

Banco Popular Group

ADDING MOMENTUM



APRIL | MAY | JUNE 2006

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WE SAID IN JANUARY 2006:

It is time to consolidate and exploit past expansion

In 2006 Popular will refocus onto:

- ↳ Uncompromised search for profitability**
- ↳ Wider margins**
- ↳ Lesser capital requirements**

WE SAID IN JANUARY 2006:

A new customer strategy is being implemented

- ➔ Increase customer profitability floors**
- ➔ Massive effort on cross-selling customers acquired in last 3 years**
- ➔ Rebalance business-mix to optimize revenues-provisions-capital**
- ➔ Discard low profitability transactions and customers**

WE SAID IN JANUARY 2006:

Operating expenses will be dramatically lower

- ➔ **General cost-saving strategy**
- ➔ **Lower branch opening related cost: branch openings will be limited to existing premises**
- ➔ **Short term productive marketing and publicity expenses**

WE SAID IN JANUARY 2006:

We have
implemented all
the measures
we said

FINANCIAL RESULTS



APRIL | MAY | JUNE 2006

FINANCIAL RESULTS

Core Business Growth

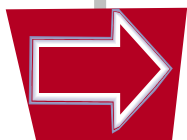
Strong Customer Acquisition

Branch Network Expansion

Earnings

Banco Popular Portugal

FINANCIAL RESULTS



Core Business Growth

Strong Customer Acquisition

Branch Network Expansion

Earnings

Banco Popular Portugal

CORE BUSINESS GROWTH

(Euro million)

	30.06.06	Var %
Total assets managed	100,124	17.3
On-balance sheet total assets	83,528	16.9
Total equity	5,279	10.9
Funds managed:	78,996	18.4
On-balance sheet funds	62,400	18.1
Other intermediated funds	16,596	19.4
Lending to customers (gross)	71,839	18.6
Contingent risks	11,422	35.8
Customers (thousands)	6,417	8.3
Employees	14,056	1.8
Branches	2,409	2.1

CORE BUSINESS GROWTH

MAJOR LOAN CATEGORIES (*)

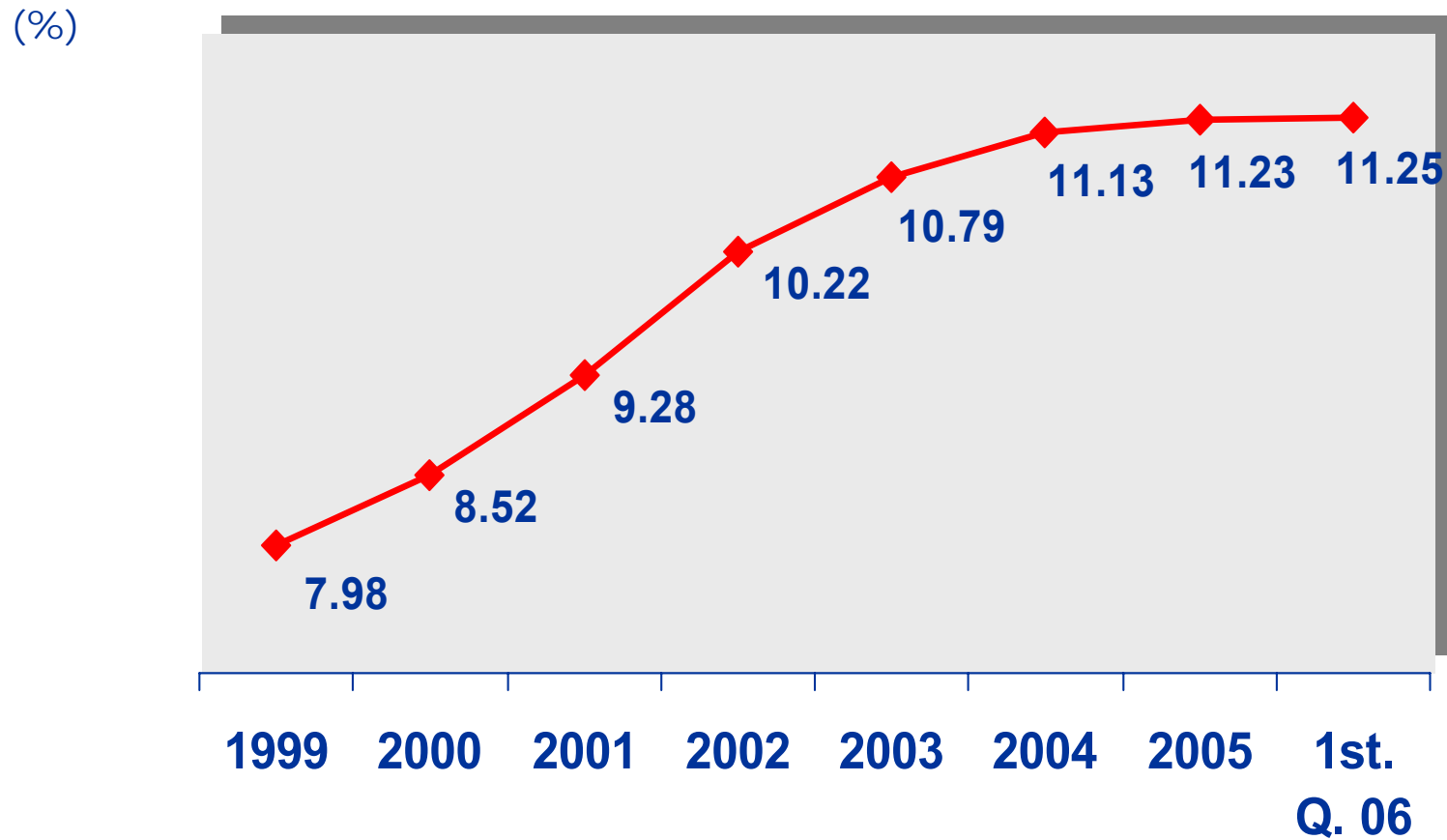
(Accumulated % change)

	Growth rate <i>June 06</i>	% of total loans
Bill discounting	10.2	9.5
Mortgage loans	20.2	55.2
Loans & overdrafts	20.0	30.2
Leasing	11.2	5.1
TOTAL	18.6	100.0

() All loans except NPLs & Repos*

CORE BUSINESS GROWTH - LOANS TO CLIENTS

MARKET SHARE OVER NON PUBLIC BANKS (Private Resident Sector)



Source: AEB (Información: Balance Reservado)

CORE BUSINESS GROWTH - LOANS TO CLIENTS

MARKET SHARE OVER ALL BANKS BY LOAN TYPE (Private Resident Sector)

(%)

	Pre IAS			IAS		
	2001	2002	2003	2004	2005	1st. Q. 06
Bill discounting	10.22	10.75	11.09	10.82	10.00	10.16
Mortgage loans	4.17	4.75	4.98	4.98	4.89	4.85
Loans & overdrafts	4.12	4.10	4.37	4.71	5.12	5.13
Leasing	9.40	9.00	8.50	10.1	9.7	10.26

Source: Banco de España - Asociación Española de Leasing

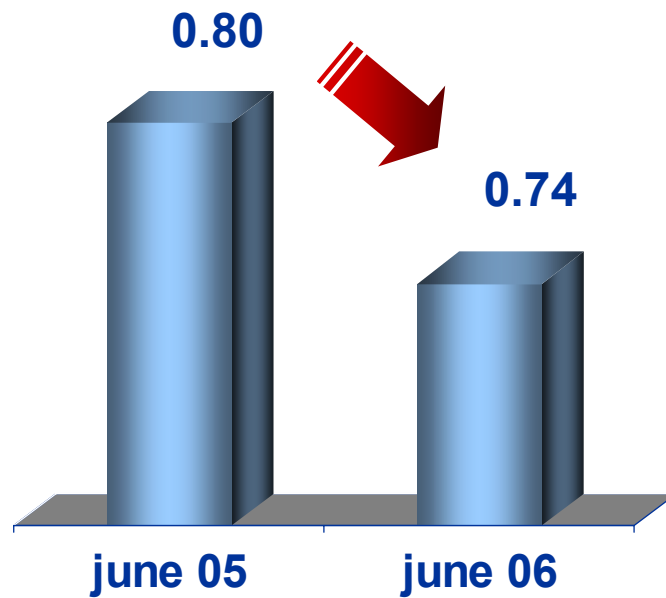
CORE BUSINESS GROWTH - RISK MANAGEMENT

(Euro Million)

NPLs AND RELATED COVERAGE

	30.06.05	3rd. Q. 05	4th. Q. 05	1st. Q. 06	2nd. Q. 06	30.06.06
NPLs						
Balance	554.3					619.0
Net additions		73.7	45.2	94.0	6.4	
Writeoffs		-31.2	-51.0	-26.2	-46.2	
Net change		42.5	-5.8	67.8	-39.8	
COVERAGE						
Balance	1,341.4					1,577.4
Net additions		68.8	59.7	88.1	19.4	
Specific	188.5	18.1	12.0	25.3	-6.0	237.9
General	1,144.5	52.7	47.3	63.9	25.6	1,334.0
Country Risk	8.4	-2.0	0.4	-1.1	-0.2	5.5

CORE BUSINESS GROWTH - IMPROVED ASSET QUALITY



Nonperformance



Coverage

CORE BUSINESS GROWTH - IMPROVED ASSET QUALITY

(%)

NPL RATIO
Non mortgage risk: corporate & consumer

	March 06	June 06	
Bill discounting	0.68	0.59	
Consumer	3.72	3.97	
Non-real estate leasing	1.21	1.09	
Credit lines	0.89	0.85	
Other term loans	0.66	0.67	
Overdrafts	10.00	7.46	

CORE BUSINESS GROWTH

CORE RESIDENT-CUSTOMER FUNDING

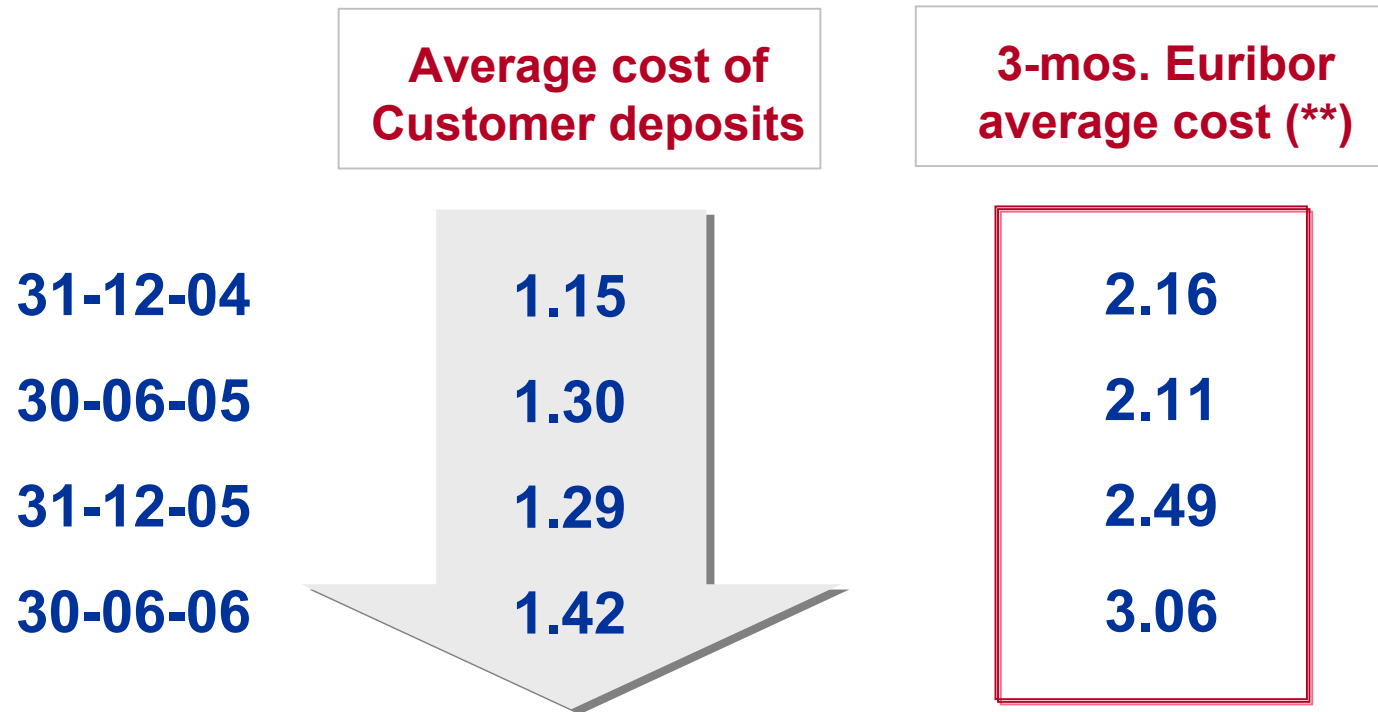
(June 30, 2006)

