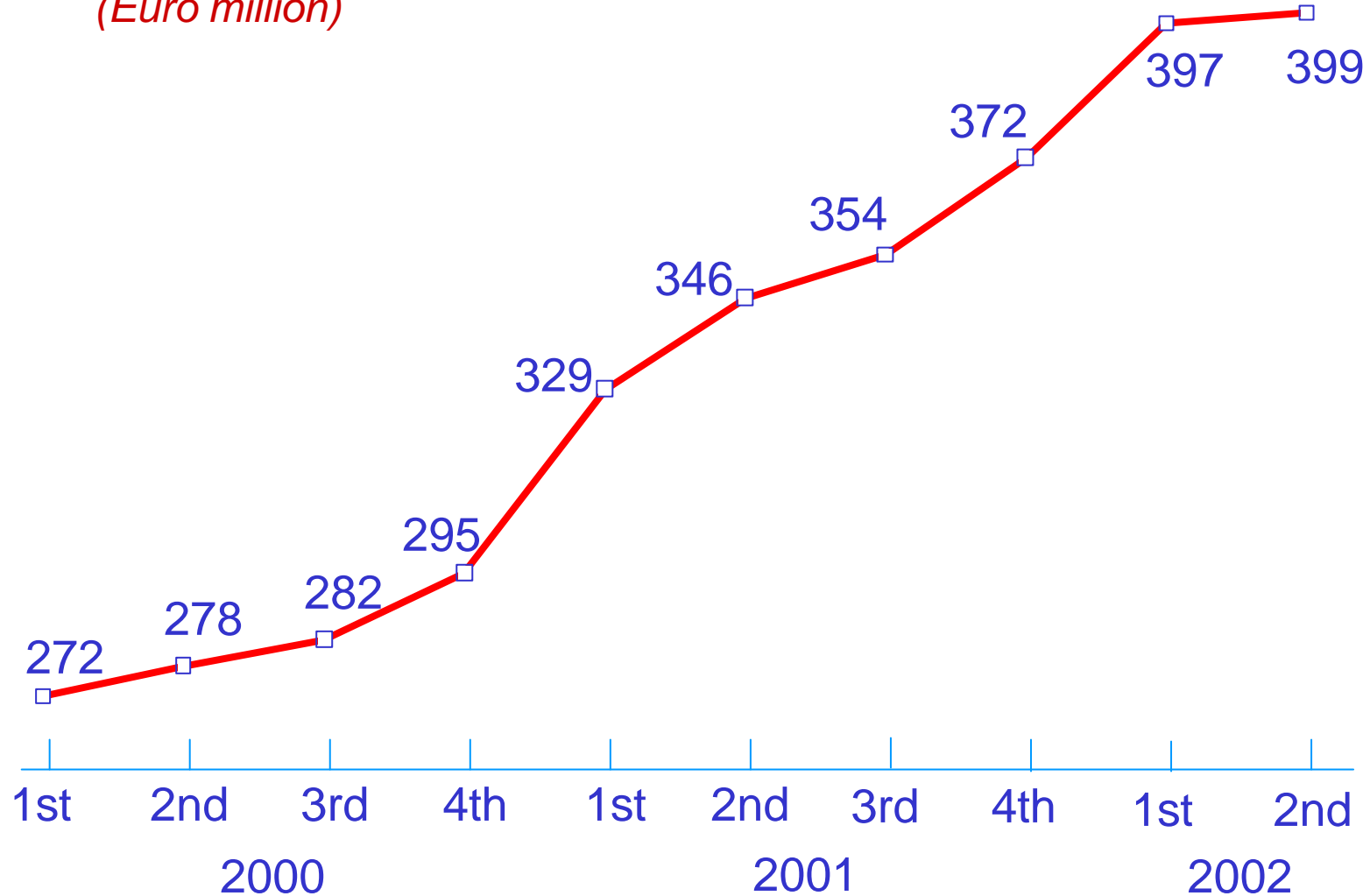
	2001				2002
	1st. quarter	1st. half	9 mos.	Year	1st. half
Net interest revenue	21.1	22.9	23.7	24.4	17.9
Fees for services	14.4	10.8	6.1	5.6	(1.4)
Ordinary revenue	19.0	19.1	17.0	18.0	11.0
Operating costs	13.9	13.4	12.7	12.2	4.7
Operating income	24.5	25.0	21.6	23.8	16.7
Income before taxes	6.3	7.0	7.1	5.2	23.3
Net income attributable	15.1	15.6	16.1	15.2	11.4

STRATEGY

Optimise short term performance

NET INTEREST REVENUE (Quarter standalone)

(Euro million)

