

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

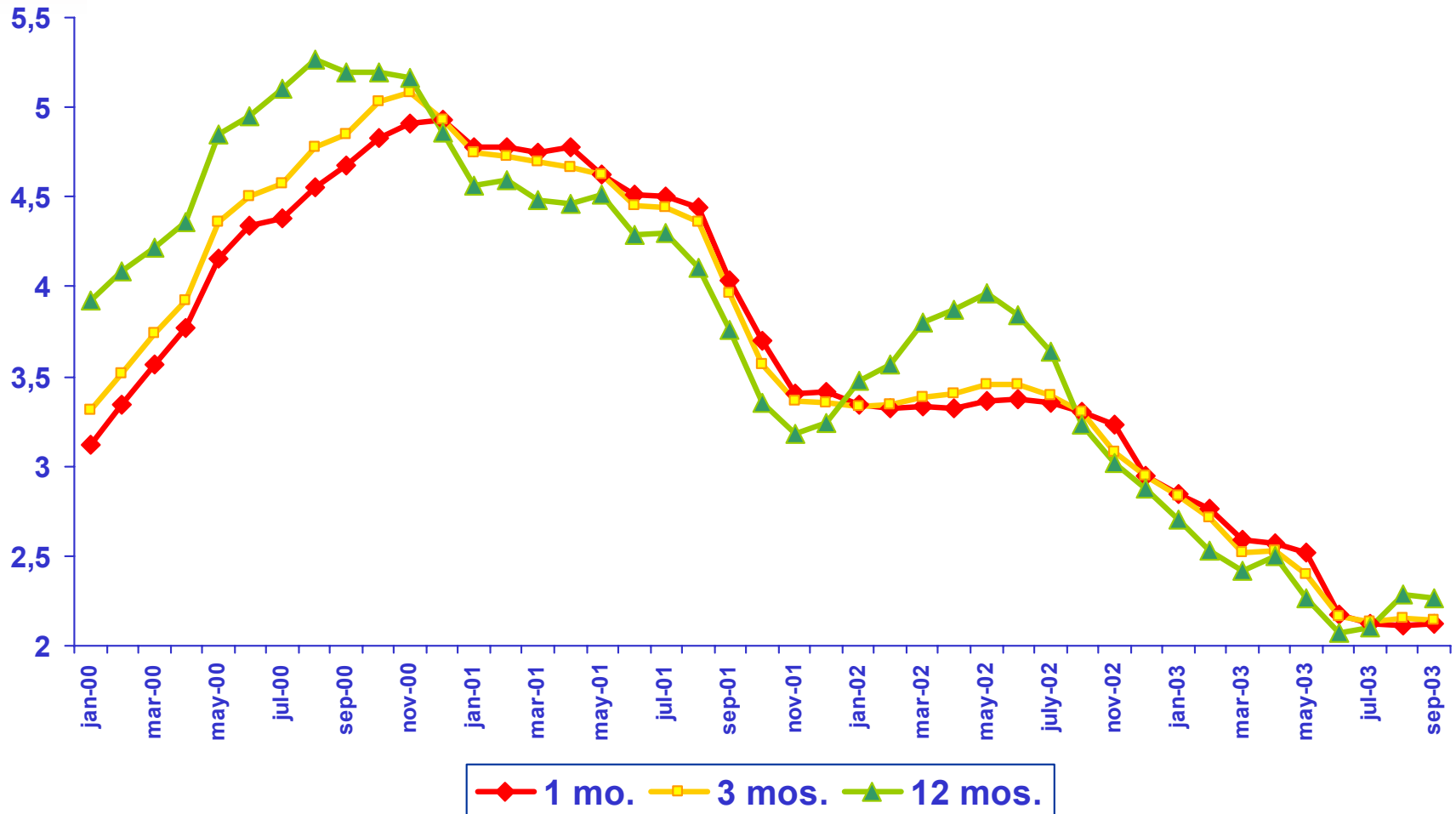
- ▶ fast decreasing interest rates and
- ▶ economic slowdown

BUT

Banco Popular has delivered a strong performance

LOOKING BACK: MACRO BACKGROUND

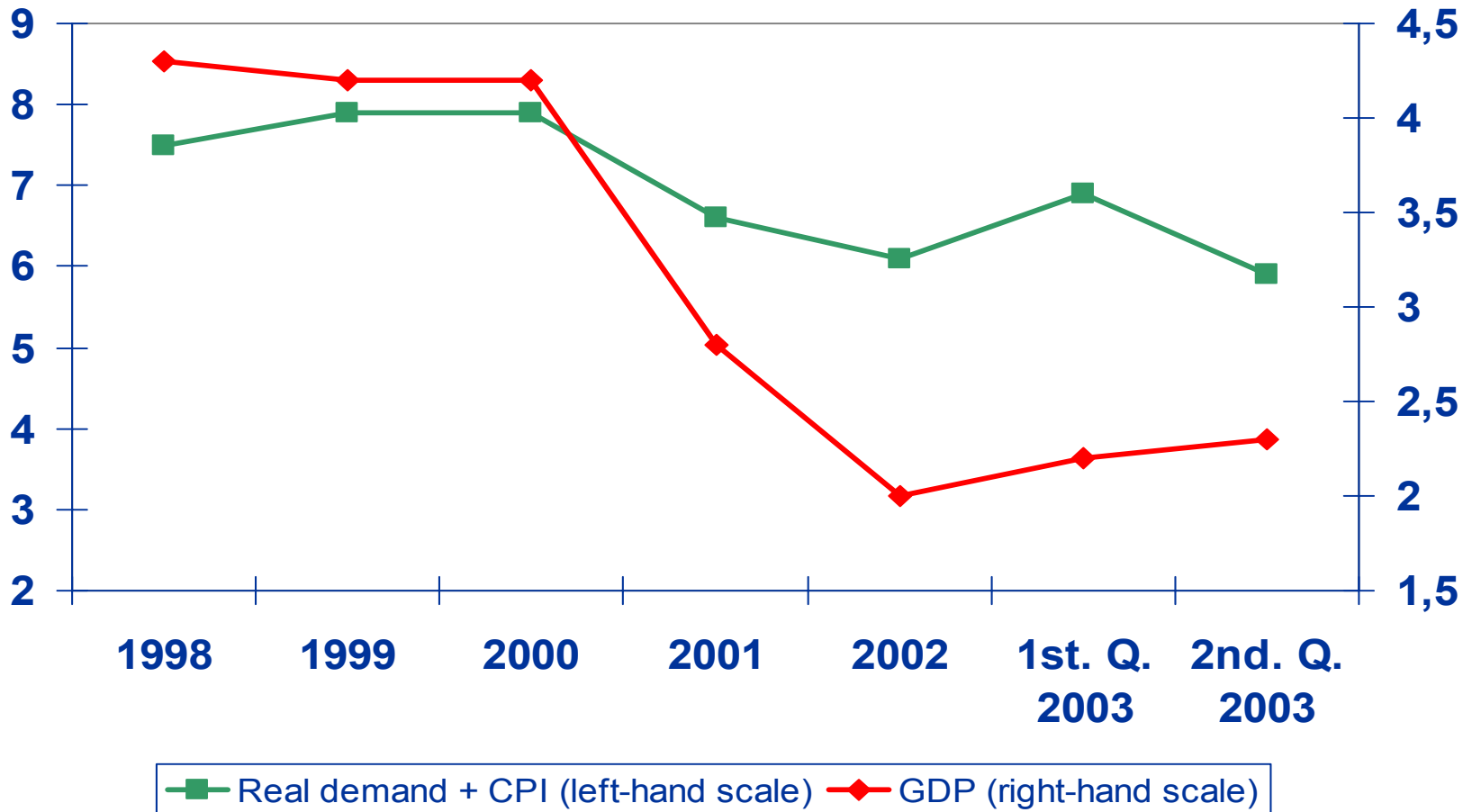
PRESSURE FROM DECREASING INTEREST RATES



LOOKING BACK: MACRO BACKGROUND

... AND DECLINE IN GDP & NOMINAL DEMAND

Annual growth (%)



LOOKING BACK: STRONG PERFORMANCE

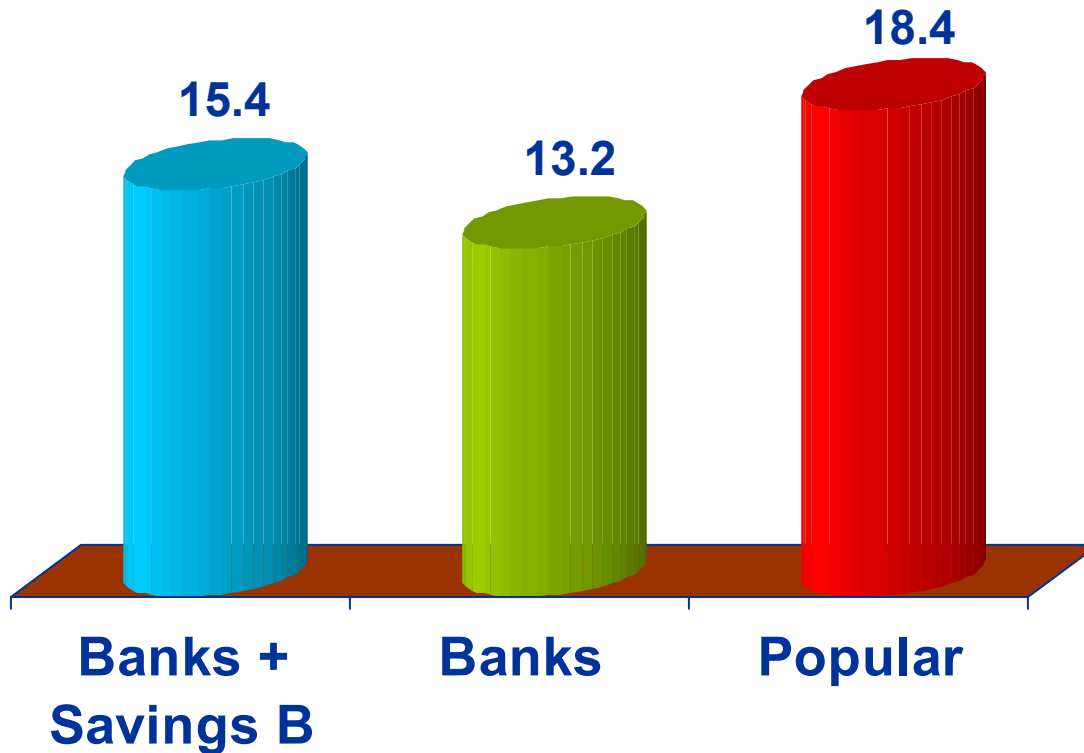
IN THIS DIFFICULT WORLD WE REACHED:

- ▶ **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

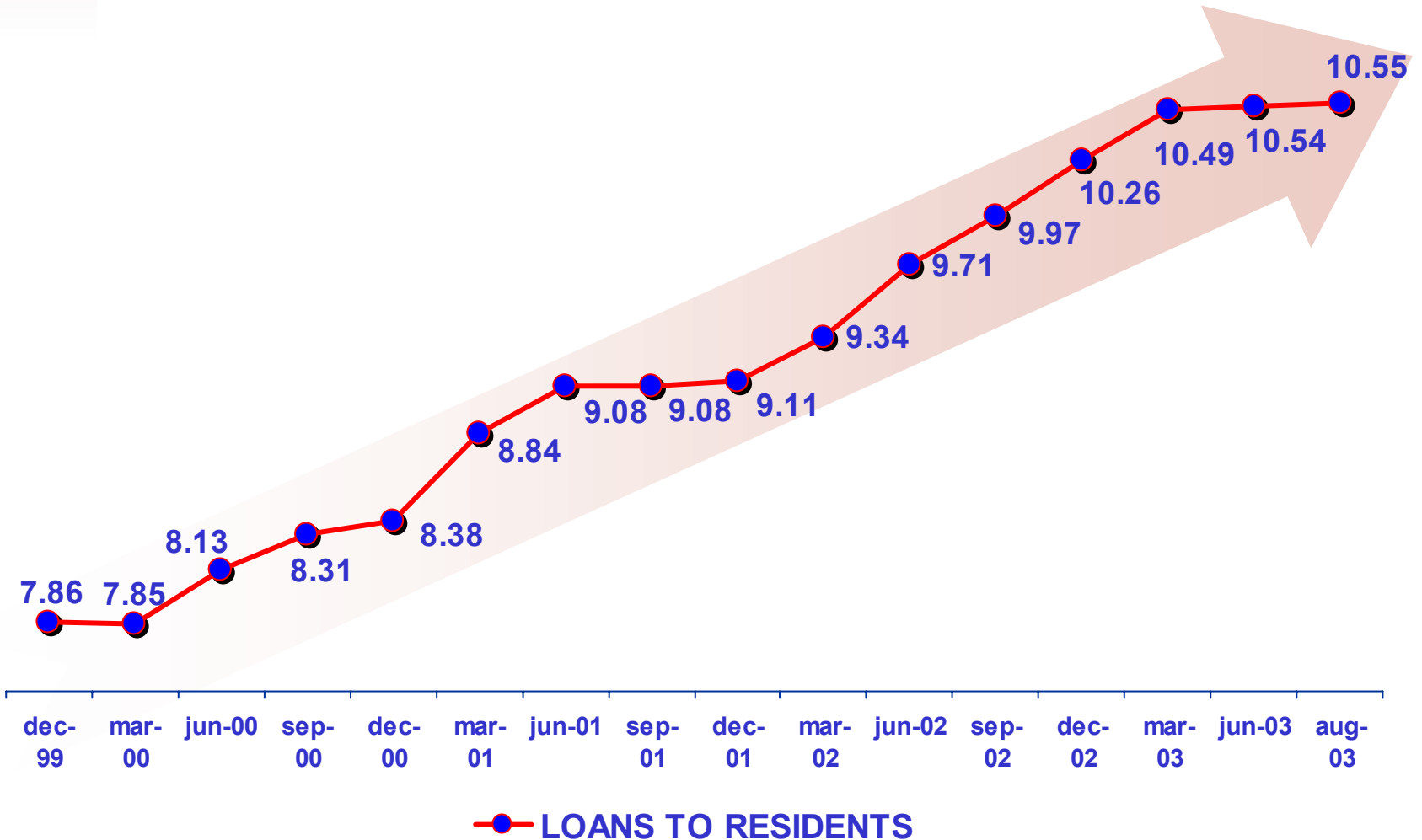
MUTUAL FUNDS (ex BNC)

(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)

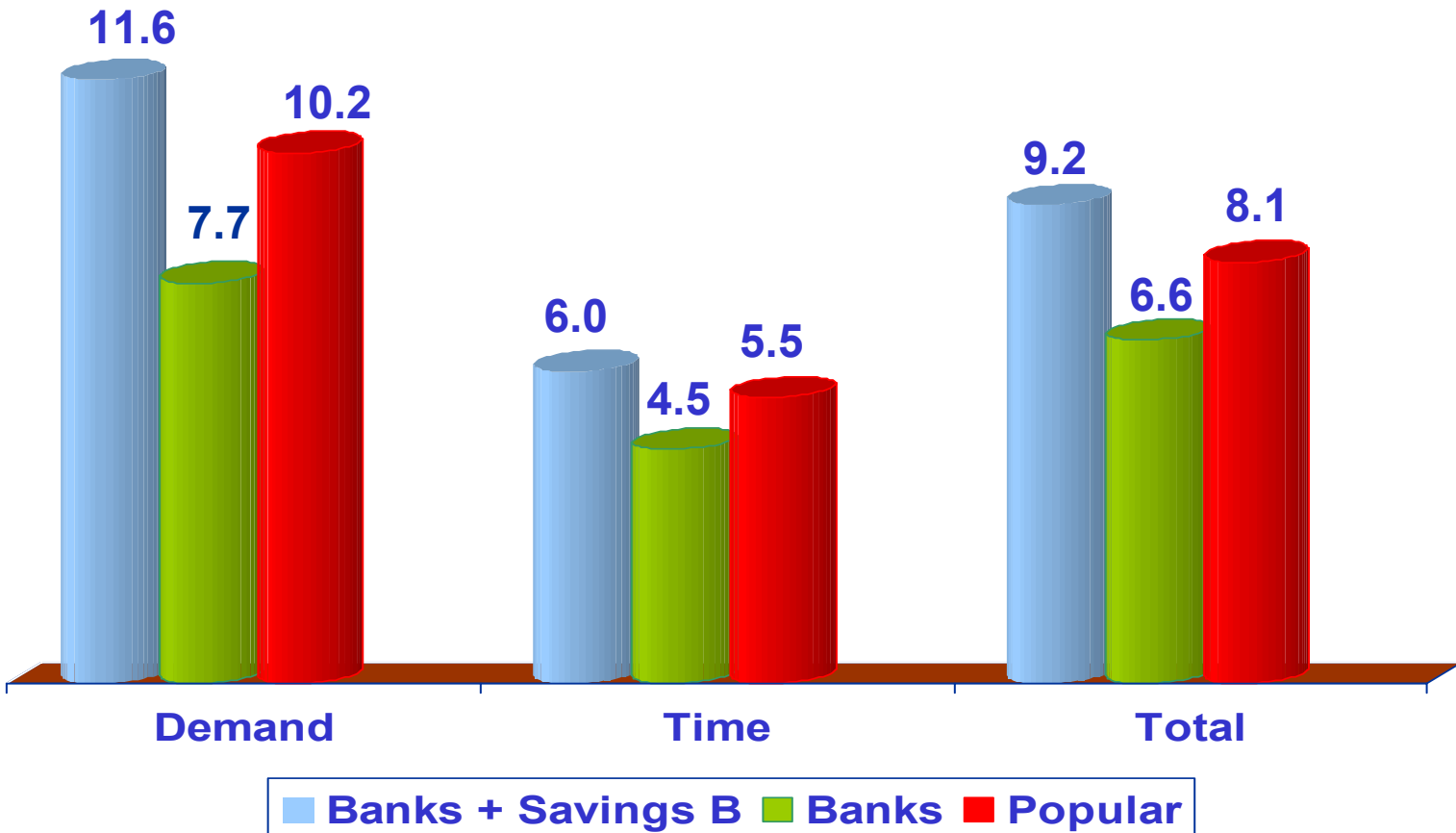


MARKET SHARE GAIN

GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

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

(ex BNC)