	<i>Amount (€ million)</i>	<i>Δ %</i>	<i>% of total</i>
Demand deposits	16,358.6	14.5	50.3
Time deposits	9,732.0	-7.5	30.0
Customers commercial paper	6,411.5	23.8	19.7
TOTAL	32,502.1	8.4	100.0

CORE BUSINESS GROWTH

CUSTOMER DEPOSIT COSTS vs. BASE RATES

(%)



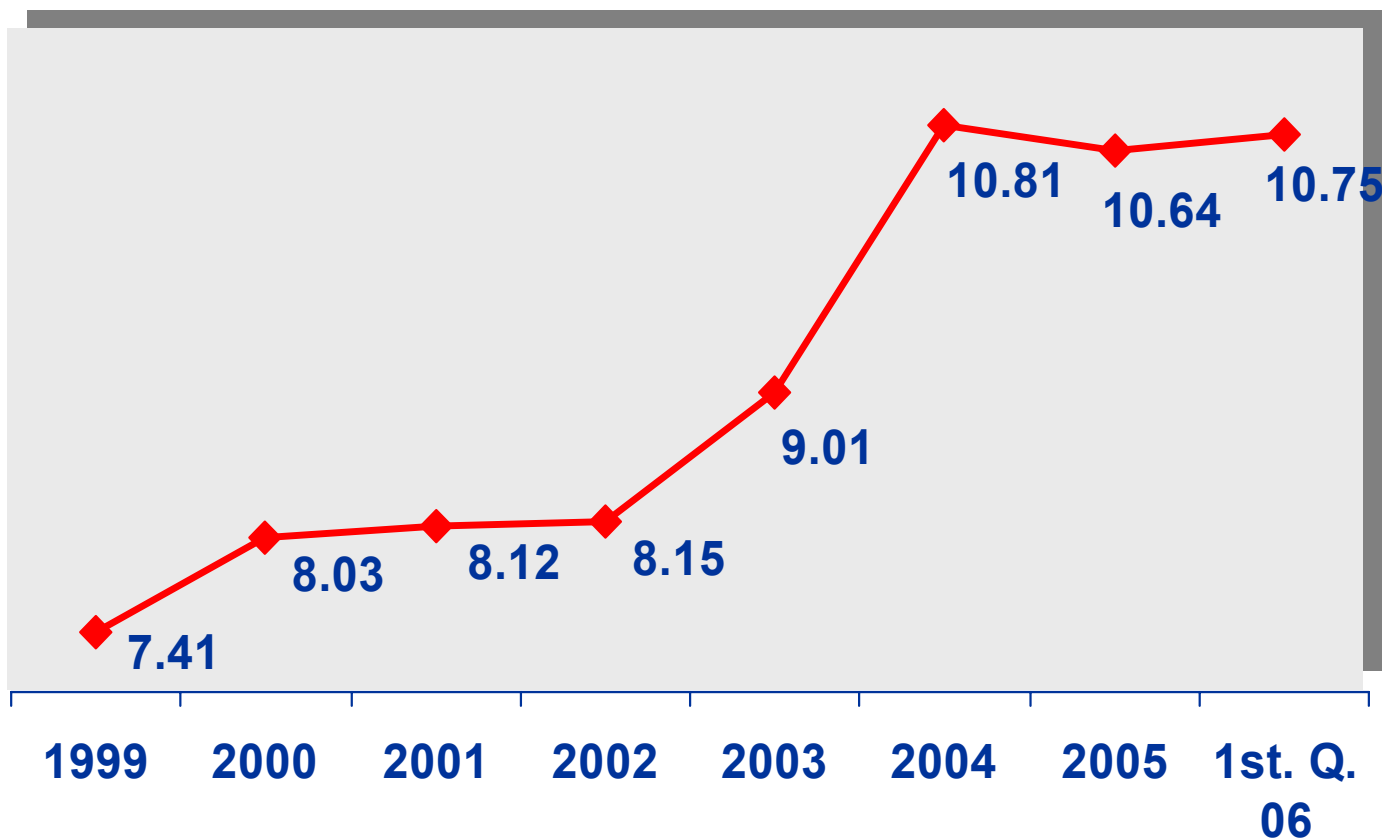
Improvement in customer deposit margins

(**) Source: Reuters, base 360 days

CORE BUSINESS GROWTH - CLIENTS DEPOSITS

MARKET SHARE OVER NON PUBLIC BANKS (Private Resident Sector)

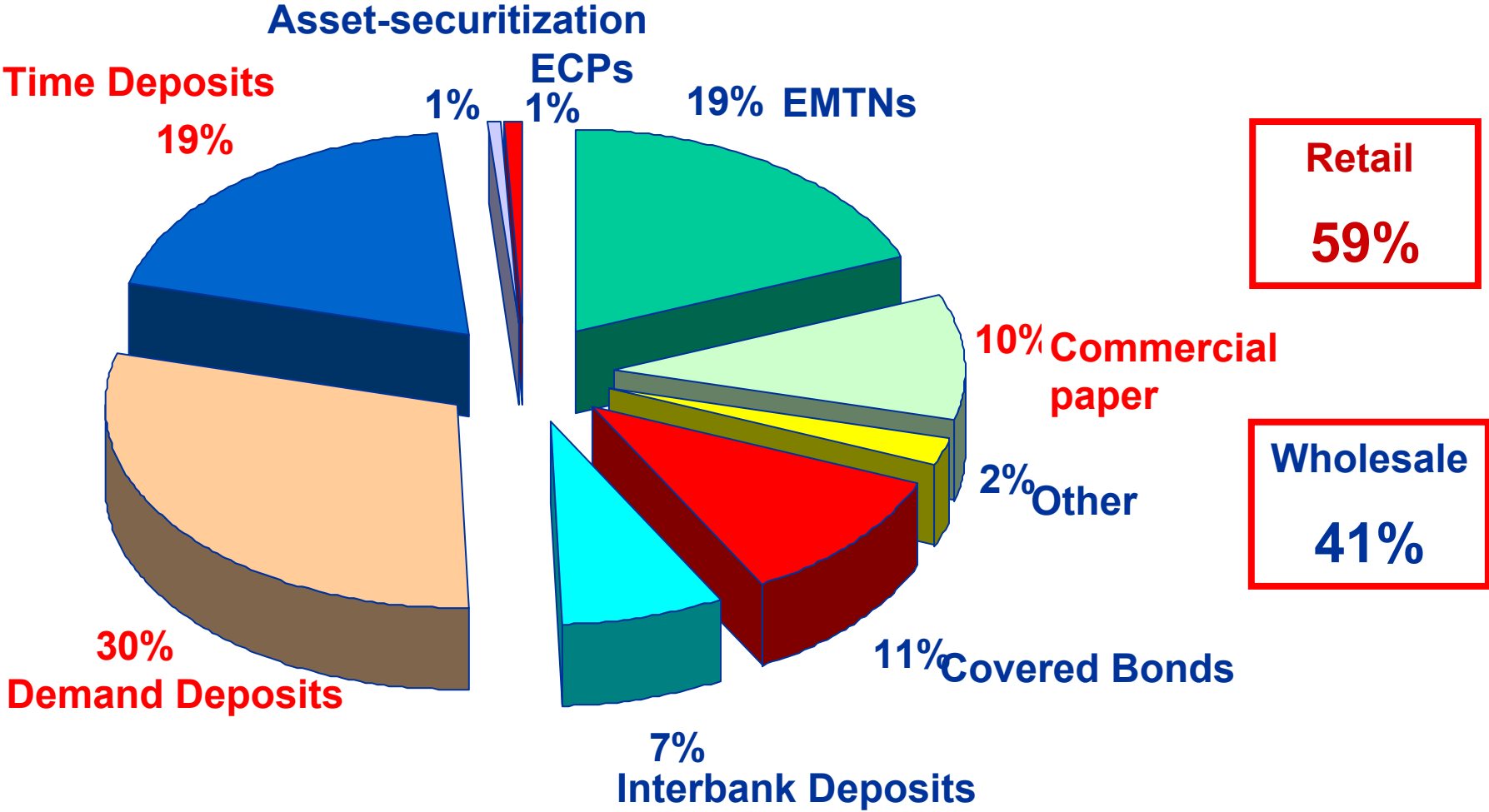
(%)



Source: AEB (Información: Balance Reservado)

CORE BUSINESS GROWTH

FUNDING BREAK-DOWN



CORE BUSINESS GROWTH

FUNDS MANAGED

(Euro Million)

	30.06.06	% variation
On-balance sheet funds	62,400	18.1
Other intermediated funds:		
Mutual funds	11,446	21.5
Portfolio asset management	1,485	25.8
Pension funds	3,665	11.0
Total	16,596	19.4
Total funds managed	78,996	18.4

CORE BUSINESS GROWTH

MUTUAL FUNDS VOLUMES IN 2006 vs. INDUSTRY –SPAIN ONLY-

	Net Asset Value	
	June 06 (€ million)	% change
Money Market	1,536.8	-10.0
Bonds	3,359.2	28.1
Fixed income	4,895.9	13.1
Equity	1,281.0	25.4
Balanced	1,313.5	48.3
Guaranteed	2,489.8	-2.7
Global	980.5	163.2
TOTAL	10,960.8	19.5
		8.2

← BANCO POPULAR GROUP *
← INDUSTRY

Outperformance due to:

	POPULAR	INDUSTRY
Net Inflows	16.1%	5.7%
Management / Markets	3.4%	2.5%

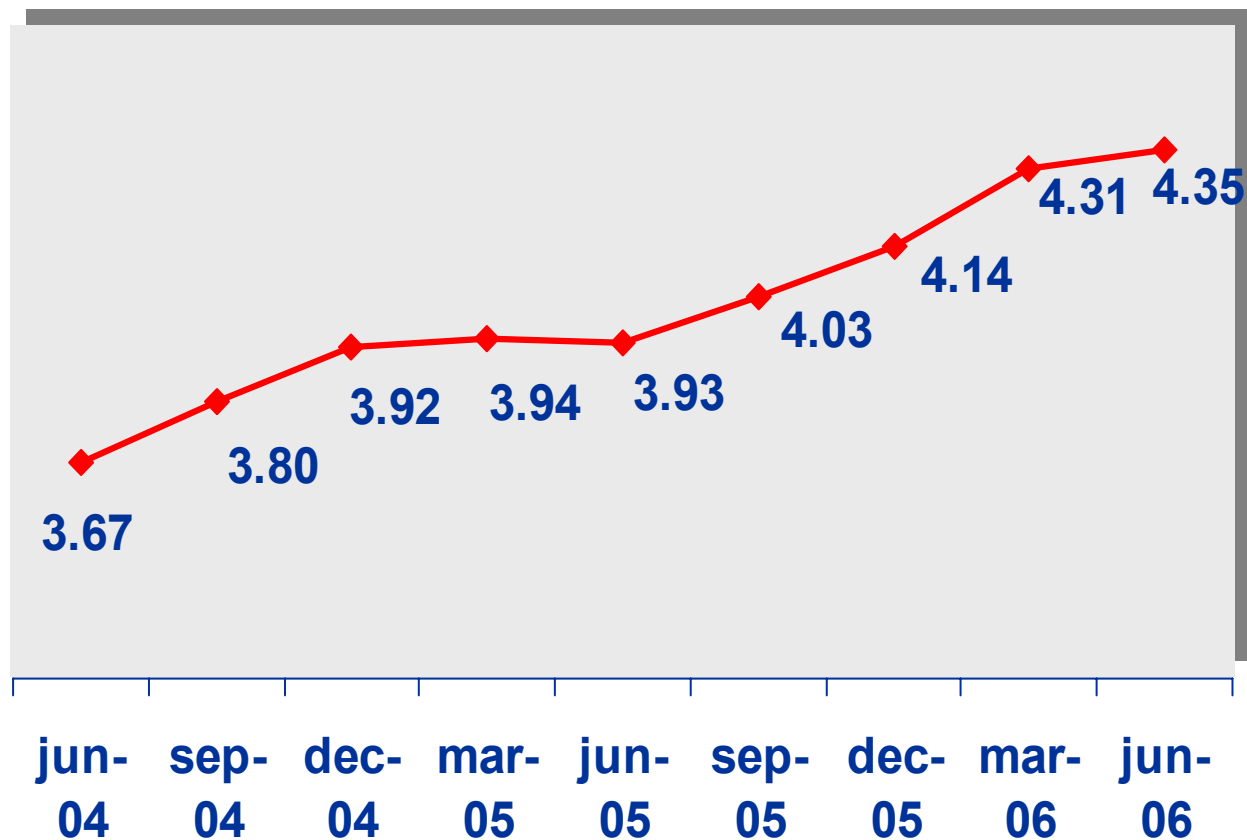
	June 06	June 05
Improvement in market share	4.35%	3.93%

* Excluding BNC. The total amount including BNC amounts to €11,446 million (+21.5%)

CORE BUSINESS GROWTH - MUTUAL FUNDS

MARKET SHARE PERFORMANCE BANCO POPULAR GROUP

(%)



Source: Inverco

CORE BUSINESS GROWTH - ASSET MANAGEMENT

ASSET PORTFOLIO MANAGEMENT

(Euro Thousand)


Change in

	June 06	June 05	Amount	%
Discretionary Asset Management				
Popular Gestión Privada	838,387	775,955	62,432	8.05
Banco Popular Portugal	196,793	96,160	100,633	104.65
Subtotal	1,035,180	872,115	163,065	18.70
HNWI-SICAV				
Sogeval	30,832	29,342	1,490	5.08
Popular Gestión Privada	418,928	279,263	139,665	50.01
Subtotal	449,760	308,605	141,155	45.74
TOTAL	1,484,940	1,180,720	304,220	25.77

CORE BUSINESS GROWTH - ASSET MANAGEMENT

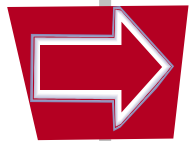
PENSION ASSETS UNDER MANAGEMENT

(Euro Thousand)

	June 06	June 05	Change in	
			Amounts	%
Private Plans	2,872,528	2,572,563	299,965	11.66
 Corporate Schemes	792,355	729,026	63,329	8.69
Group employees	625,820	579,912	45,908	7.92
TOTAL	3,664.883	3,301,589	363,294	11.00

FINANCIAL RESULTS

Core Business Growth



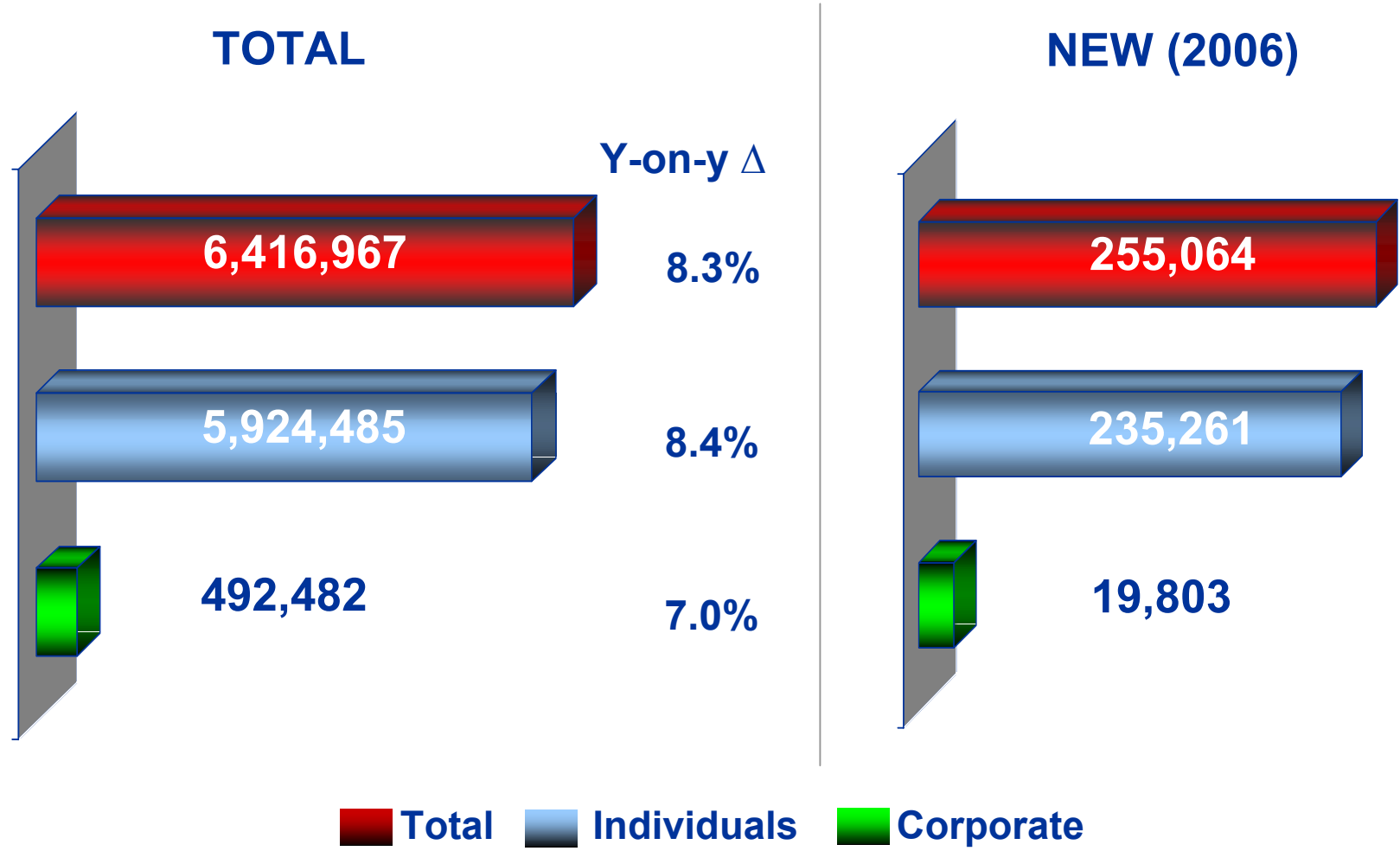
Strong Customer Acquisition

Branch Network Expansion

Earnings

Banco Popular Portugal

STRONG CUSTOMER ACQUISITION



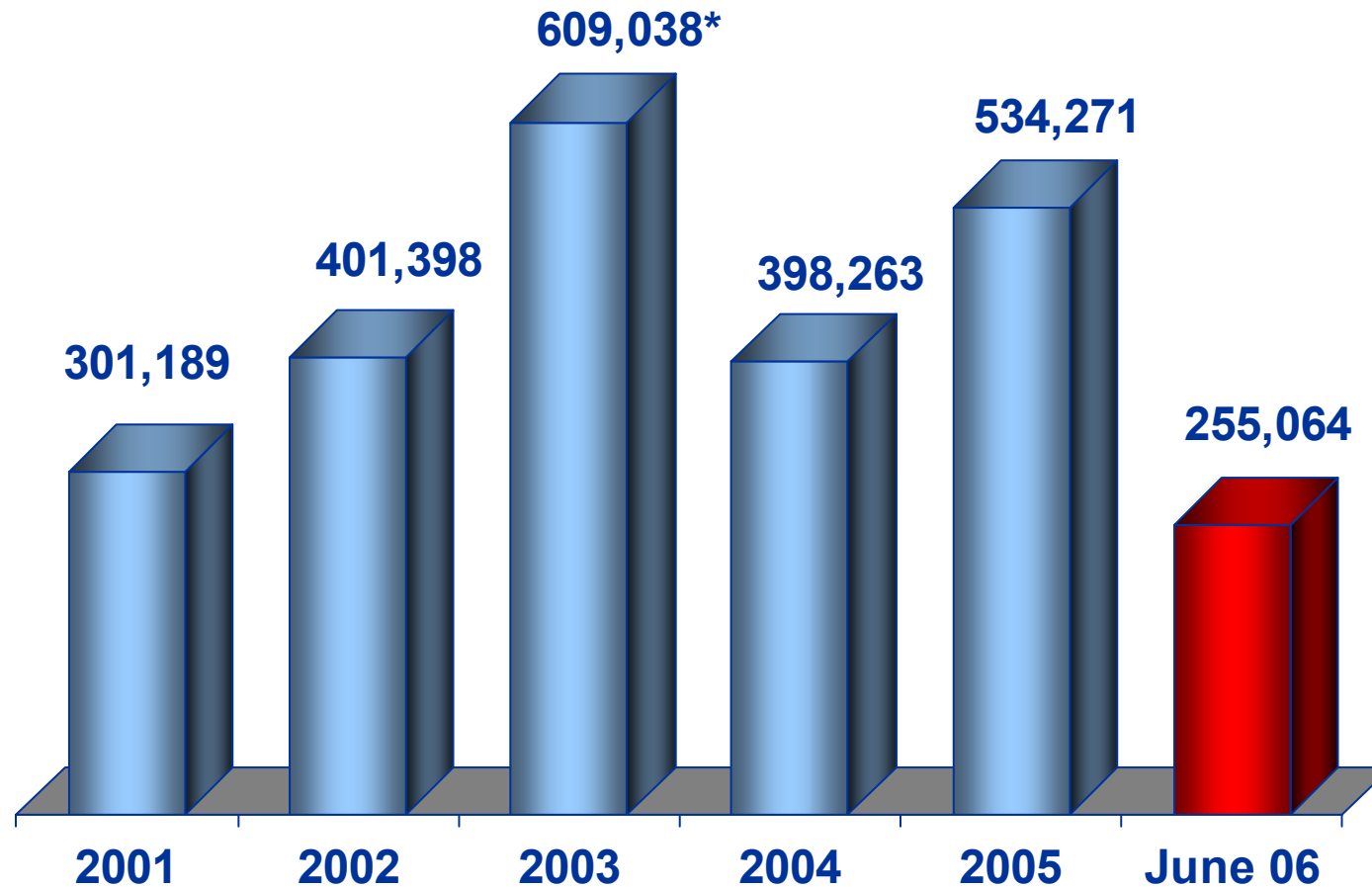
STRONG CUSTOMER ACQUISITION

COMMERCIAL PERFORMANCE

	30.06.06	30.06.05	Variation	
			Absolute	%
Total number of customers (000)	6,417	5,923	494	8.3
Individuals	5,925	5,463	462	8.4
Corporates	492	460	32	7.0
Internet customers				
<i>Bank-on-line</i>				
Number of customers (000)	2,151	1,838	313	17.0
Individuals	1,874	1,592	282	17.7
Corporates	277	246	31	12.6
Productivity (products sold per employee in the commercial network)	164.8	168.8	-4.0	-2.4
Cross-selling (Products per customer)	3.32	3.28	0.04	1.2