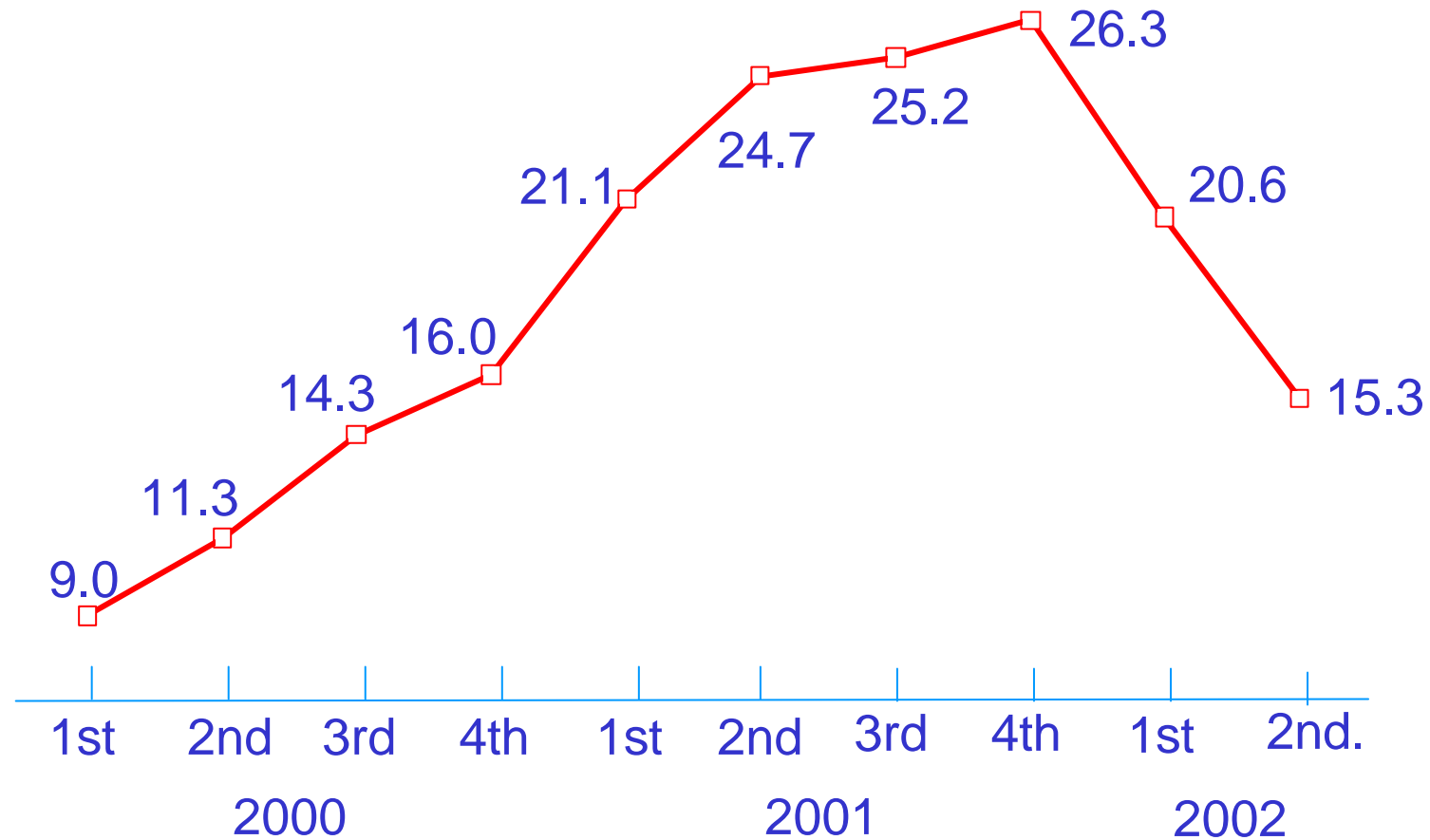


STRATEGY

Optimise short term performance

NET INTEREST REVENUE

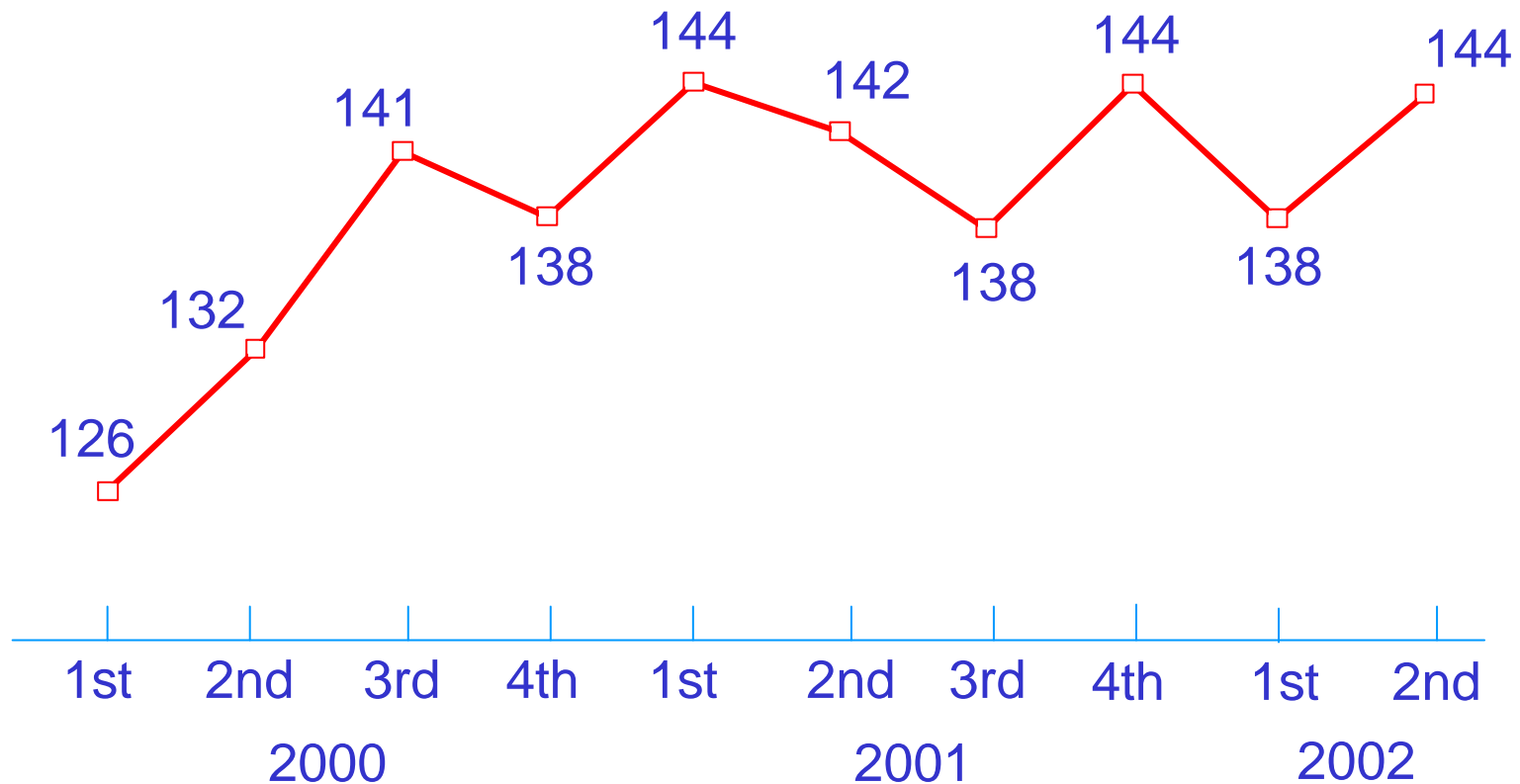
(Year-on-year quarter standalone % change)