MARKET SHARE GAIN

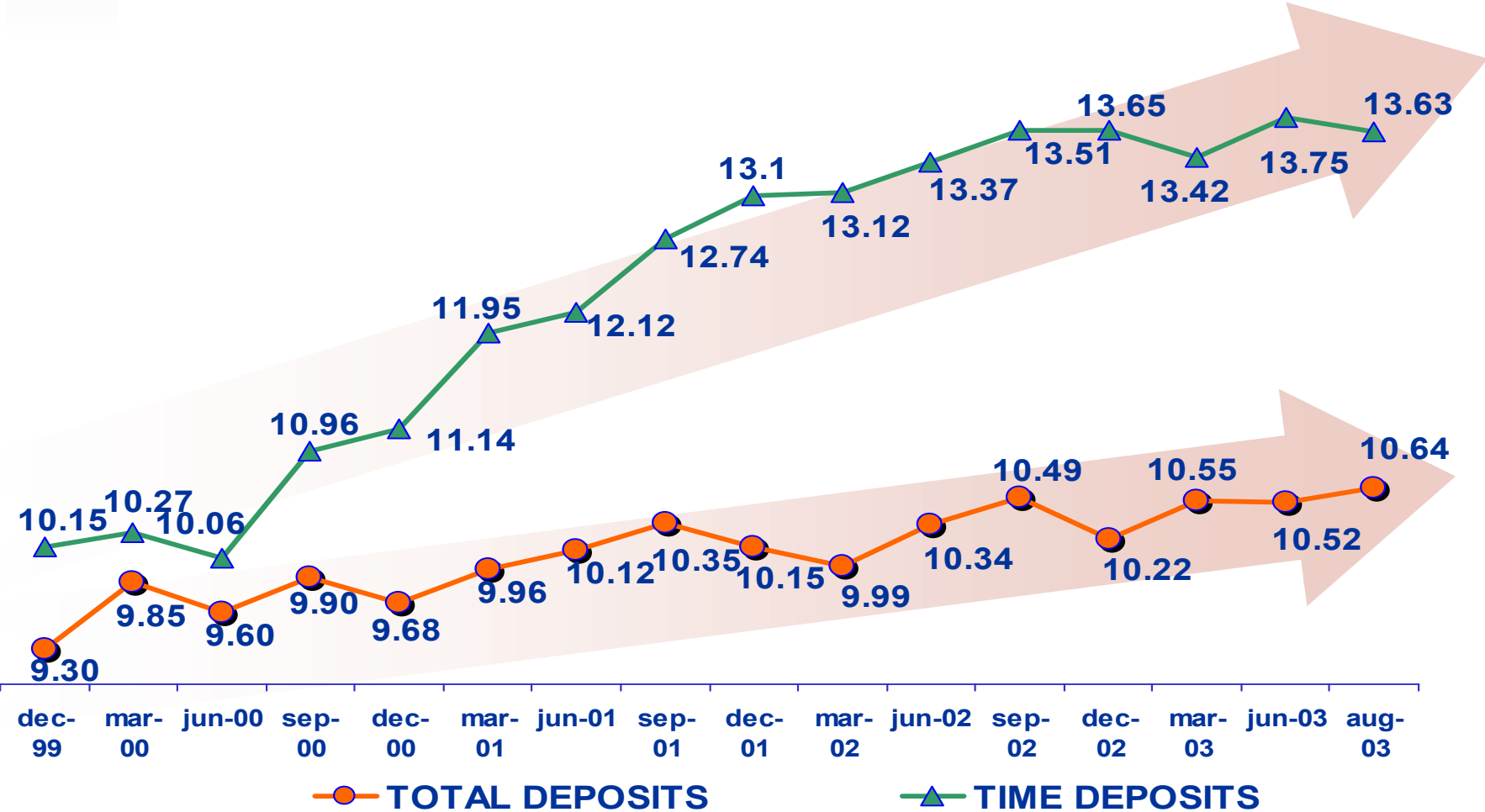
CORE RESIDENT-CUSTOMER DEPOSITS (ex BNC)

(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

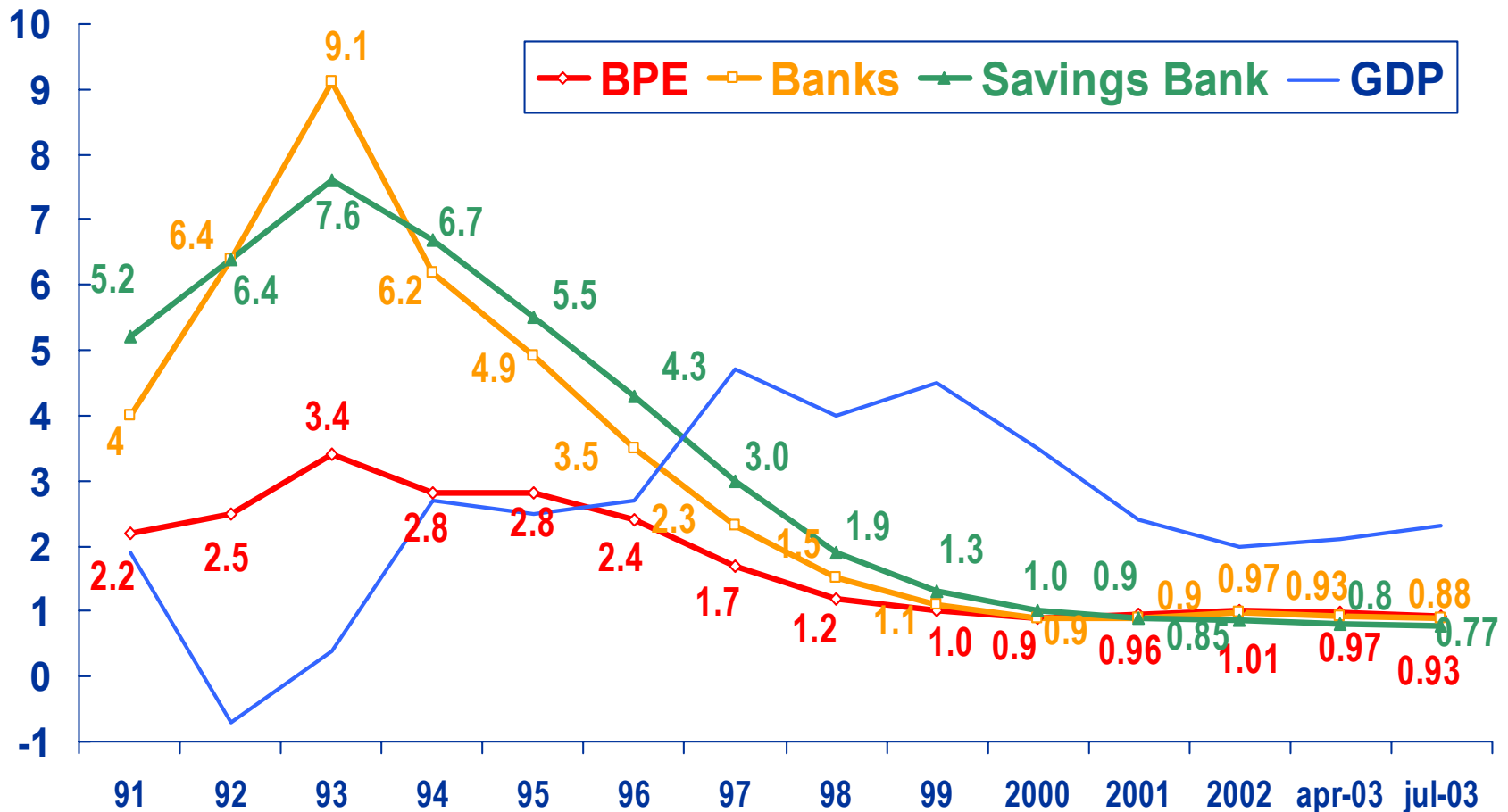
MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)