STRONG CUSTOMER ACQUISITION

NET NEW CLIENTS (inc. BPP)



* BNC acquisition

STRONG CUSTOMER ACQUISITION

EXPLOIT NEW CUSTOMER POTENTIAL

Total linked clients “Spain”

December 2004	1.750.644
June 2005	1.873.388
December 2005	1.965.277
March 2006	2.026.175
June 2006	2.081.136

More than 55,000 clients linked each quarter

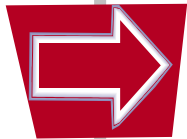
y-on-y
11.1%

One third of all Spanish clients have 4 products or more

FINANCIAL RESULTS

Core Business Growth

Strong Customer Acquisition



Branch Network Expansion

Earnings

Banco Popular Portugal

BRANCH NETWORK EXPANSION

NETWORK ACTIVITY THROUGH JUNE 2006

Opened Branches  30

Closed Branches  6

Impending Branches  34  **Refurbished 19**
In progress 15

BRANCH NETWORK EXPANSION

NETWORK ADJUSTMENTS THROUGH JUNE 2006

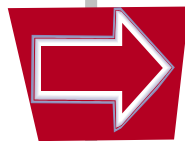


FINANCIAL RESULTS

Core Business Growth

Strong Customer Acquisition

Branch Network Expansion



Earnings

Banco Popular Portugal

EARNINGS

(Euro Million)

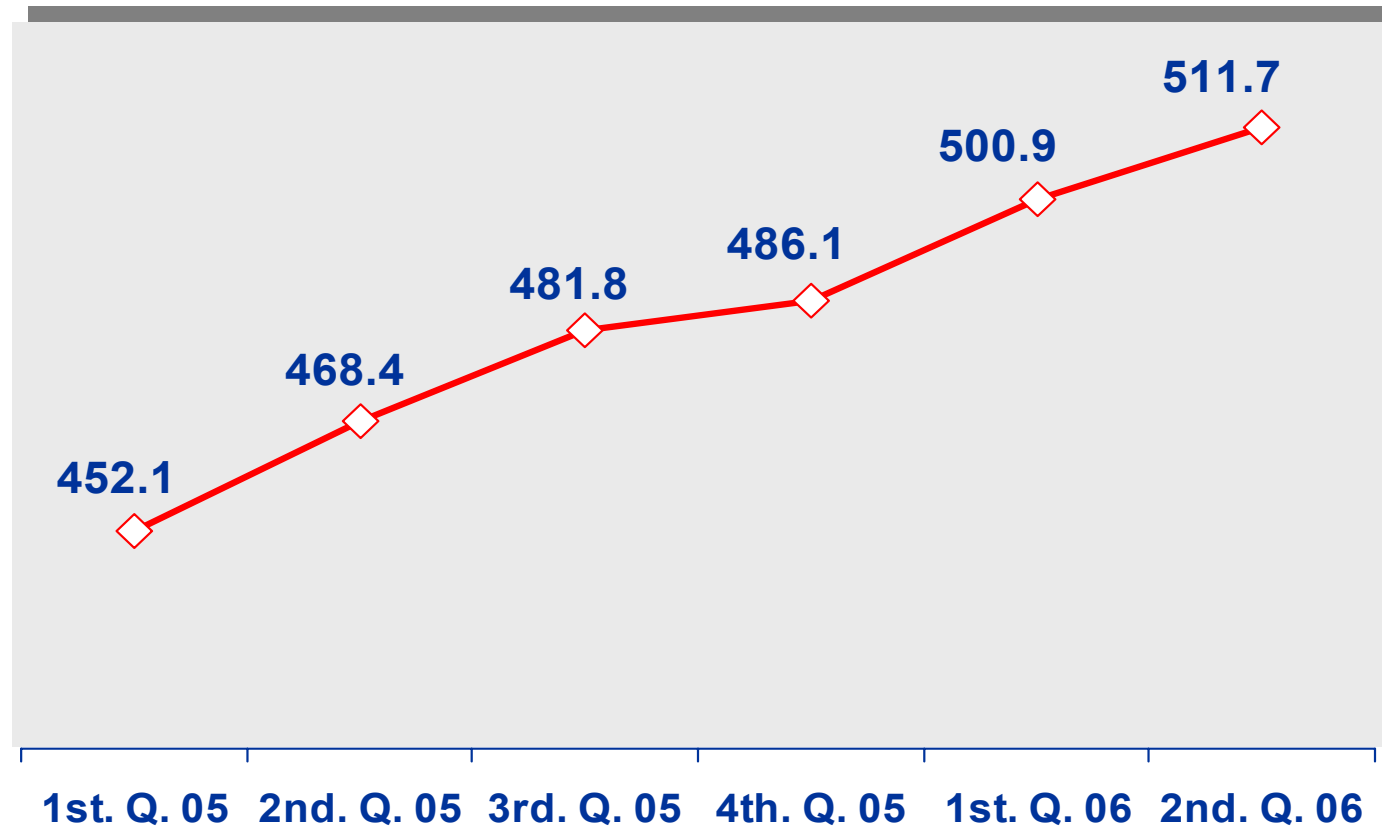
	1st. H. 2006	y-on-y % Δ
Net interest revenue	1,012.6	10.0
Revenues from equity method entities	--	-99.4
Net fees	418.5	9.9
Insurance business	18.9	104.1
Asset trading	13.8	163.7
Exchange gains (net)	23.6	26.7
Ordinary revenue	1,487.3	11.3
Operating cost	508.3	9.3 *
Personnel expenses	342.5	6.8
Other general administrative expenses	165.9	14.8
Operating income	953.2	12.6
Income before taxes	825.4	19.4
Net income attributable	517.9	21.4

* w/o compensating fees

EARNINGS

NET INTEREST REVENUE

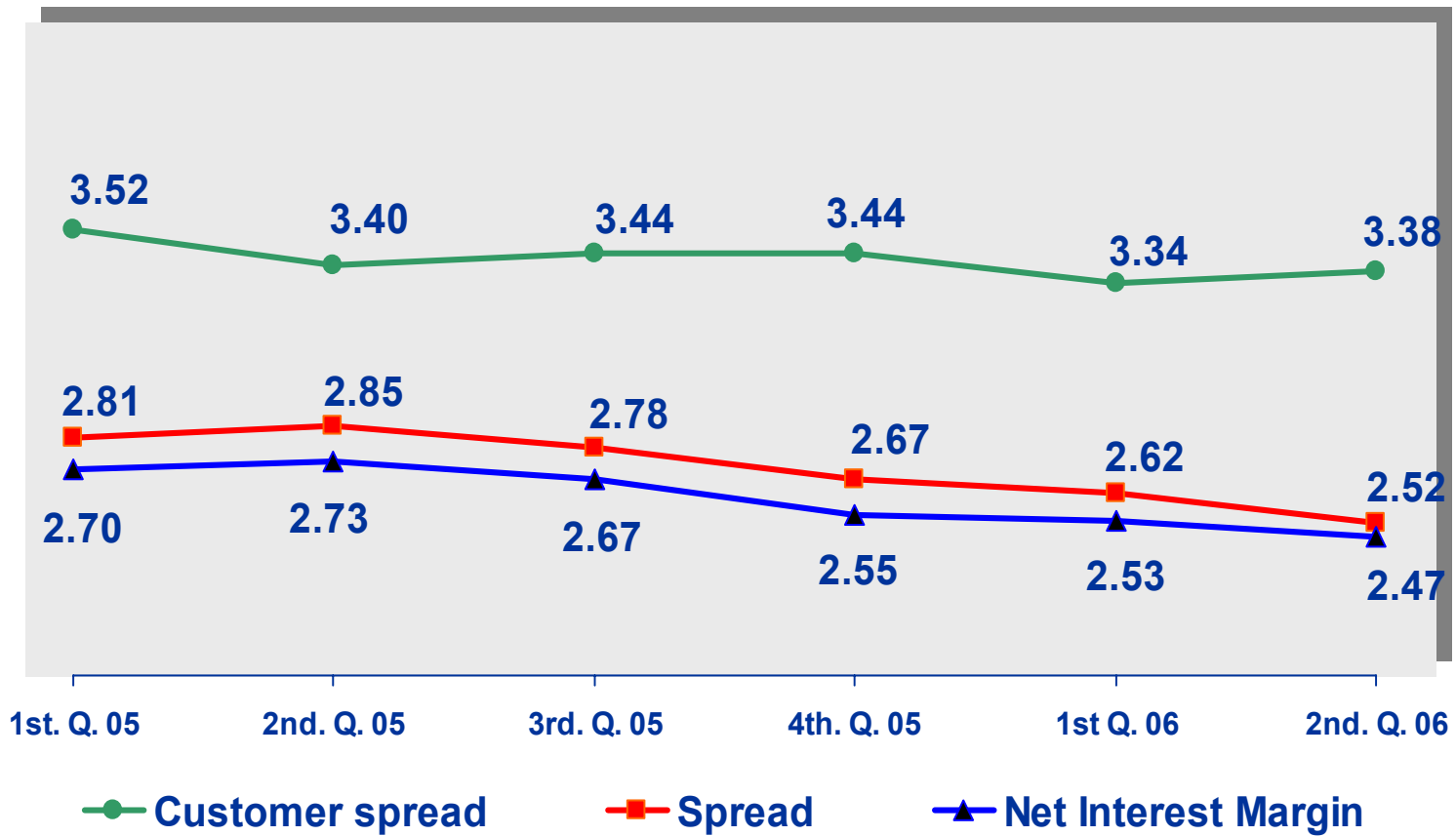
(Euro Million)



EARNINGS

NET INTEREST MARGIN & SPREAD

(%)



EARNINGS

FEEES FOR SERVICES

	Year-on-year % accum. Δ	As % of total fees
Loan-related fees:	-10.6	11.7
Bill discounting	-13.1	5.4
Other	-8.3	6.3
Fees from guarantees	14.4	13.3
Collection & card-related	15.9	28.4
Forex & securities dealing	13.6	2.5
Customer financial asset mgt:	17.8	27.3
Securities portfolio	12.7	3.4
Mutual funds & pension plans	18.6	23.8
Account mgt. fees and other	2.3	16.9
TOTAL	9.9	100.0

EARNINGS

FEEES FOR SERVICES

(Euro Million)