STRATEGY

Optimise short term performance

FEEES FOR SERVICES (Quarter standalone) *(Euro million)*



STRATEGY

Optimise short term performance

FEES FOR SERVICES

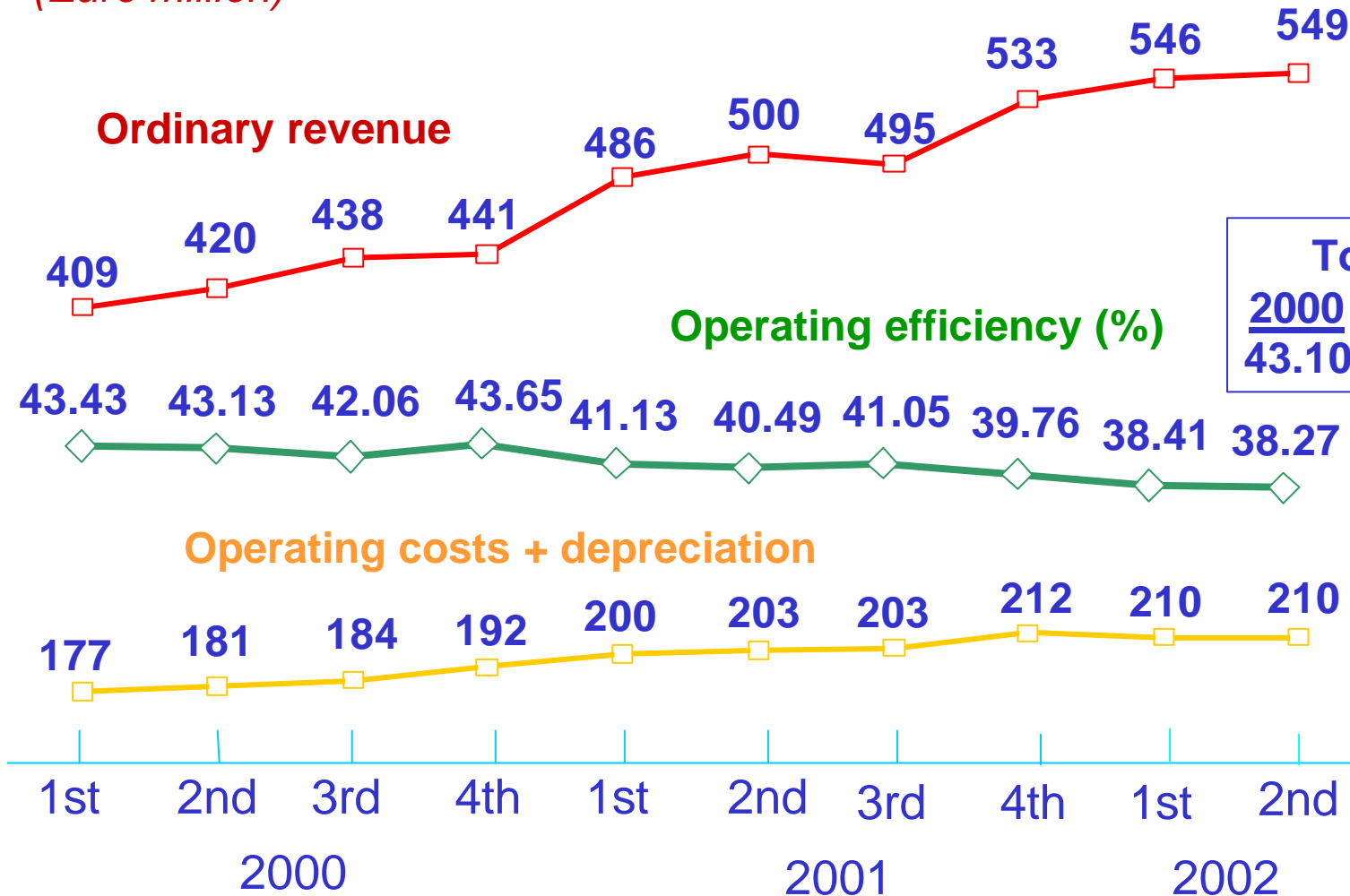
	Year-on-year % change		As % of total fees
	March 31	June 30	
Loan-related fees	(3.4)	(3.0)	13.0
Fees from guarantees	12.5	16.2	9.7
Collection & card-related	6.8	7.5	41.5
Customer financial asset mgt.	(2.7)	(3.9)	24.5
Mutual funds	(5.8)	(8.3)	15.8
Other AM	3.7	5.2	8.7
Account mgt. Fees	15.6	15.2	8.0
Other	(84.4)	(87.9)	0.4
TOTAL	3.1	0.5	96.7
Investment banking	(71.4)	(39.4)	2.9
TOTAL	(3.9)	(1.4)	100

STRATEGY

Optimise short term performance

COST/INCOME RATIO

(Euro million)