IMPROVEMENT IN ASSET QUALITY

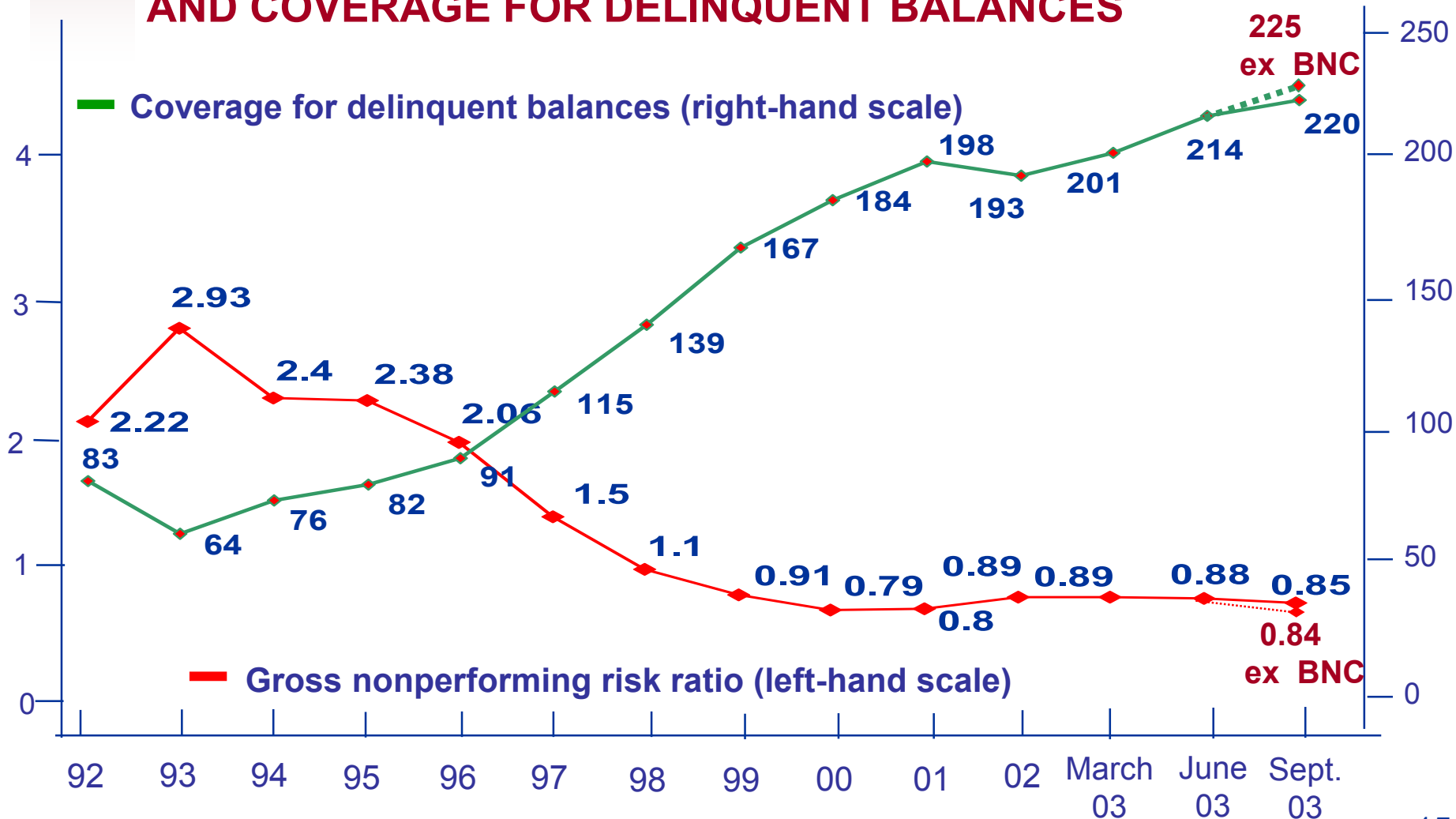
LOAN PORTFOLIO QUALITY

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



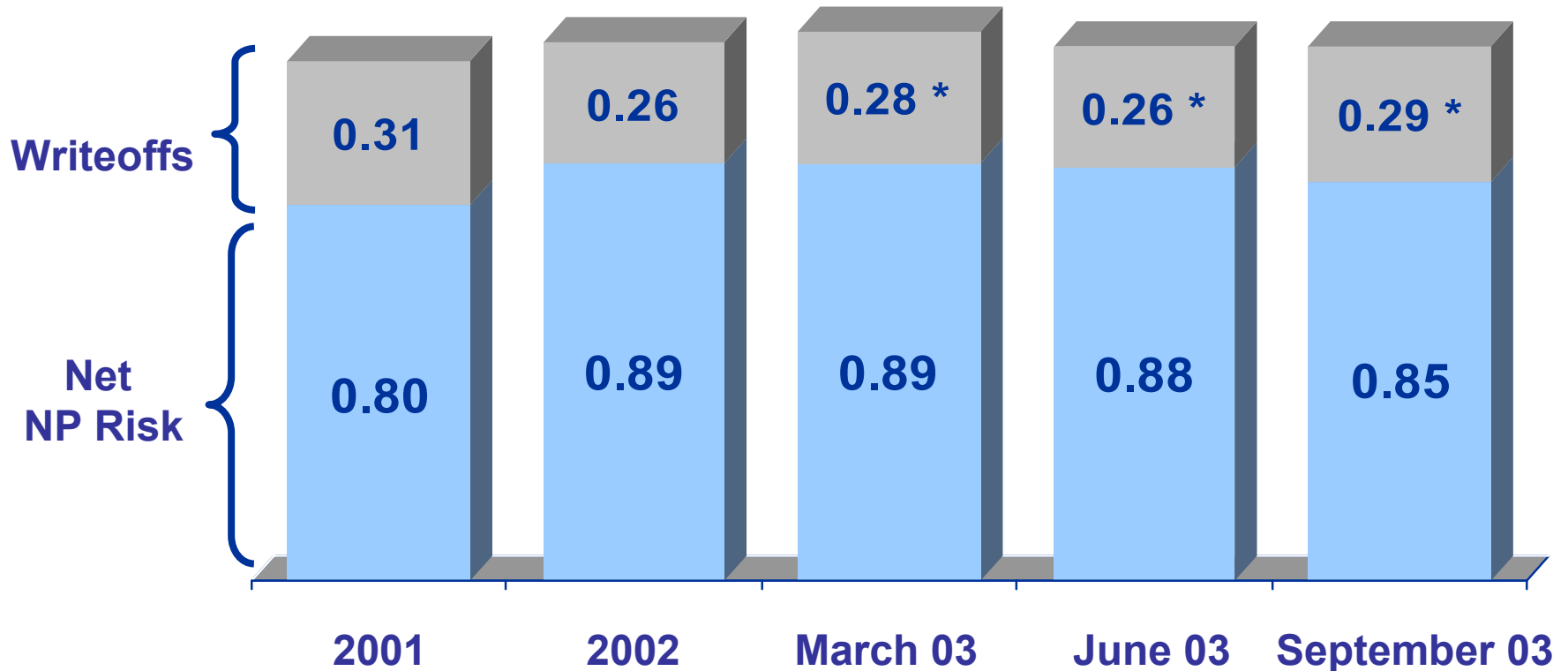
IMPROVEMENT IN ASSET QUALITY

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



IMPROVEMENT IN ASSET QUALITY

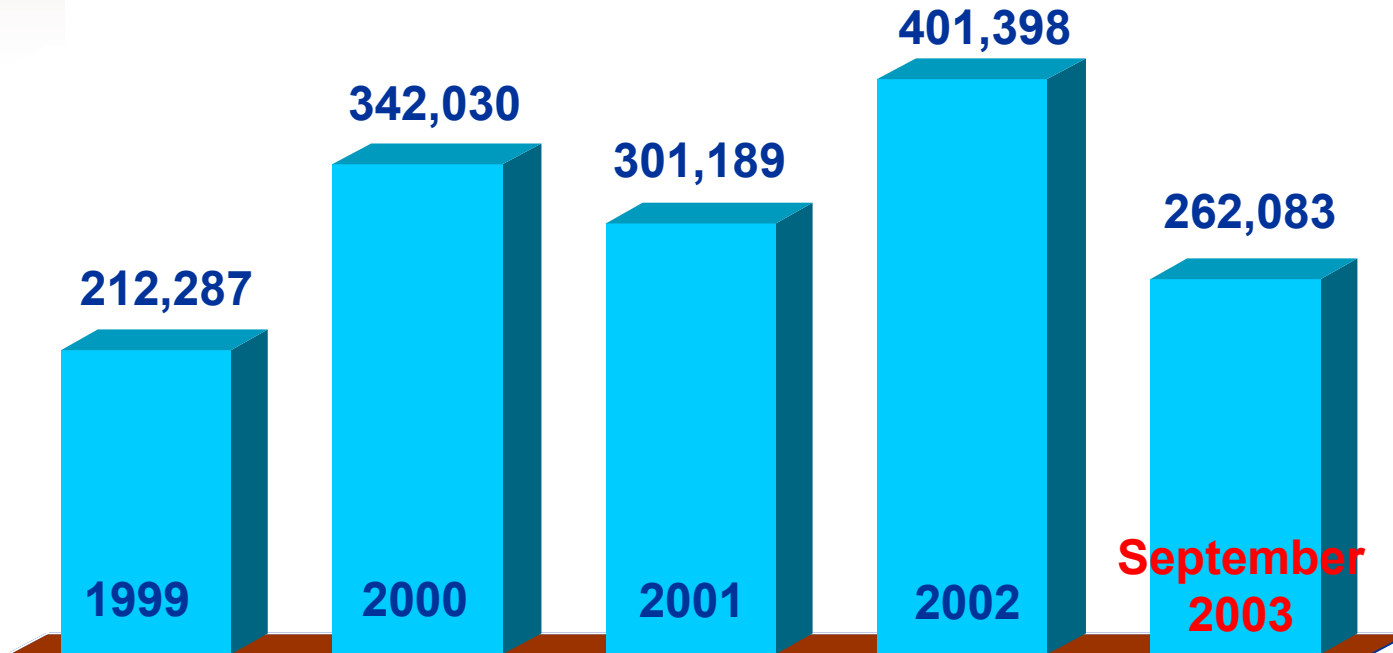
NON PERFORMING RISK (bps)



* 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

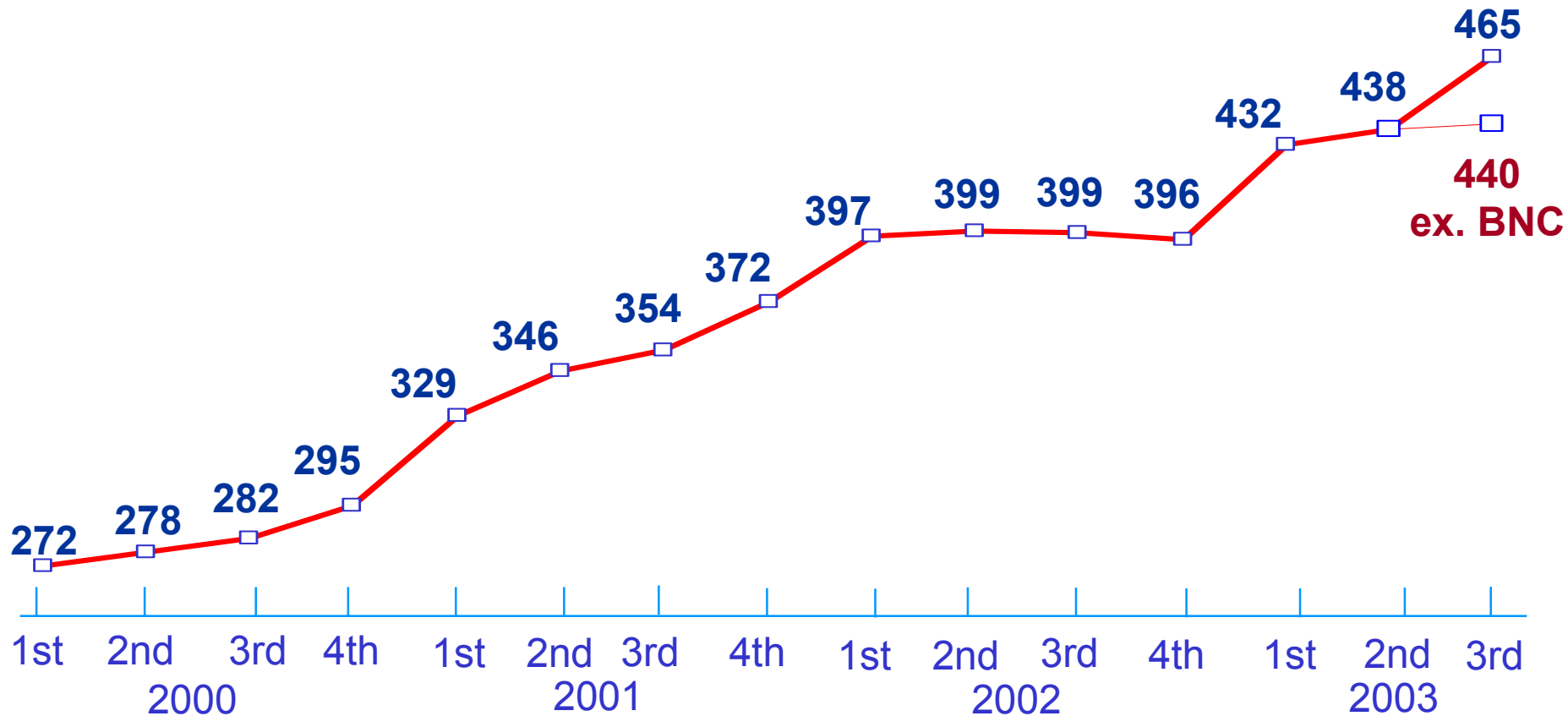
STRONG REVENUES GROWTH

	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)