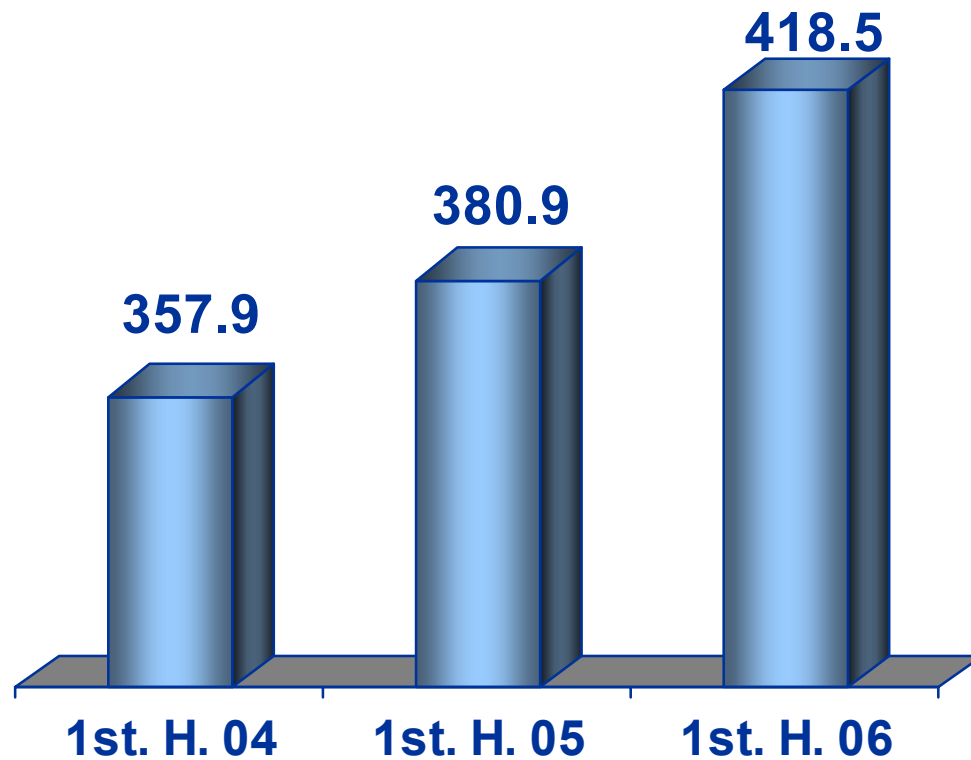
	June 06	June 05	y-on-y
Gross fees	500.7	475.3	5.4
Fees paid	82.2	94.4	-12.9
Net fees	418.5	380.9	9.9

Significant decline in fees paid

EARNINGS

FEES FOR SERVICES

(Euro Million)



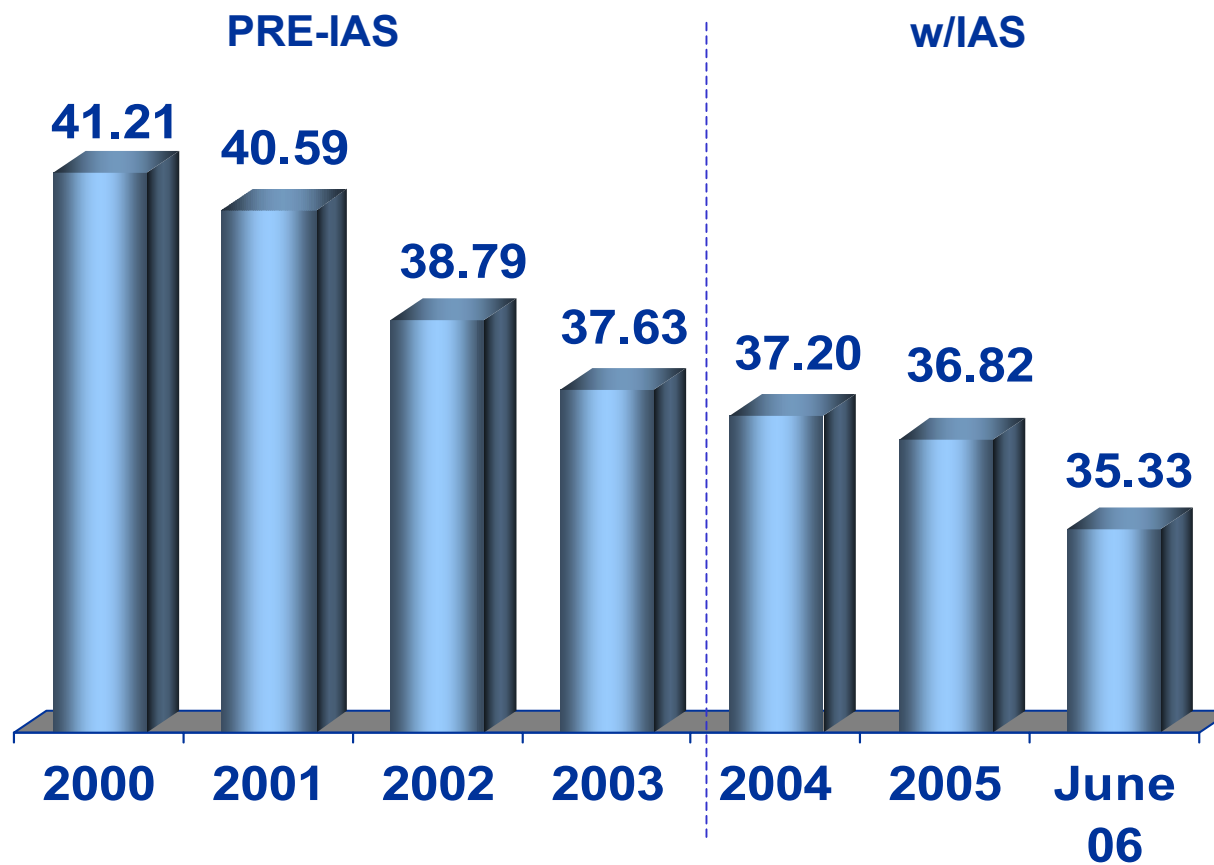
y-on-y accum.

9.9%

EARNINGS

COST/INCOME RATIO EVOLUTION

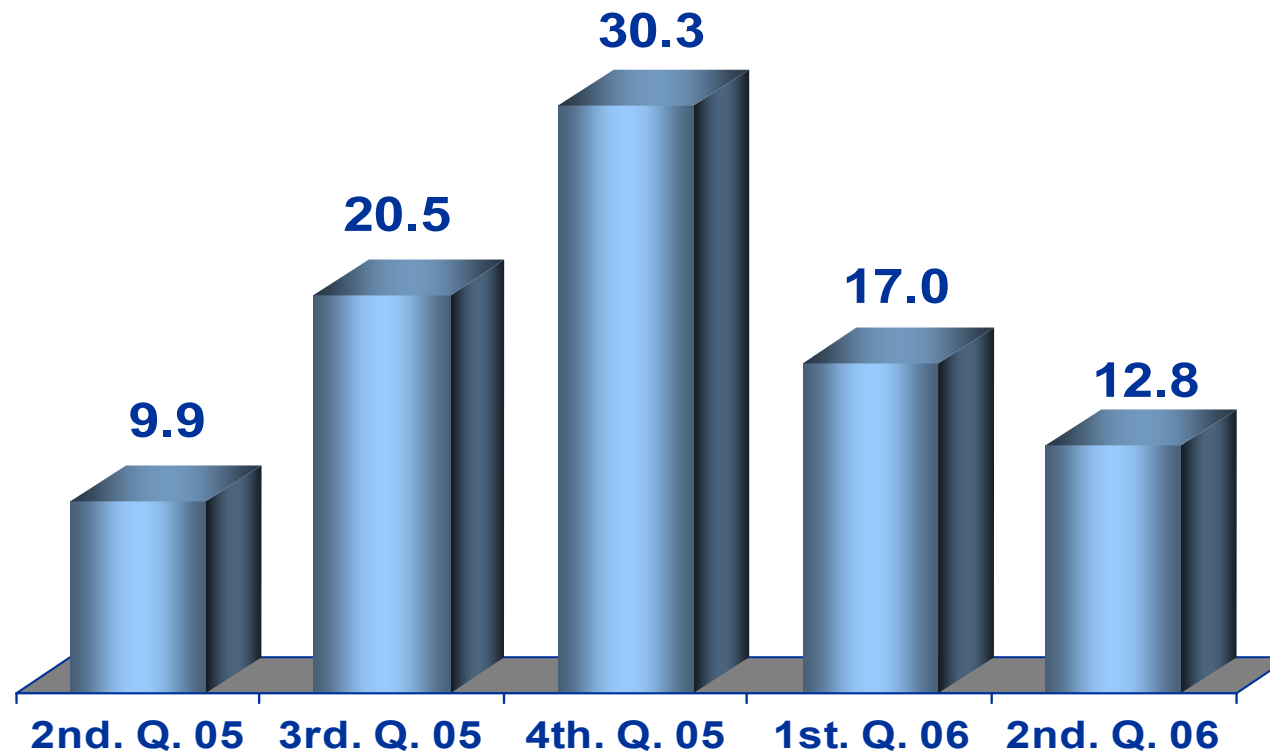
(%)



EARNINGS

GENERAL EXPENSES

y-on-y (%)
Stand-alone quarter



EARNINGS

GENERAL EXPENSES

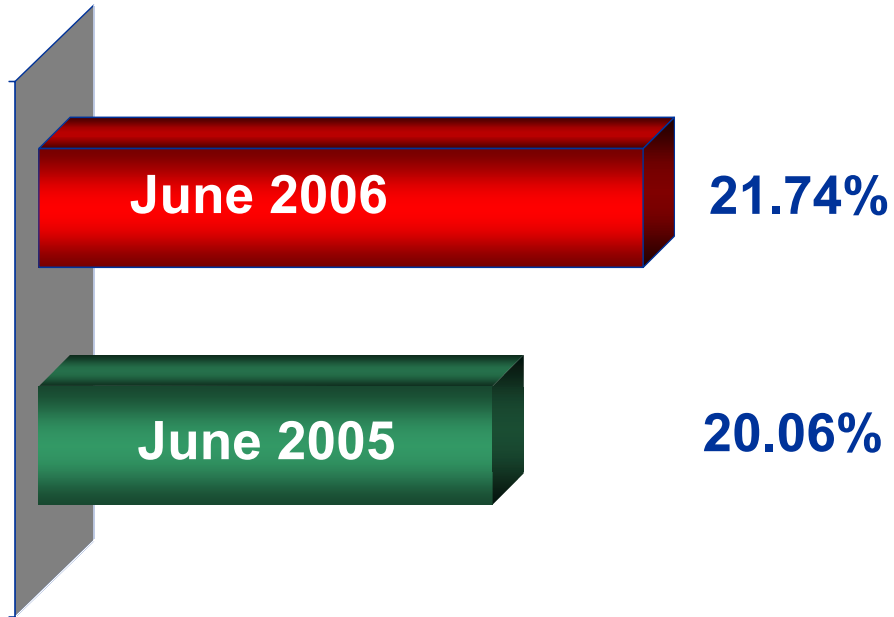
(Euro Thousand)

	30.06.06	30.06.05	% variation
General expenses	165.853	144,458	14.8
Rents and common services	25,459	24,045	5.9
Communications	15,979	15,087	5.9
Maintenance of premises & equipment	11,842	11,061	7.2
IT and other technical expenses	33,303	26,096	27.6
Stationery and office supplies	3,461	3,656	-5.3
Technical reports and legal expenses	5,182	5,587	-7.2
Advertising	22,381	14,838	50.8
Insurance	2,611	1,910	36.7
Security and fund transport services	9,362	8,764	6.8
Travel	6,073	5,491	10.6
Property taxes, VAT and other	21,500	19,602	9.7
Other general expenses	8,690	8,321	4.4