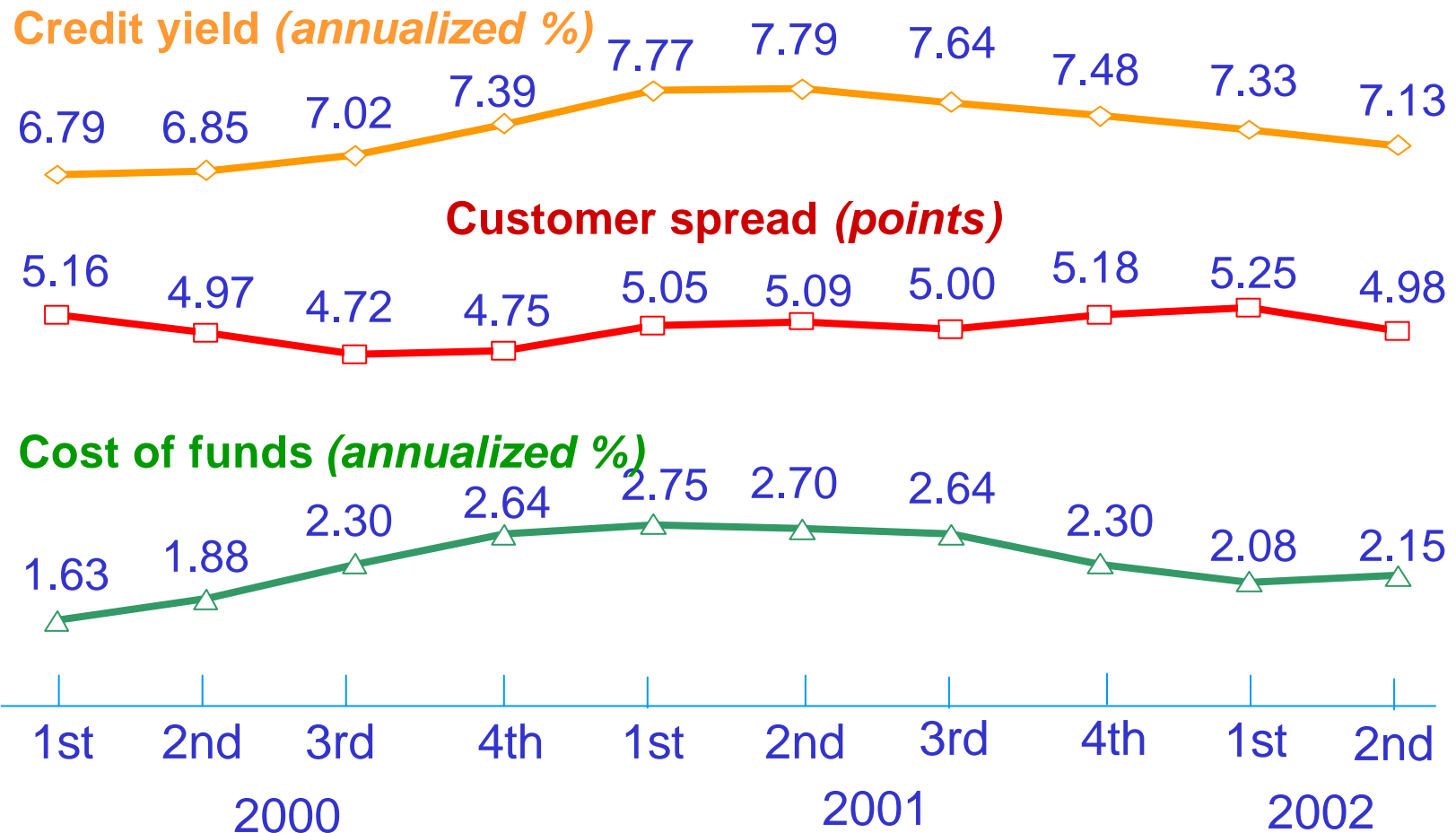


Total	
<u>2000</u>	<u>2001</u>
43.10	40.59

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Optimise short term performance

QUARTERLY CUSTOMER SPREAD

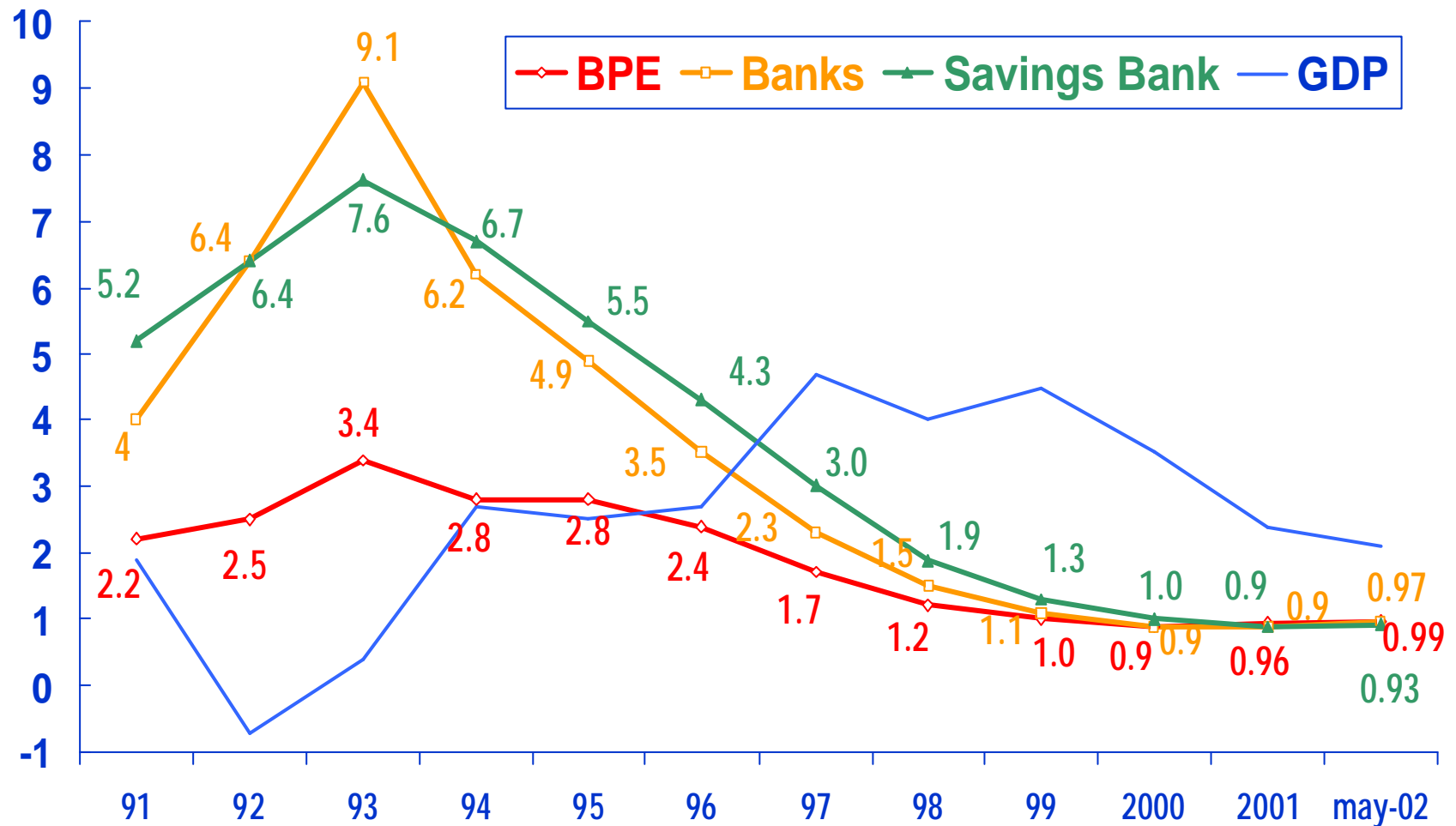


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Optimise short term performance