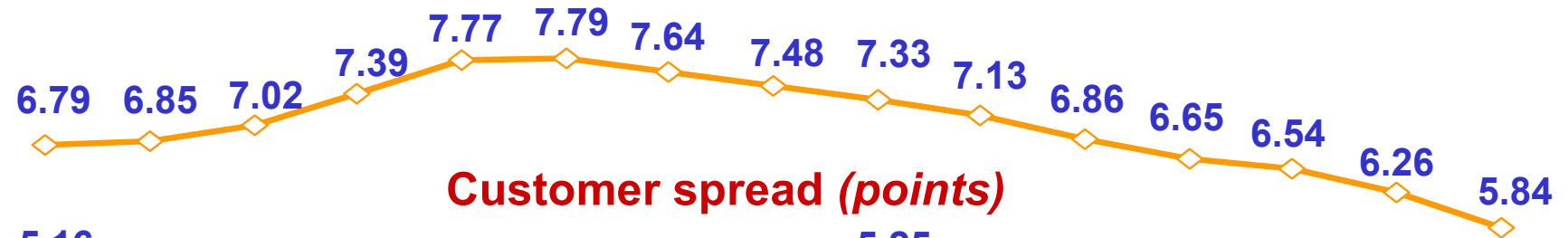
(Euro million)



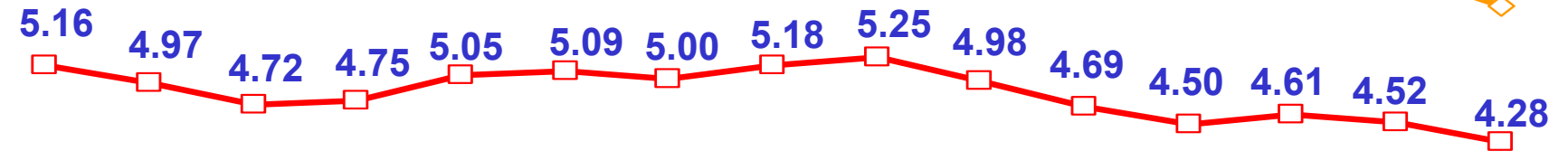
STRONG REVENUES GROWTH

QUARTERLY CUSTOMER SPREAD

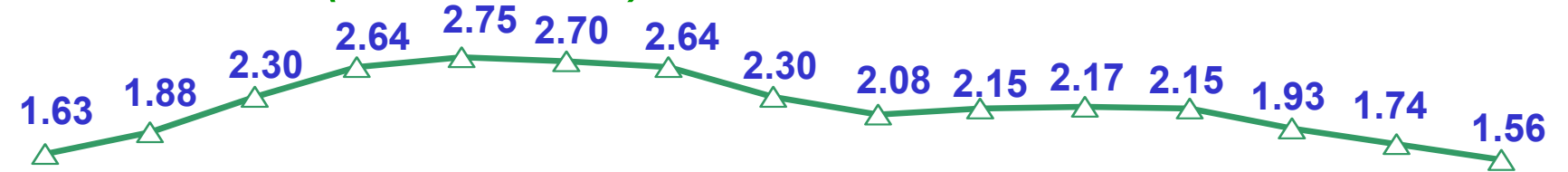
Credit yield (annualized %)



Customer spread (points)



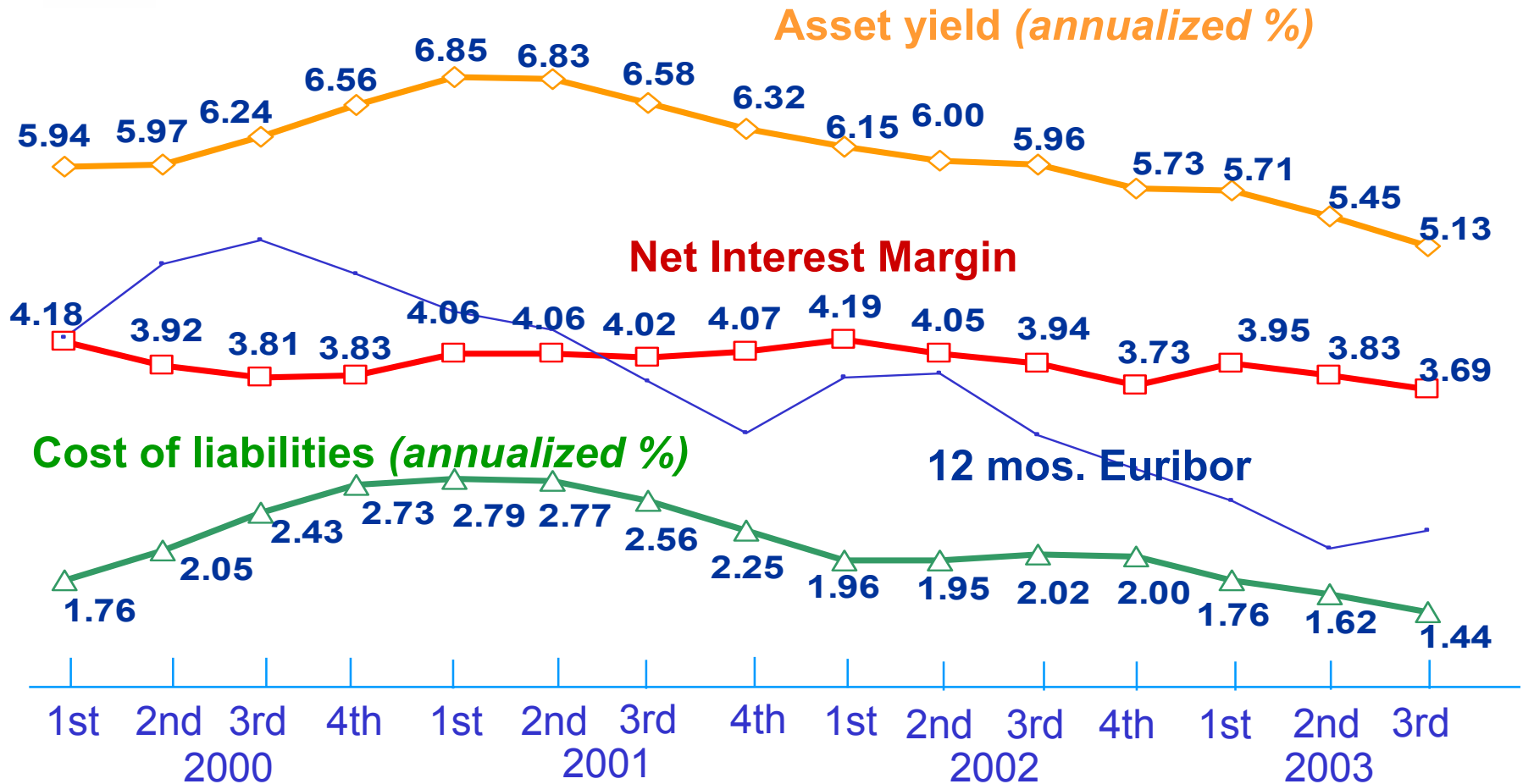
Cost of funds (annualized %)



1st 2000 2nd 2000 3rd 2000 4th 2000 1st 2001 2nd 2001 3rd 2001 4th 2001 1st 2002 2nd 2002 3rd 2002 4th 2002 1st 2003 2nd 2003 3rd 2003