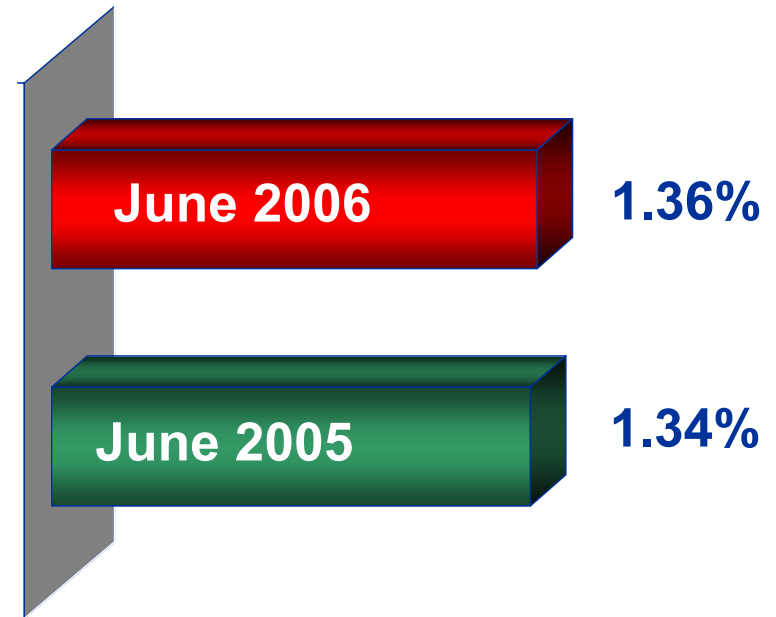
EARNINGS

PROFITABILITY

ROE



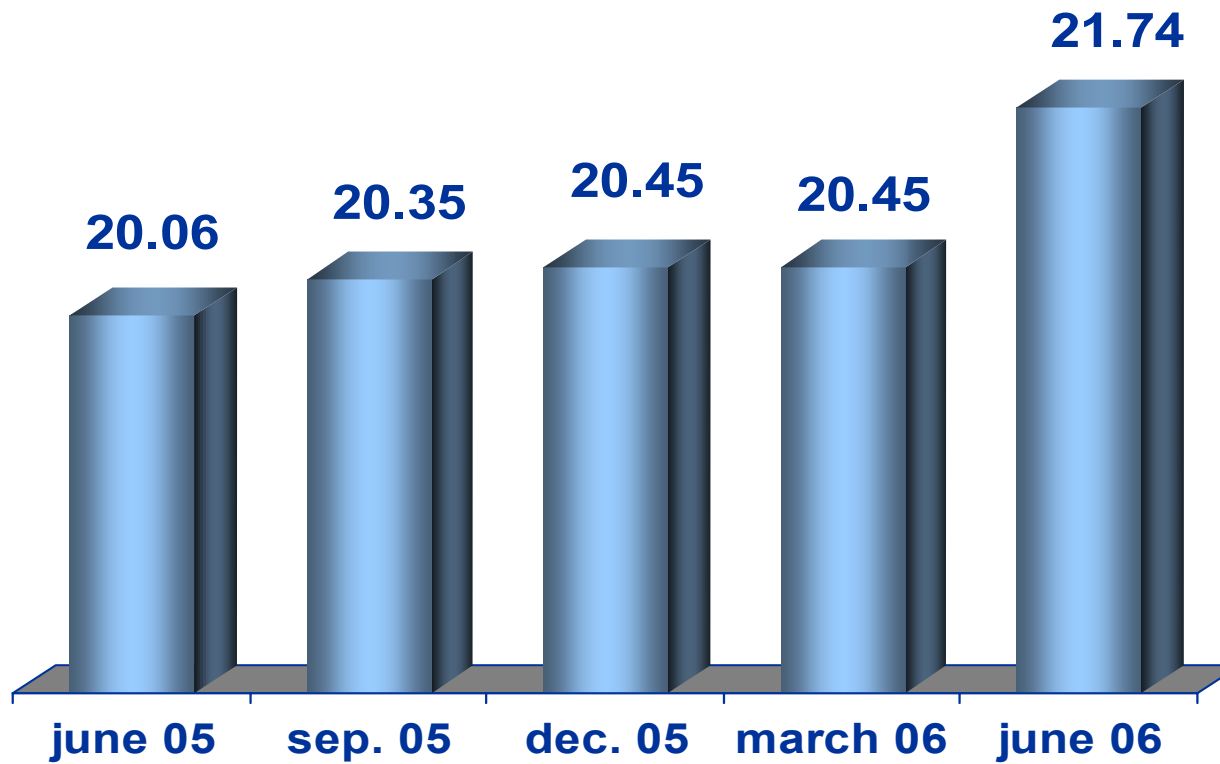
ROA



EARNINGS

ROE EVOLUTION

(%)



EARNINGS

SECTOR COMPARISON; RETURN & EFFICIENCY

ROA

Banco Popular

June 06

1.36%

Ave. Nonpublic Banks March 06

1.04%

Ave. Savings Banks March 06

0.87%

Cost/Income Ratio *

Banco Popular

June 06

31.94%

Ave. Nonpublic Banks March 06

41.44%

Ave. Savings Banks March 06

41.84%

Consolidated data

* Cost base excludes depreciation

SOLVENCY

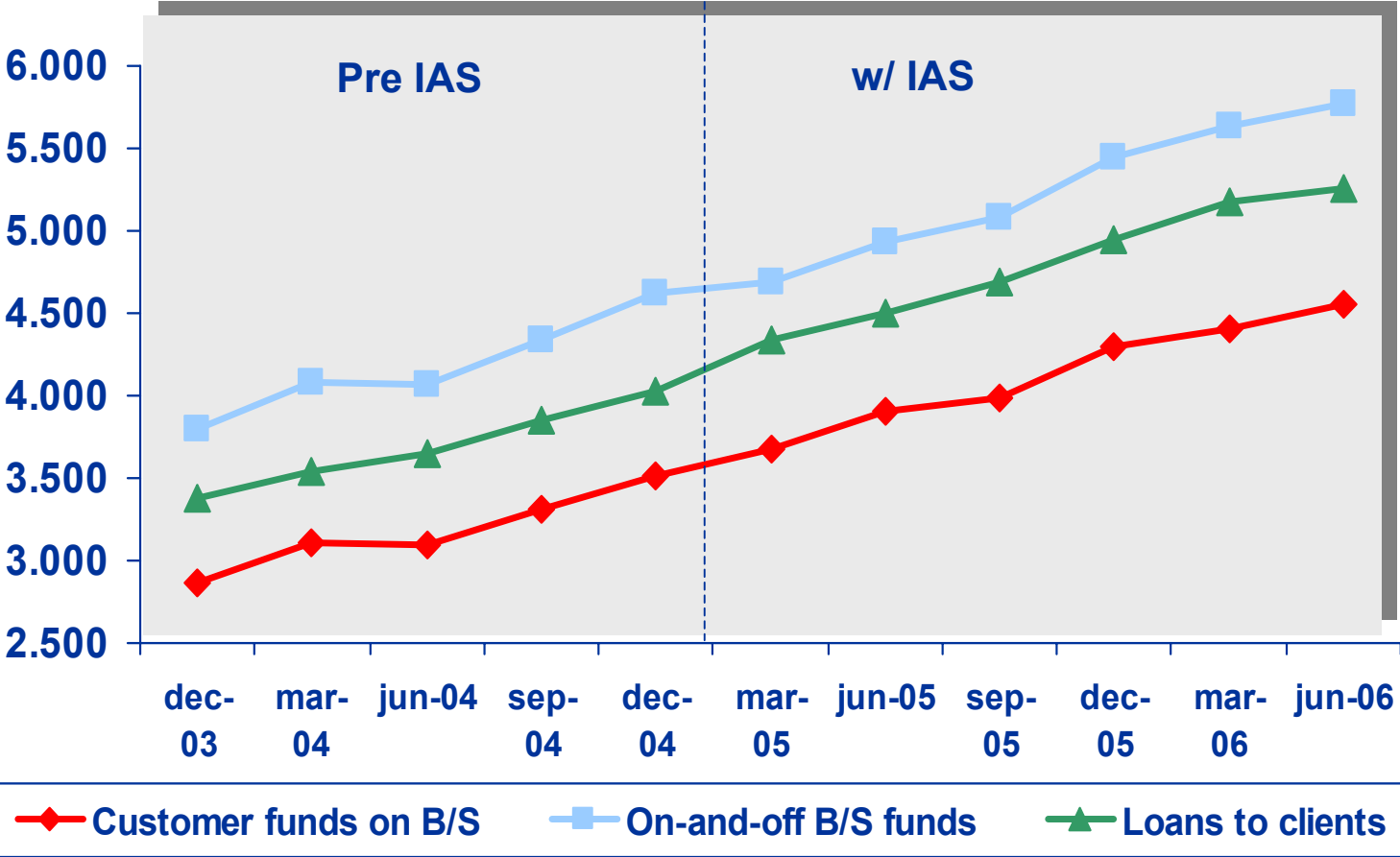
(Euro Million)

	30.06.06	31.3.06
Total core capital	4,960.6 6.52%	4,824.5 6.52%
Total Tier I Capital	5,948.6 7.81%	5,812.5 7.85%
Total Tier 2 Capital	1,460.4 1.92%	1,437.2 1.94%
BIS computable capital	7,409.0 9.73%	7,249.7 9.79%
Total BIS risk weighted assets	76,121.0	74,023.8

EARNINGS - PRODUCTIVITY

BUSINESS MANAGEMENT METRICS (BY EMPLOYEE)*

(Euro Thousand)