LOAN PORTFOLIO QUALITY

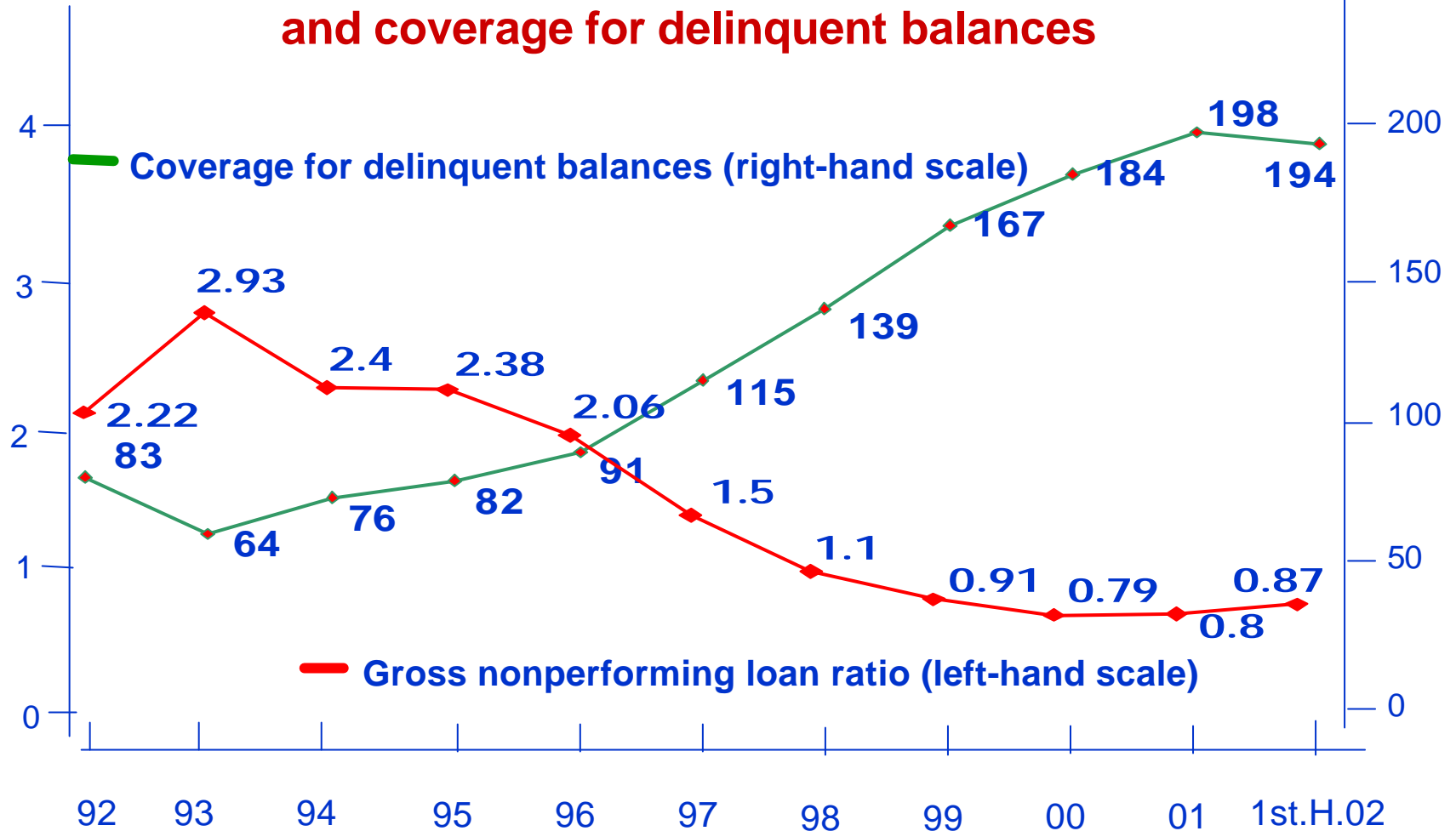
Nonperforming loans / Credit to private-sector resident borrowers (%)



STRATEGY

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Variation in the non performing loans ratio and coverage for delinquent balances