STRONG REVENUES GROWTH

NET INTEREST MARGIN



OFFSET SPREAD PRESSURE

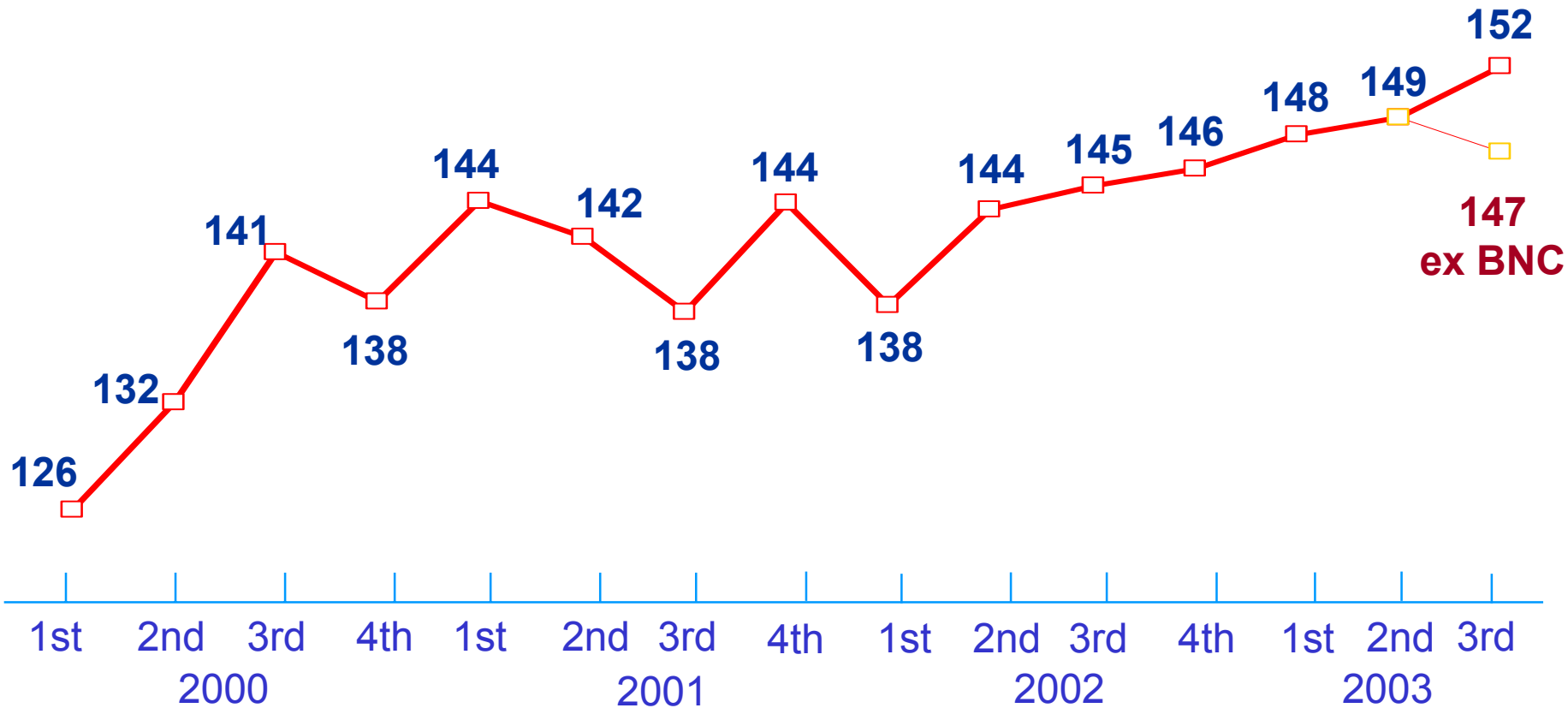
EFFECT ON YIELDS AND COSTS (ex BNC)

	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

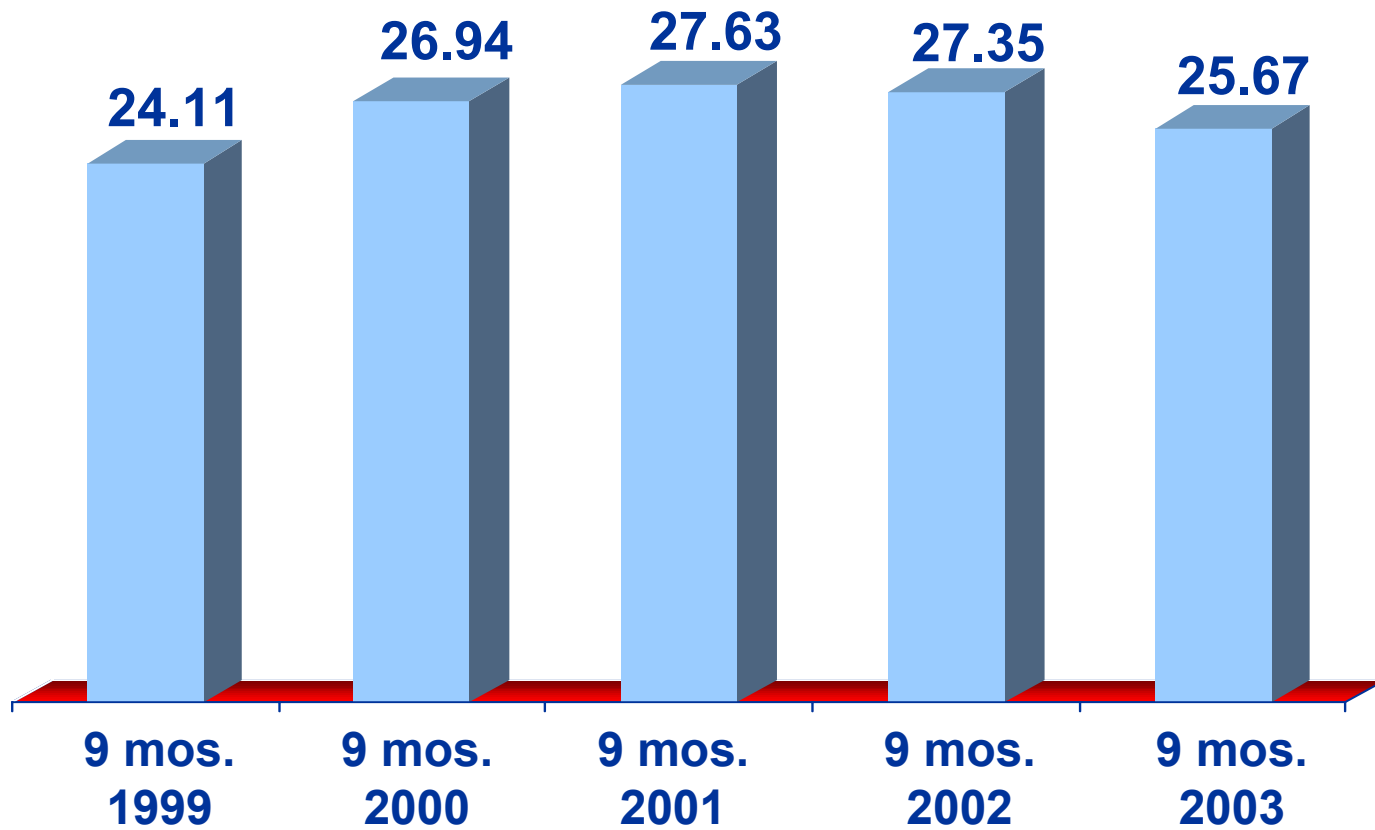
FEEES FOR SERVICES

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

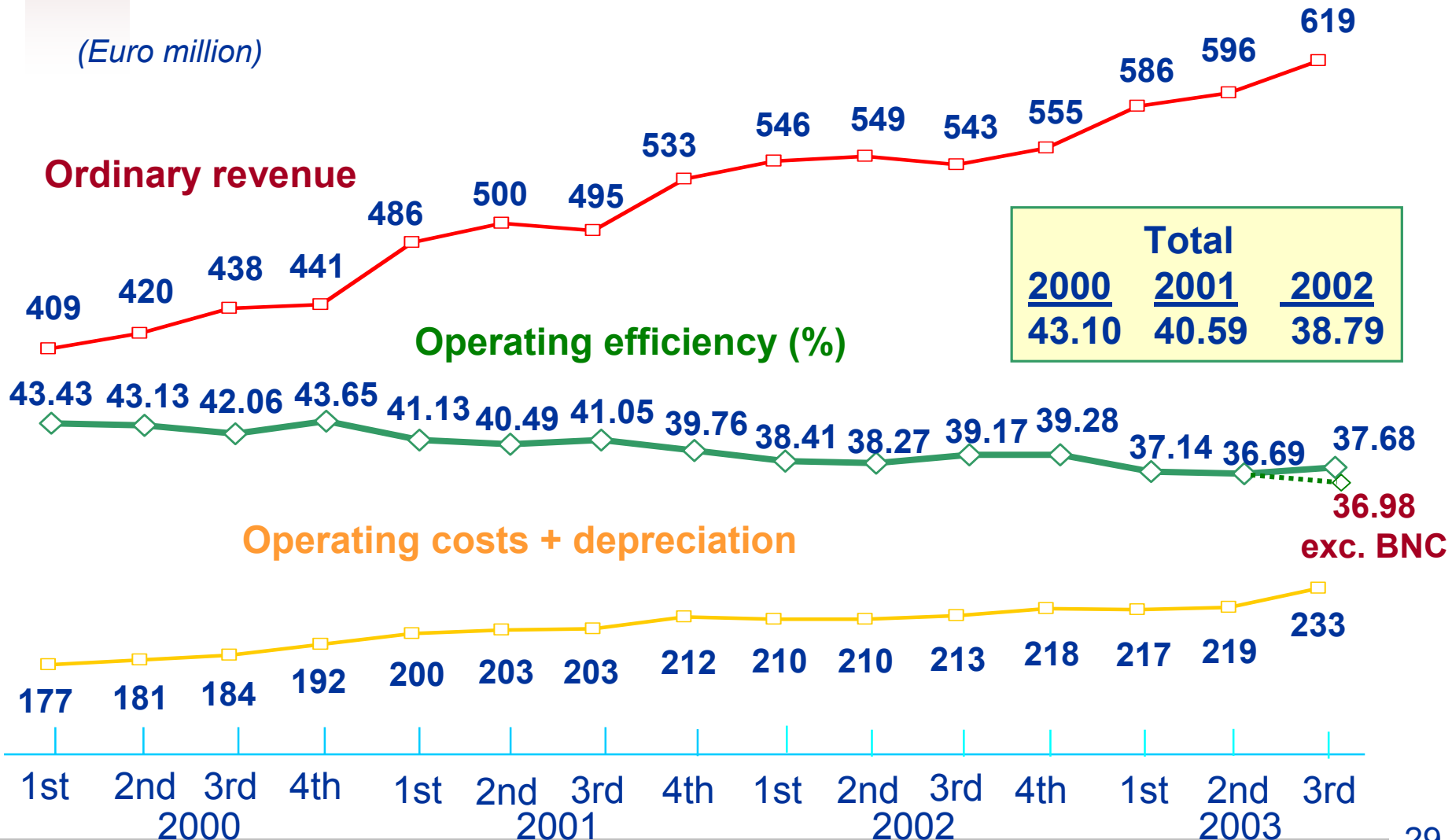
ROE (%)



BEST COST/INCOME RATIO

COST/INCOME RATIO

(Euro million)