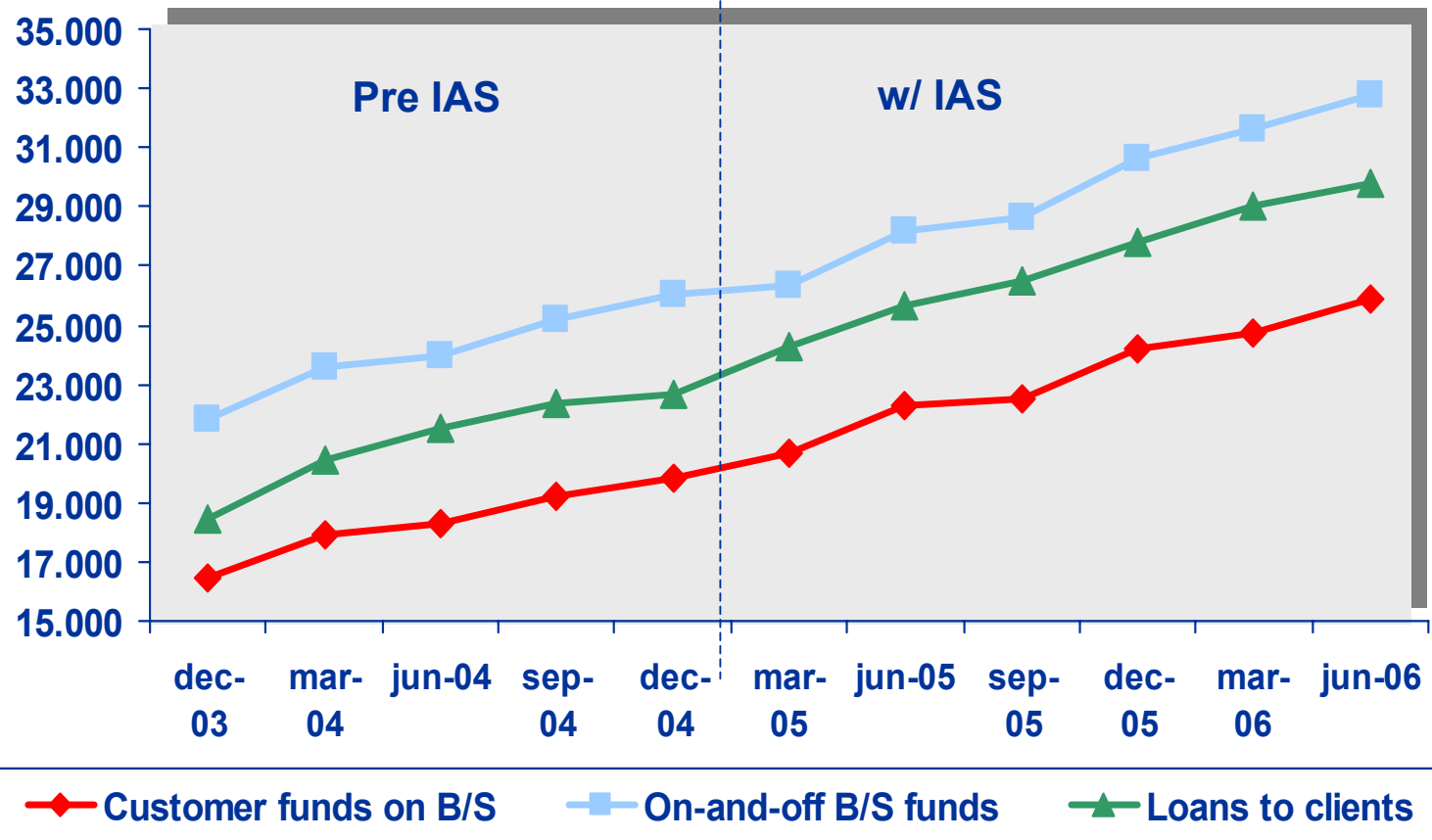


* Only banking employees

EARNINGS - PRODUCTIVITY

BUSINESS MANAGEMENT METRICS (BY BRANCH OFFICE)

(Euro Thousand)



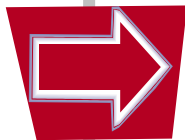
FINANCIAL RESULTS

Core Business Growth

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Earnings



Banco Popular Portugal

BANCO POPULAR PORTUGAL



APRIL | MAY | JUNE 2006

BANCO POPULAR PORTUGAL

(Euro Thousand)

	June 2006	June 2005	△%
Net interest revenue	76,920	63,214	21.7
Fees for services	18,372	14,588	25.9
Ordinary revenue	97,007	79,003	22.8
Operating cost	38,461	34,151	12.6
Depreciation	5,213	3,942	32.2
Operating income	53,332	28,970	30.4
Net income	23,561	21,023	12.1

BANCO POPULAR PORTUGAL

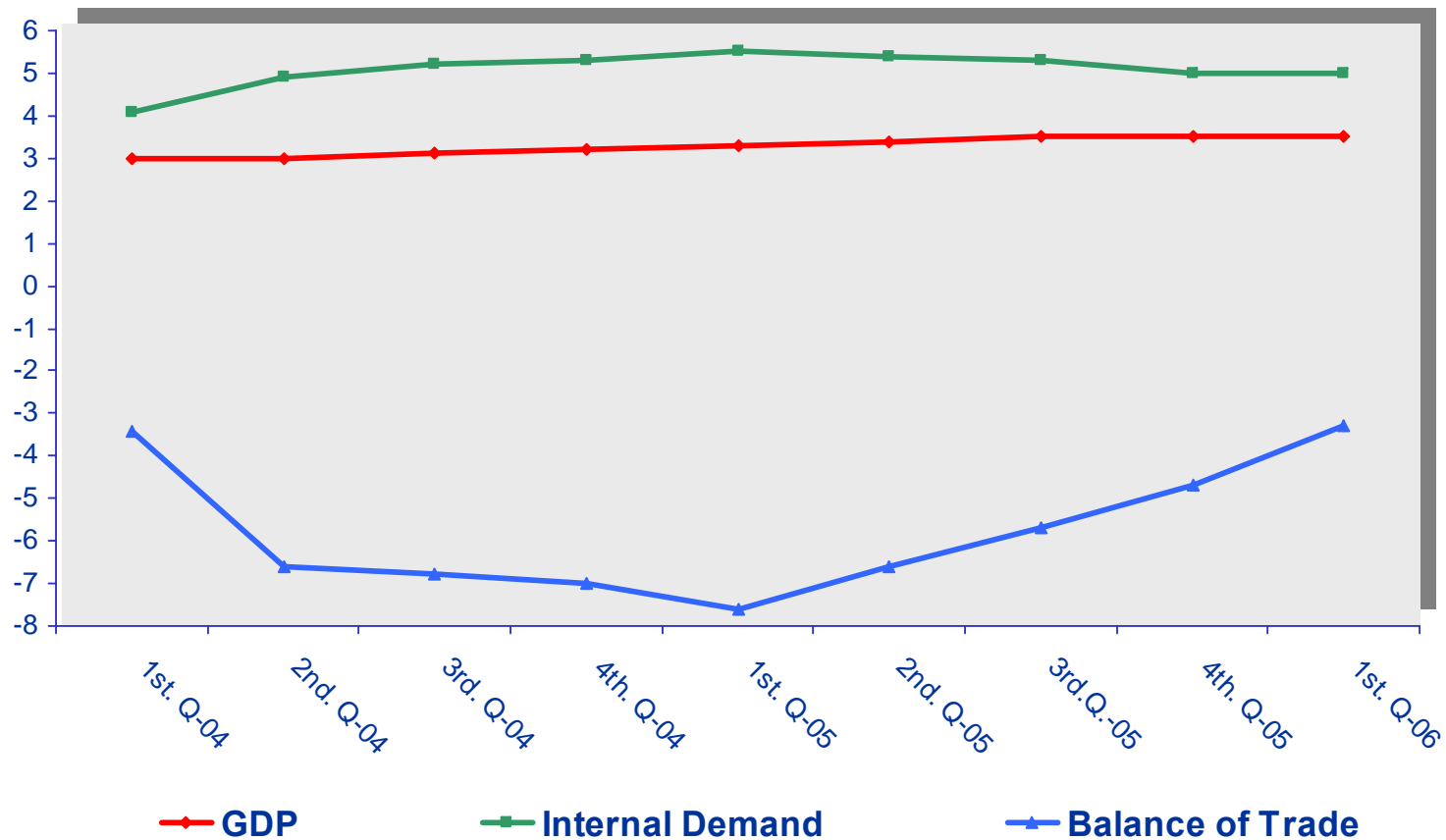
<i>(Euro Million)</i>	June 2006	June 2005	△%
Loans	5,558.7	4,503.4	23.4
Total assets	6,579.5	5,204.7	26.4
Customer deposits	2,814.6	2,662.0	5.7
Interbank deposits	2,682.8	1,873.7	43.2
Subordinated funding	295.5	252.0	17.2
Equity	387.1	333.1	16.2
Total liabilities and equity	6,579.5	5,204.7	26.4

ANNEX



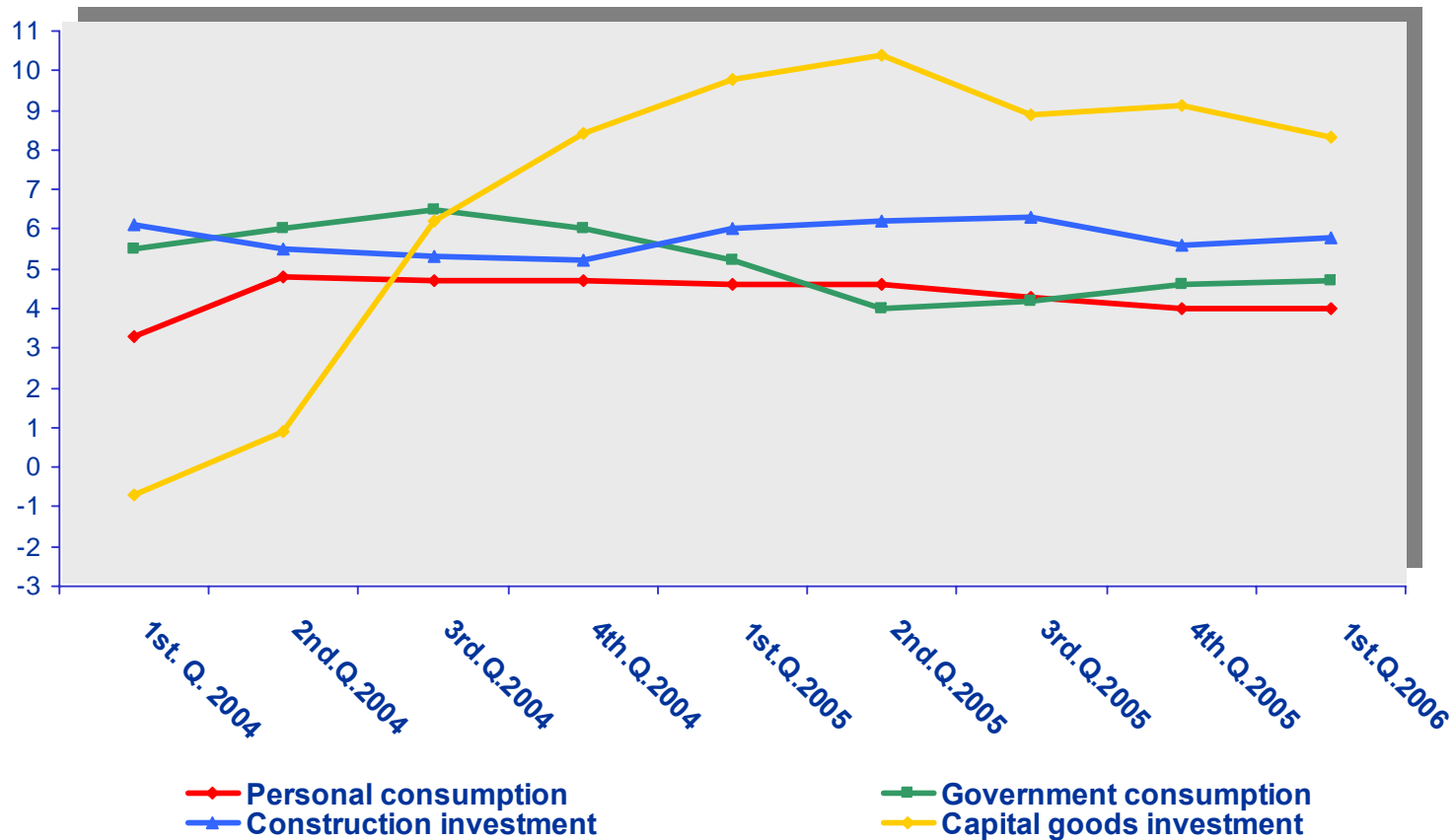
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MACROECONOMIC PARAMETERS IN SPAIN