STRATEGY

Optimise short term performance

SCENARIOS

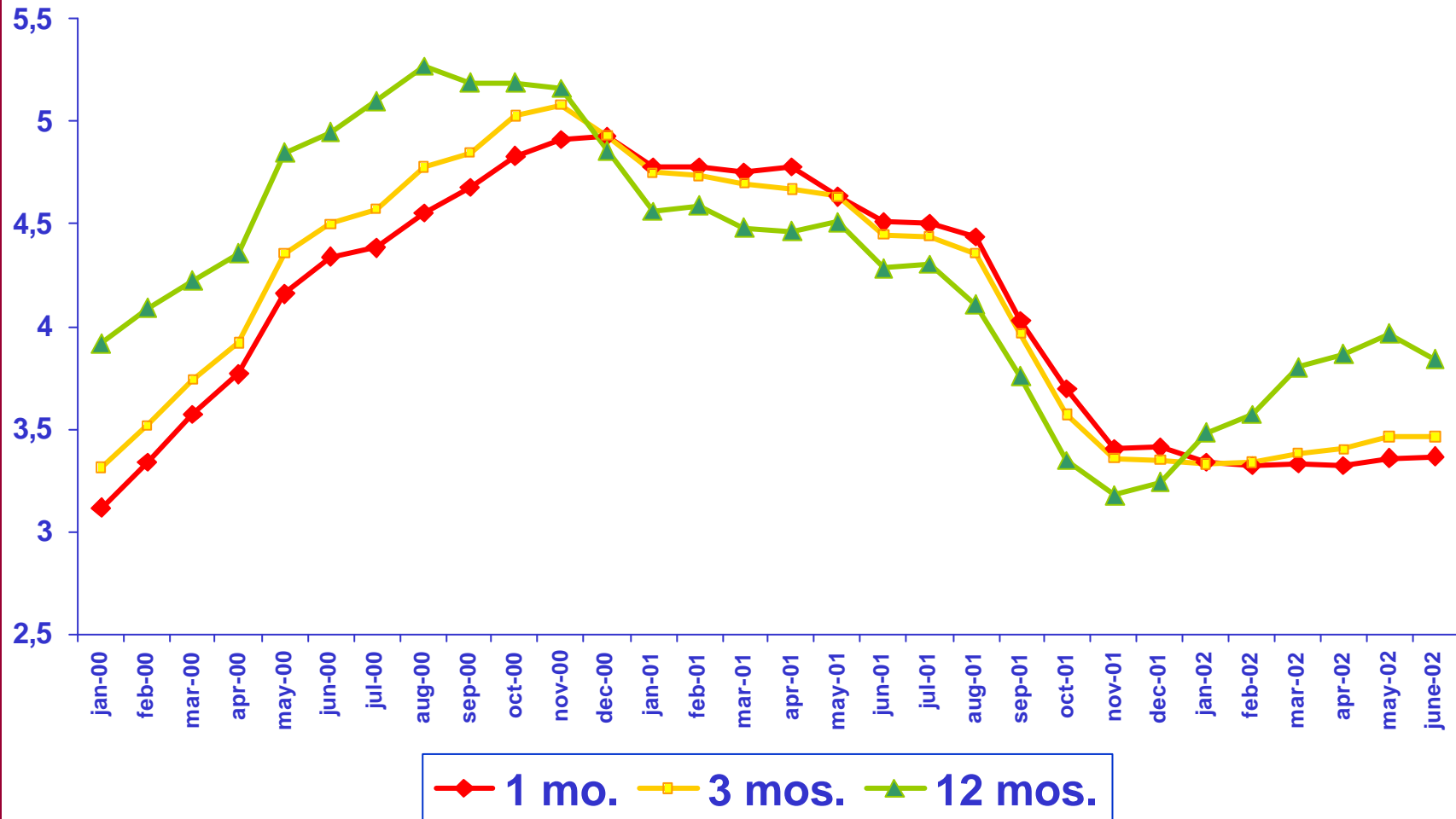
2002: EPS growth not below 12%

2003: boost from interest rates pick up

STRATEGY

Optimise short term performance

AVE. RATE TRANSACTED

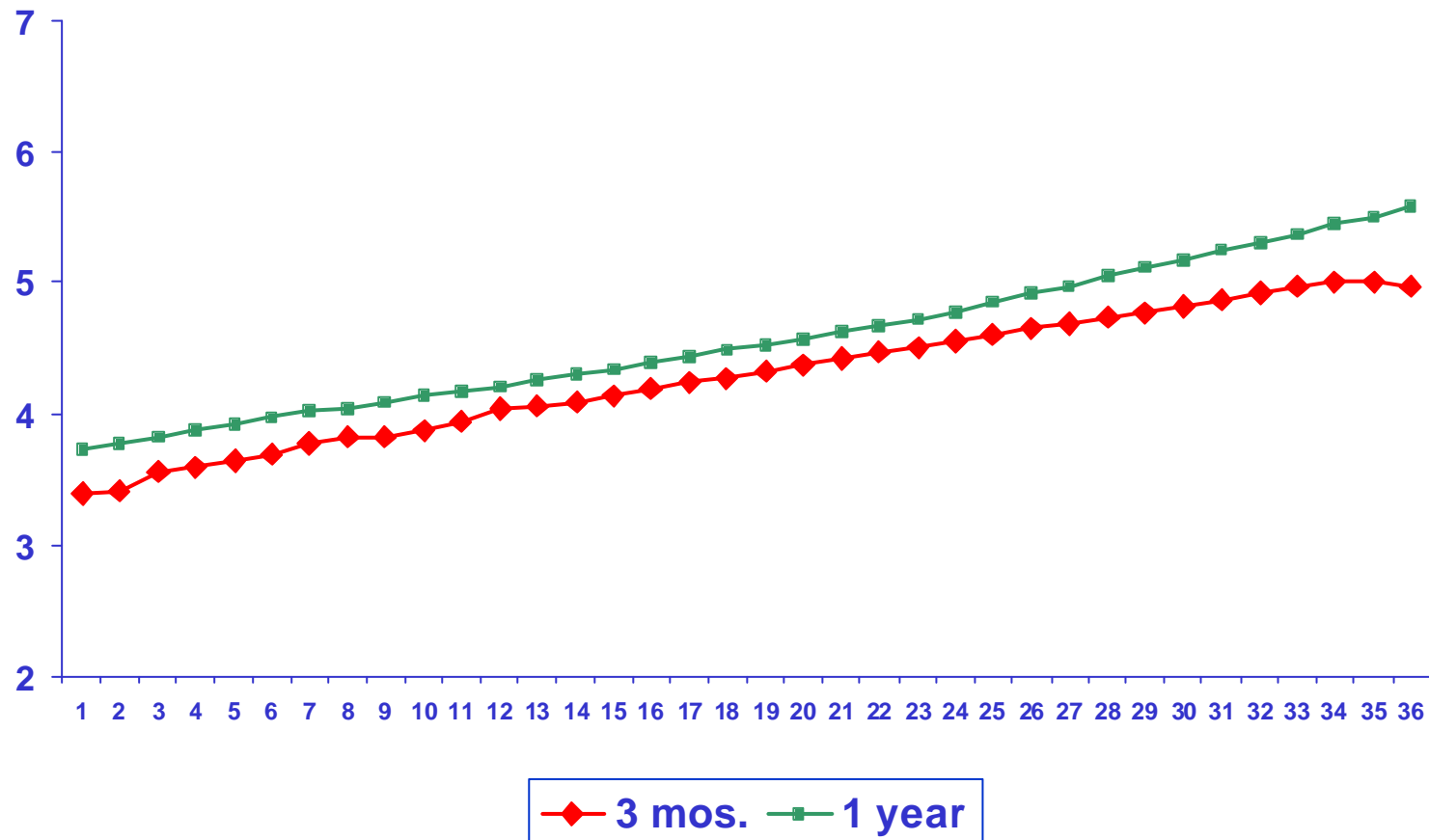


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CURVES OF IMPLICIT INTEREST RATES



STRATEGY

Optimise short term performance

IMPACT OF RATES DECREASES

	Average repricing period	Theoretical impact (*)	Real change
Bill discounting	2 mos.	-1.10	-0.62
Mortgage loans	1 year	-1.12	-0.63
Personal loans	7 mos.	-1.12	-0.75
Overdrafts	3 mos.	-1.14	-0.49
Leasing	1 year	-1.12	-0.55

(*) Based on model:

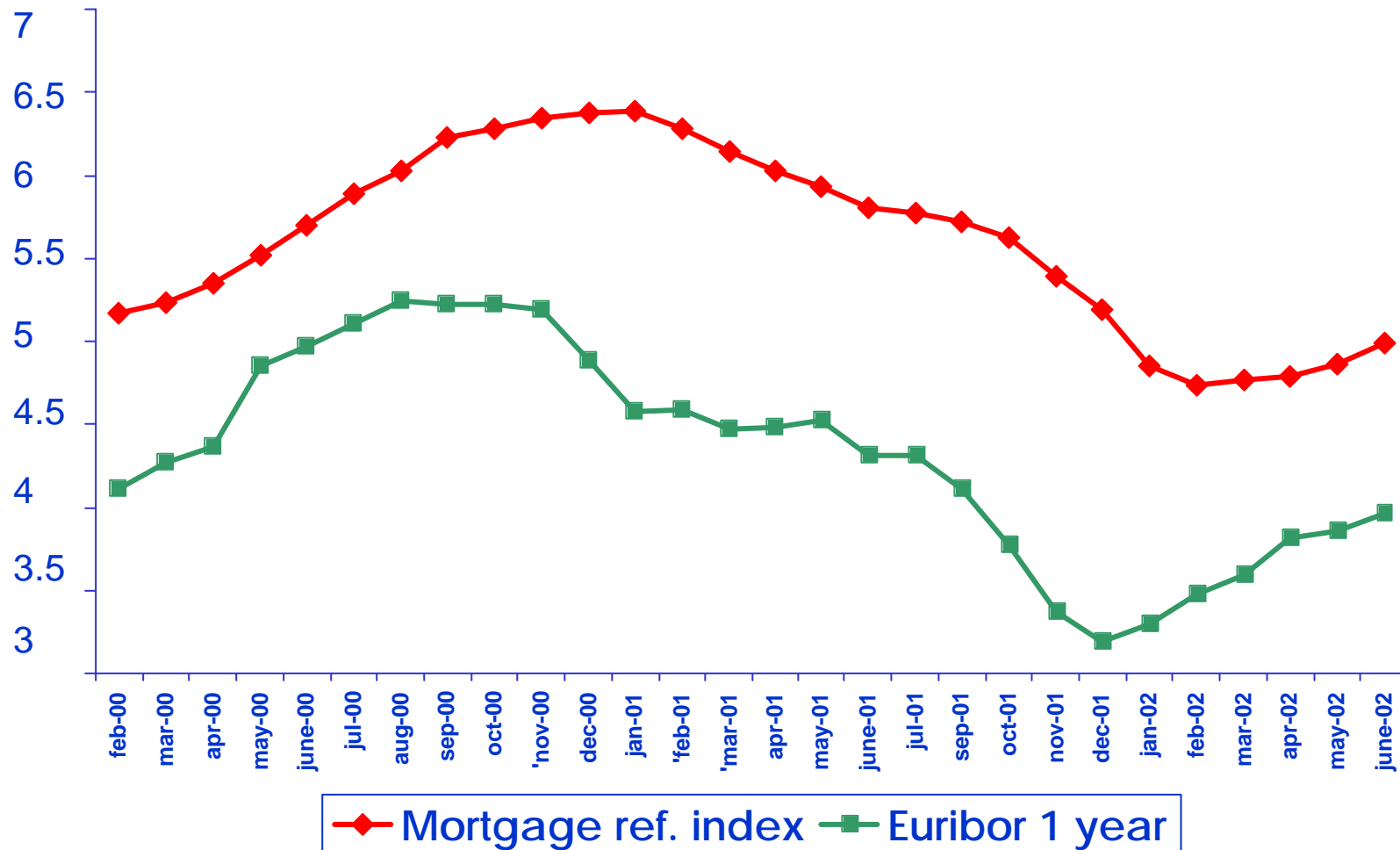
$$\sum_{i=1}^N i_n / N \text{ (year 2001)} - \sum_{i=1}^N i_n / N \text{ (year 2002)}$$

N = repricing period

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Optimise short term performance

MORTGAGE REFERENCE INDEX



STRATEGY

Optimise short term performance

(June 30, 2002)

Duration

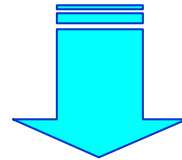
	Amount MM Euros	Interest Rate %	NPV MM Euros	Duration Days	Holding Period 365	
					NPV MM Euros	Duration Days
SENSITIVE ASSETS	32,646.8	5.59	33,238.5	219.99	31,948.3	133.68
MONETARY MARKET	4,832.9	3.55	4,857.7	29.90	4,850.8	27.83
LOANS	27,070.4	5.99	27,613.0	175.77	26,920.2	152.59
SECURITIES	743.5	4.46	767.8	3,013.10	177.3	158.64
SENSITIVE LIABILITES	23,690.2	3.13	23,803.1	93.36	23,324.4	76.72
MONETARY MARKET	9,220.5	3.49	9,244.6	50.84	9,133.2	39.91
CUSTOMER DEPOSITS	12,539.5	2.80	12,621.9	130.90	12,260.9	108.27
SECURITIES	1,930.2	3.52	1,936.6	51.65	1,930.3	50.44
EQUITY	2,501.5		9,435.4	539.44		