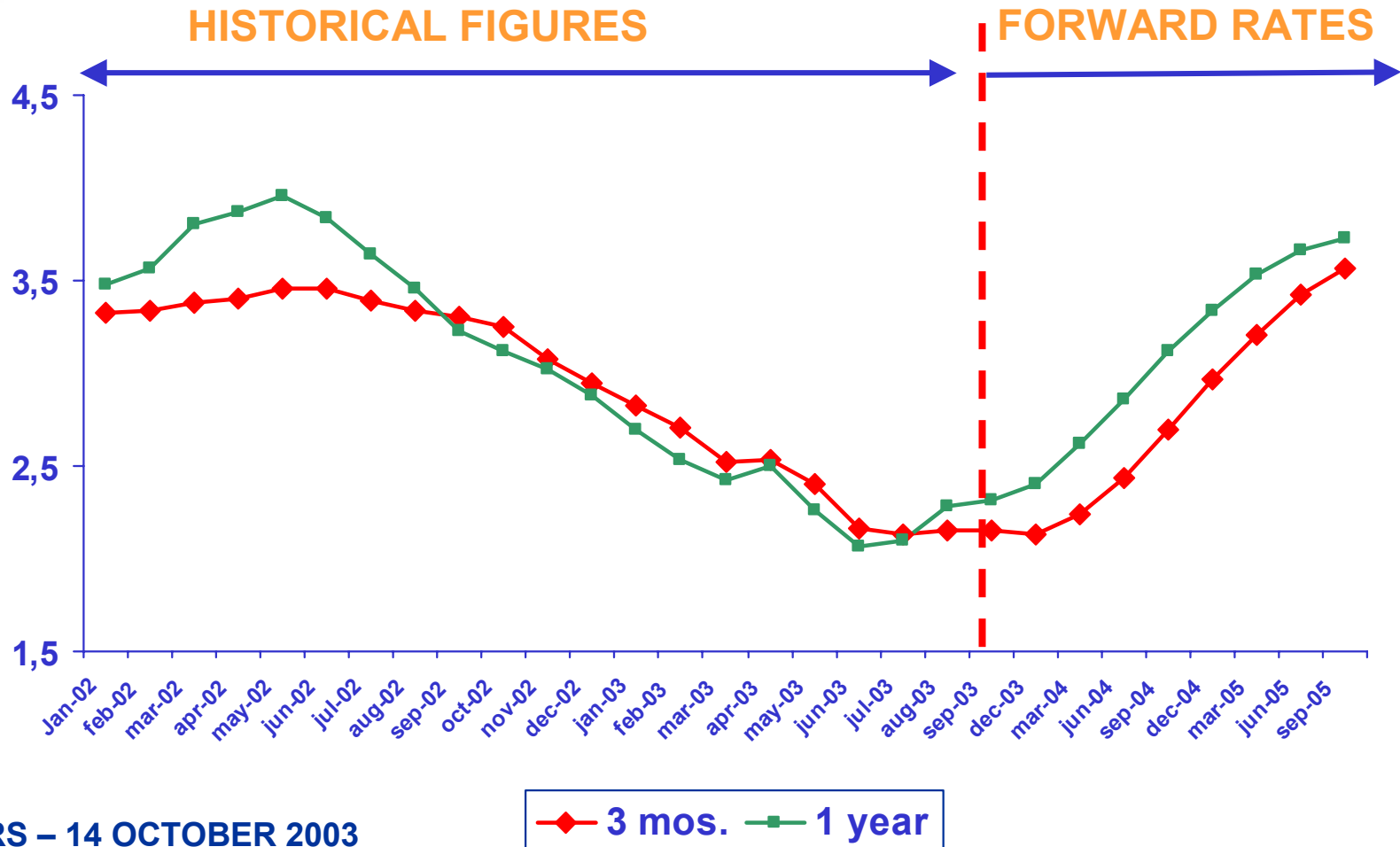
LOOKING AHEAD

**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**

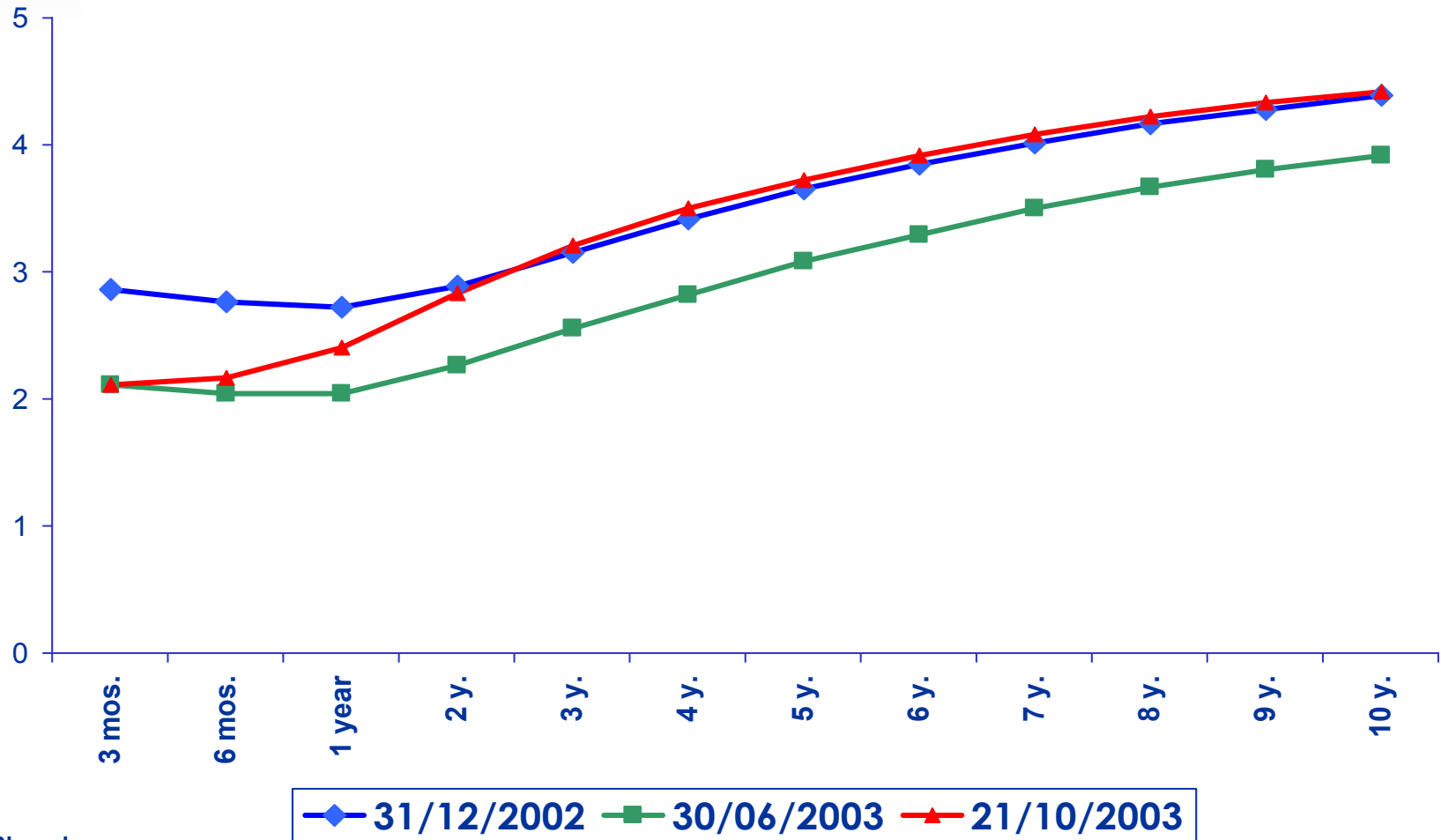
LOOKING AHEAD

INTEREST RATES TRENDS: Change of cycle



OFFSET PRESSURE ON SPREAD

EURO SWAP ANNUAL

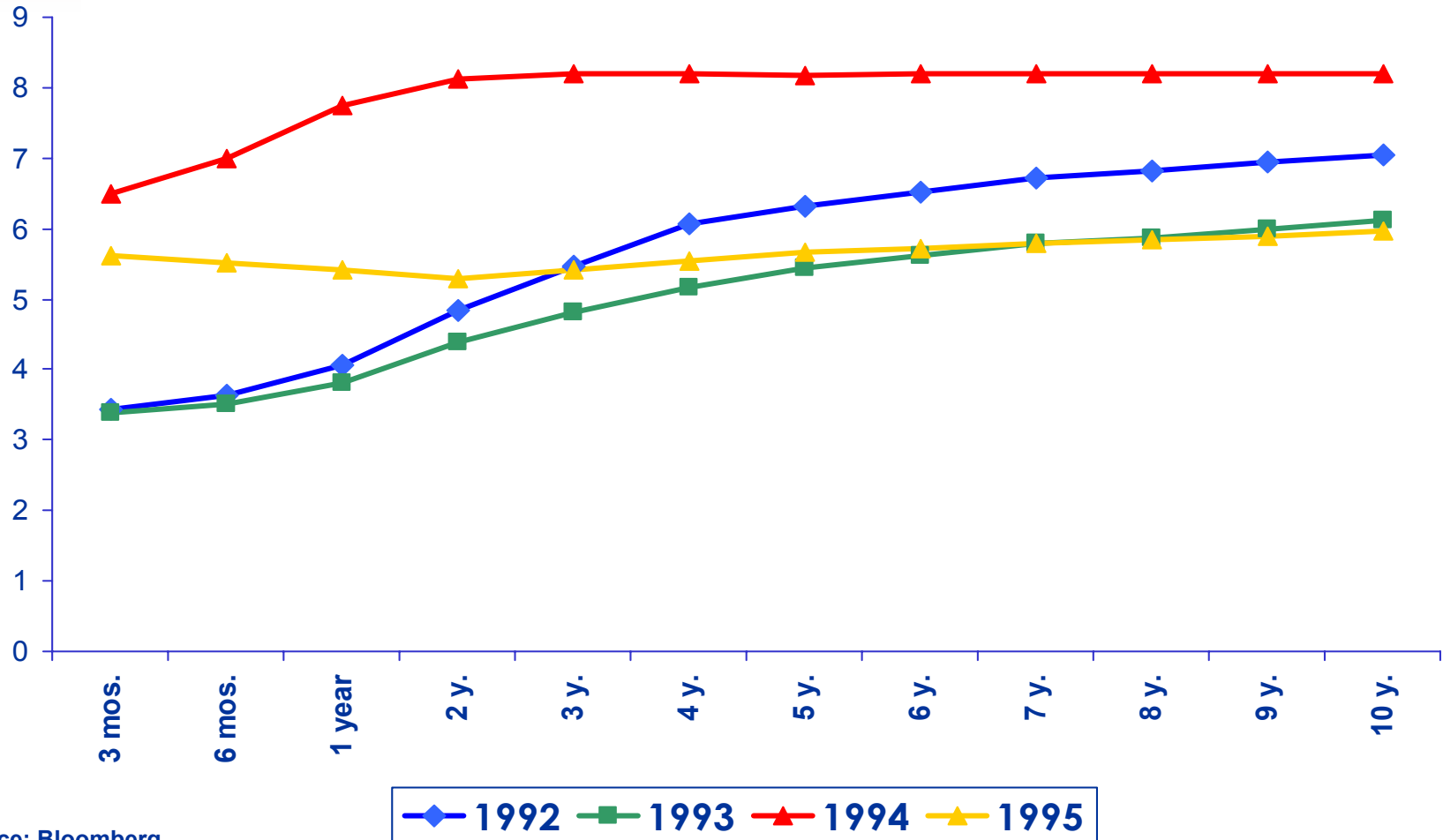


◆ 31/12/2002 ■ 30/06/2003 ▲ 21/10/2003