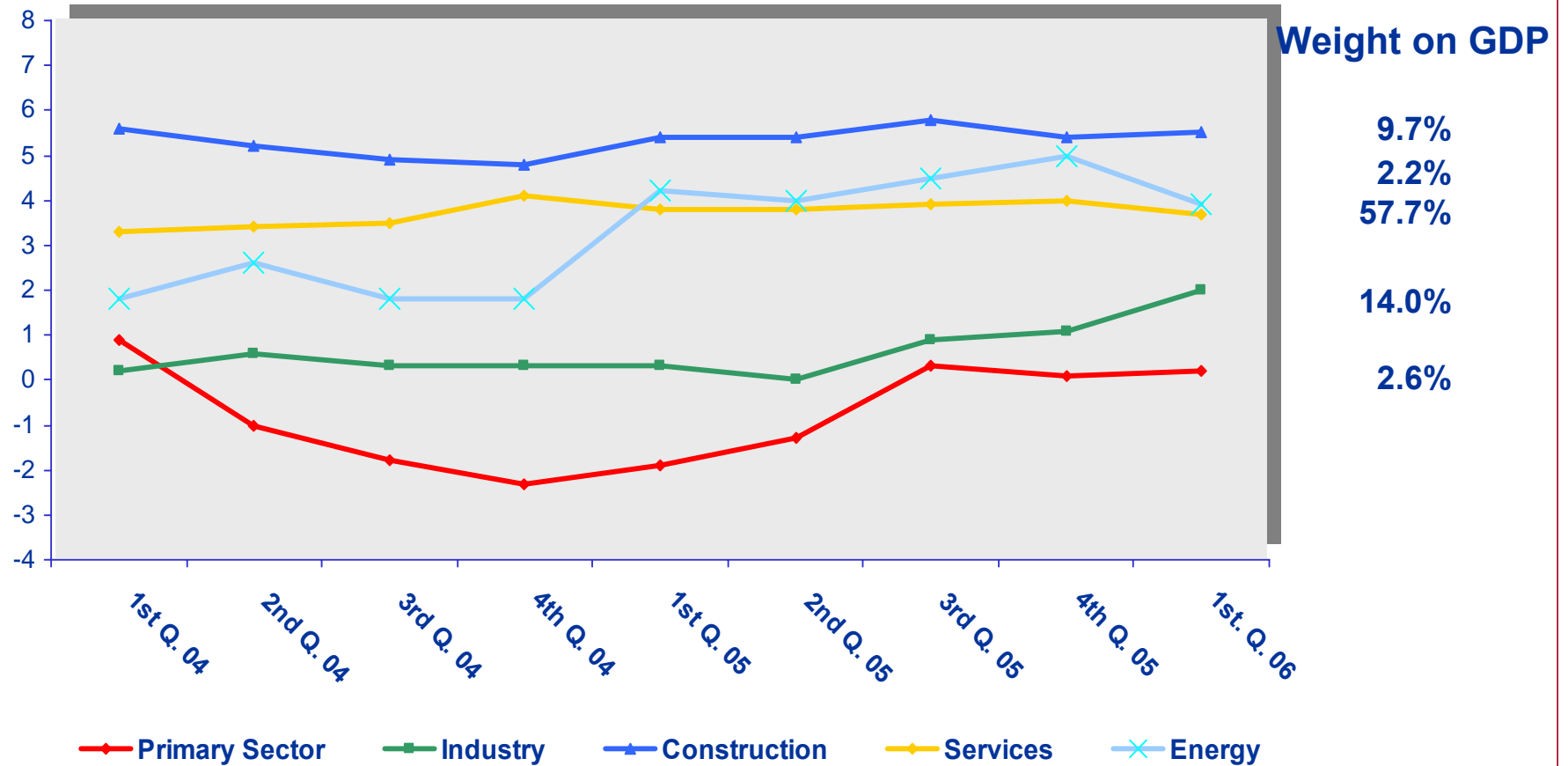
Source: INE

MACROECONOMIC PARAMETERS IN SPAIN



Source: INE

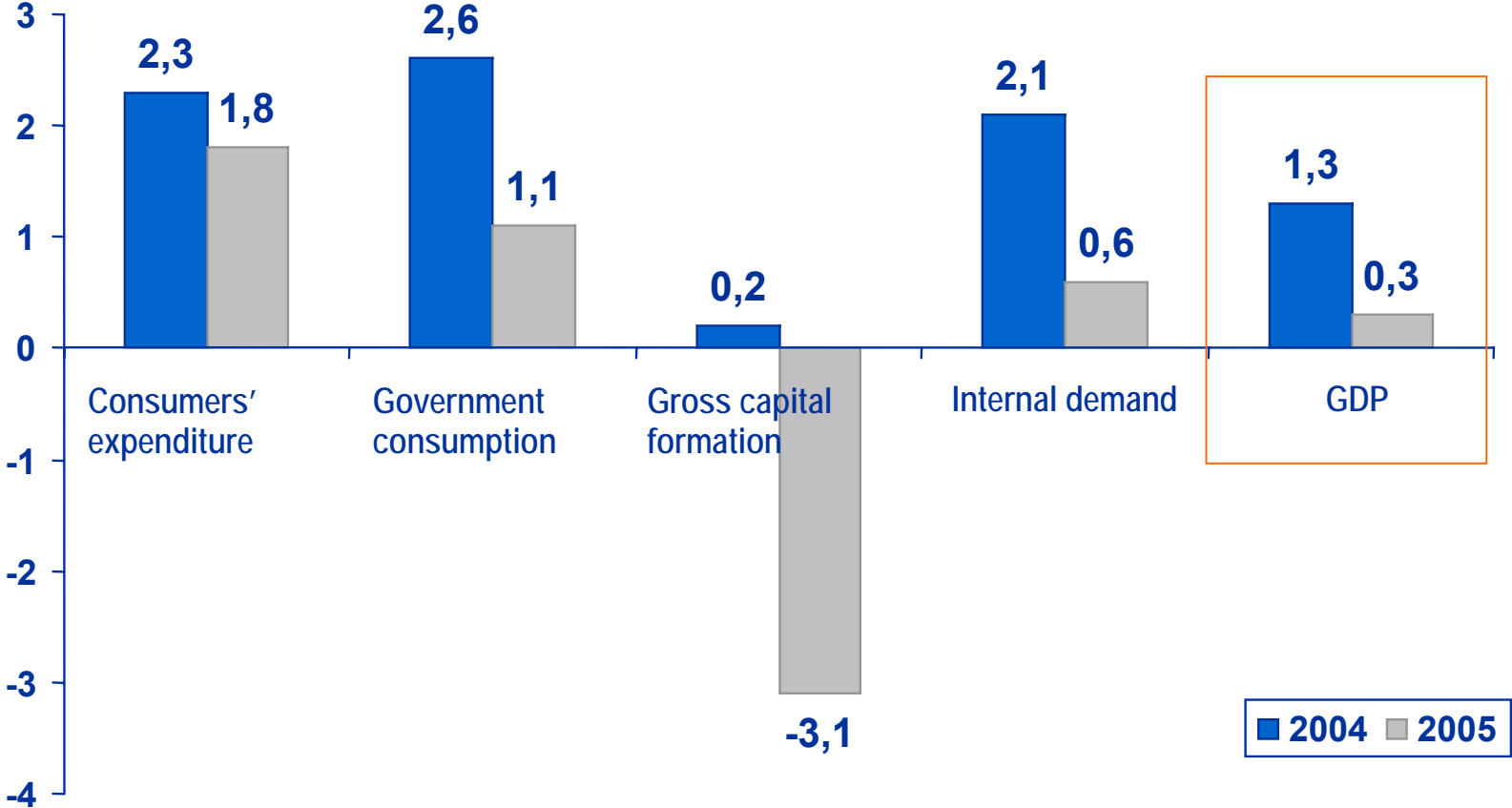
MACROECONOMIC PARAMETERS IN SPAIN



Source: INE

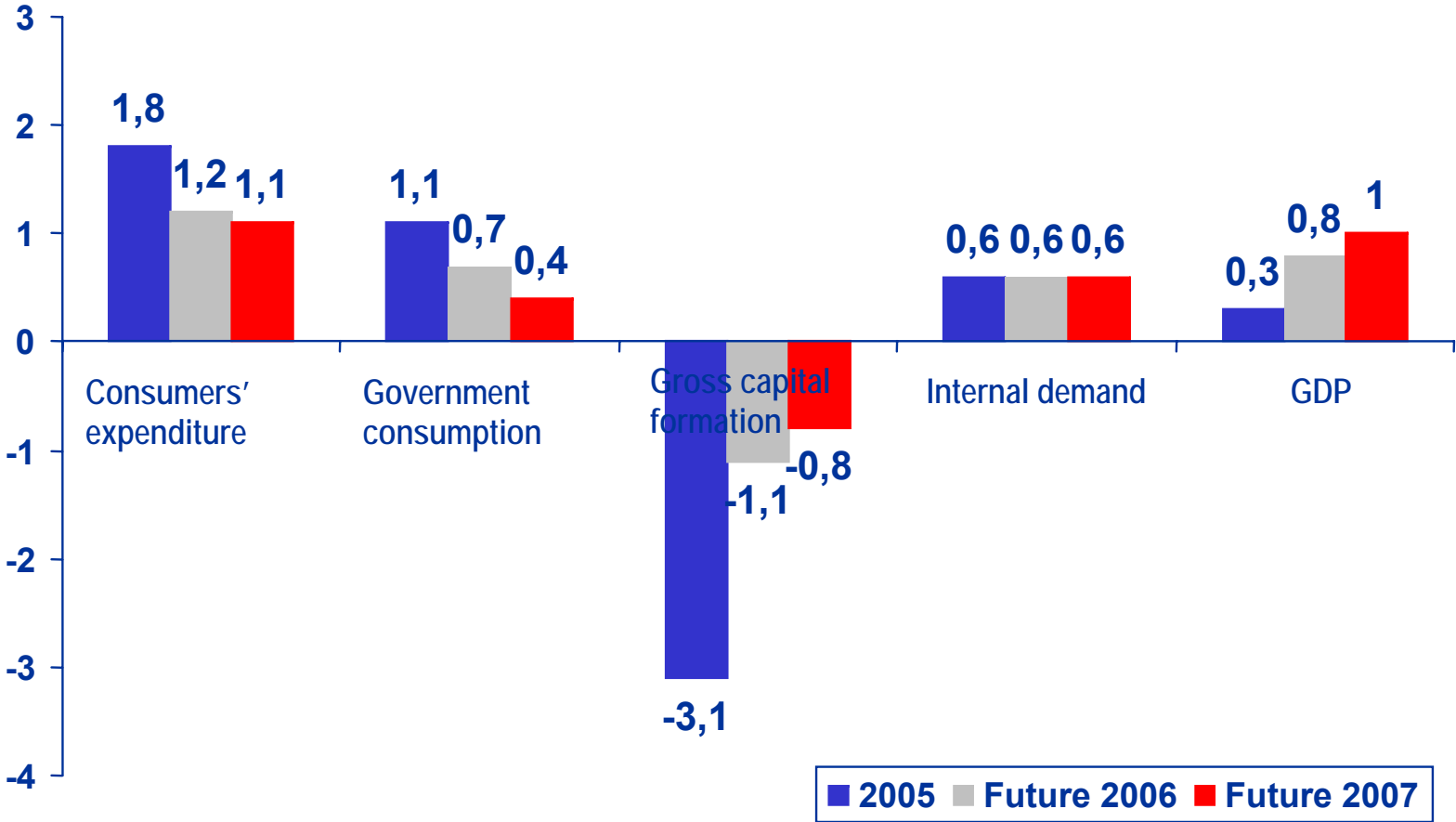
MACROECONOMIC PARAMETERS IN PORTUGAL

Past evolution of GDP components (%)



MACROECONOMIC PARAMETERS IN PORTUGAL

GDP: expected trend (%)



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