STRATEGY

Optimise short term performance

SENSITIVITY TO INTEREST RATES

For an 100 bpts. Interest Rates Move



Total Revenue Sensitivity* \pm Euros 18.3 million



\pm 0.9 % Total Revenues

$$* (PV_a * (1 - DUR_a)) - (PV_l * (1 - DUR_l))$$

STRATEGY

Optimise short term performance

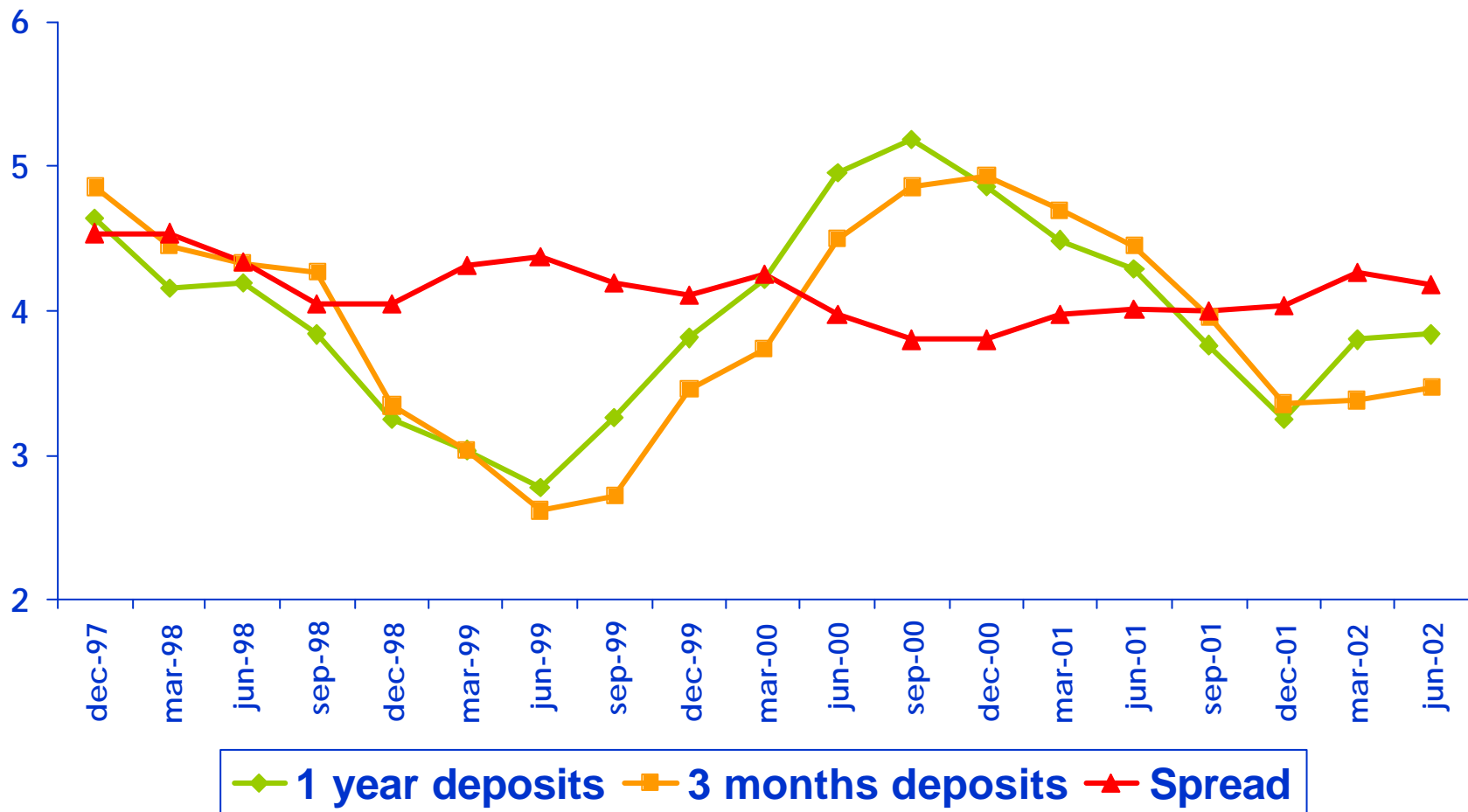
EFFECT ON YIELDS AND COSTS

	From Base To	Mar 01/ Jun 01	Jun 01/ Sep 01	Sep 01/ Dec 01	Dec 01/ Mar 02	Mar 02/ Jun 02
Bill discounting		-0.20	-0.04	-0.17	-0.23	-0.18
Mortgages		0.13	--	-0.17	-0.25	-0.21
Consumer		0.01	-0.22	-0.32	-0.15	-0.06
Overdrafts		-0.02	-0.09	-0.12	-0.21	-0.07
Leasing		0.06	-0.04	-0.17	-0.22	-0.12
TOTAL		0.01	-0.07	-0.20	-0.22	-0.16
Demand Deposits		-0.08	0.05	-0.17	--	0.05
Time Deposits		--	-0.15	-0.38	-0.18	0.02
Commercial Paper		-0.24	-0.41	-0.56	-0.17	0.10
TOTAL		-0.06	-0.03	-0.29	-0.05	0.03
Differential		+0.07	-0.04	+0.09	-0.17	-0.19

STRATEGY

Optimise short term performance

POPULAR'S SPREAD VS. RATES



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STRATEGY

Build up medium term momentum

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- ➔ **Expansion of channels**
- ➔ **Cards business**
- ➔ **Personal & private banking**
- ➔ **Portugal**

STRATEGY

Build up medium term momentum

EXPANSION OF CHANNELS

- ✦ **New branches in 2002: 20**
- ✦ **New ATMs in 2002: 228**
- ✦ **Increase in agents: 418**
- ✦ **In-house e-bank: +148,525 clients**

STRATEGY

Build up medium term momentum

CARDS BUSINESS

PLACEMENT GROWTH

(June 30, 2002)

	Number		Turnover		Mkt. share %		In use %	
	Number	y-o-y %	€thou.	y-o-y %	2002	2001	2002	2001
Credit	975,980	17.3	1,132,984	13.5	15.0	16.0	58.6	61.4
Debit	1,272,142	22.9	1,081,339	10.9	18.7	14.5	50.8	56.0
Other Affinity	895,190	42.5	93,726	25.4	--	--	20.8	--
Petrol	1,189,201	-5.4	120,949	8.4	--	--	29.8	18.3
TOTAL	4,332,513	15.5	2,428,998	12.5	--	--	35.9	30.5

STRATEGY

Build up medium term momentum

CARDS BUSINESS

RETAILERS' ACQUISITION

(June 30, 2002)

	Number		Turnover		Mkt. share %		In use %	
	Number	y-o-y %	€thou.	y-o-y %	2002	2001	2002	2001
Retailers	117,221	31.9	2,090,018	25.8	39.2	32.7	42.0	50.8

STRATEGY

Build up medium term momentum

CARDS BUSINESS

NEW REVOLVING CARD "HOP"

■ LAUNCHED 5 MONTHS AGO

Initial target 2002: 50,000 cards

■ CURRENT VOLUMES:

Number of cards: 89,032

Total credit limits: 293 million euros

Total lending: 66 million euros

Target lending o/outstanding: 40%

STRATEGY

Build up medium term momentum

PRIVATE BANKING

Current market share: 2%

Double market share by 2005

STRATEGY

Build up medium term momentum

PORTUGAL

Current network: *13 branches*

Network target: *above 120 branches*

**Time framework up to target through
organic growth: *10 years***

Speed up expansion: *through acquisitions*

Banco Popular

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