Source: Bloomberg

OFFSET PRESSURE ON SPREAD

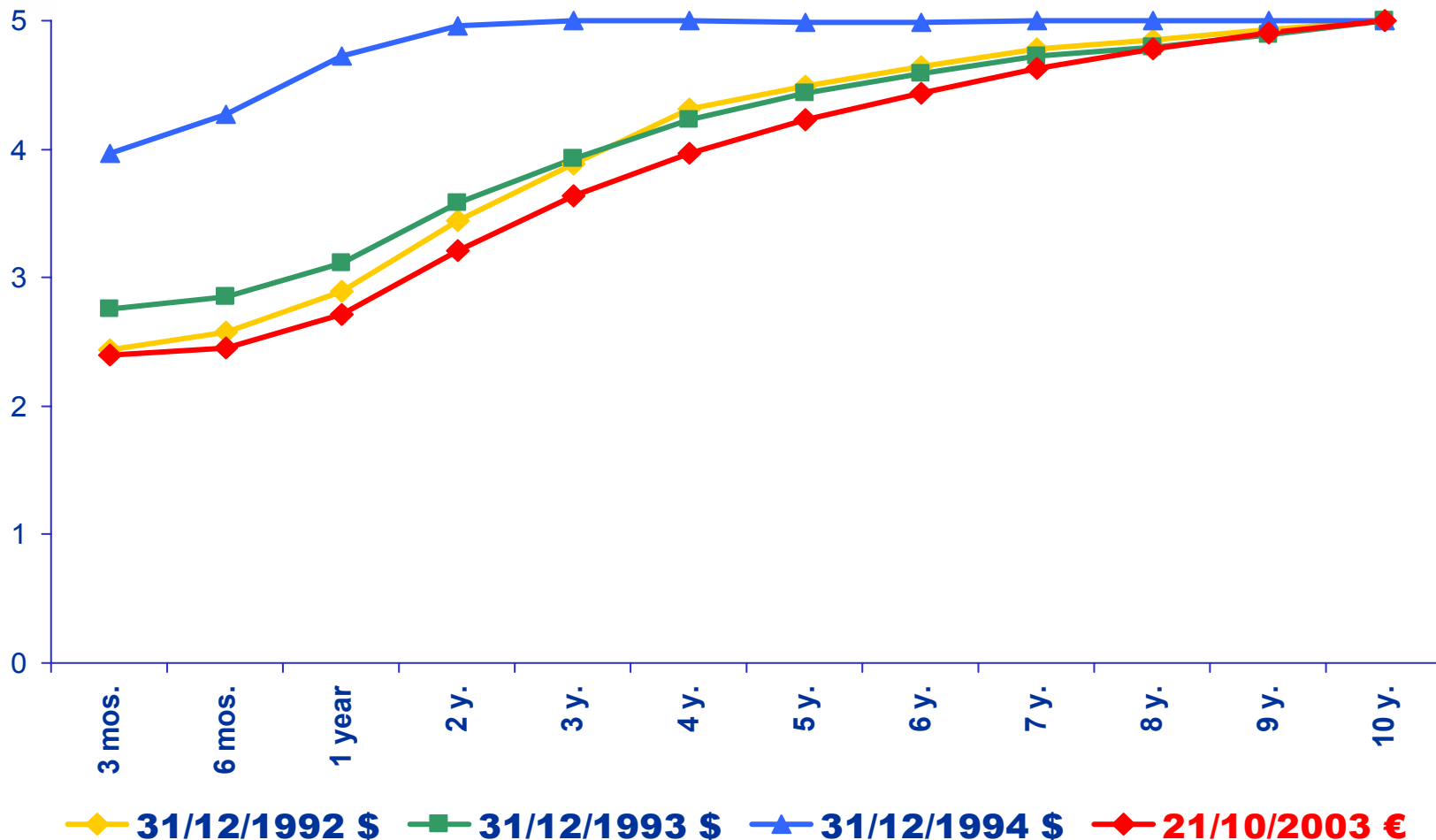
1992-95 \$ INTEREST RATES PATTERNS



Source: Bloomberg

OFFSET PRESSURE ON SPREAD

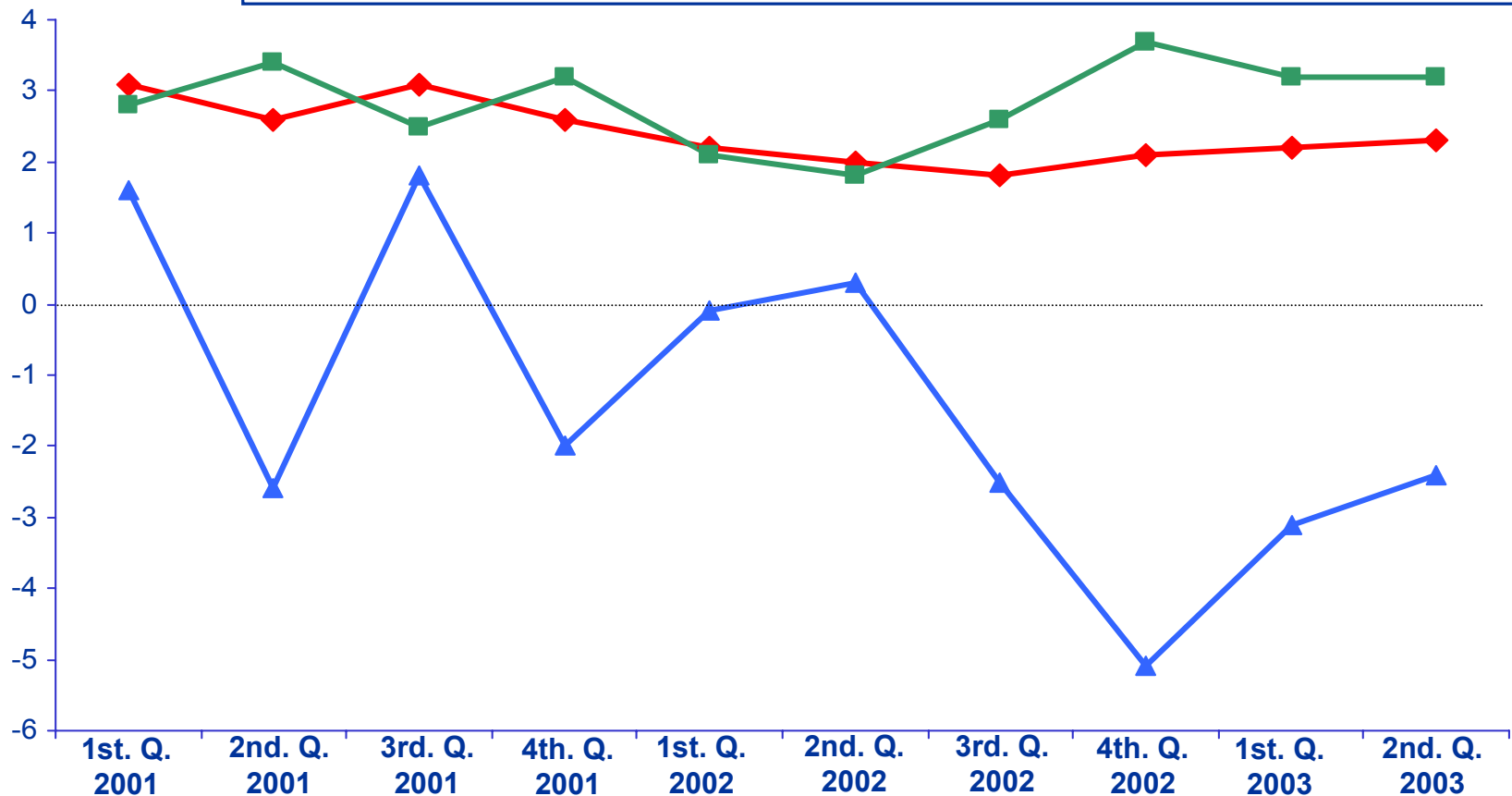
IF INTEREST RATES FOLLOW 1992-95 PATTERN



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

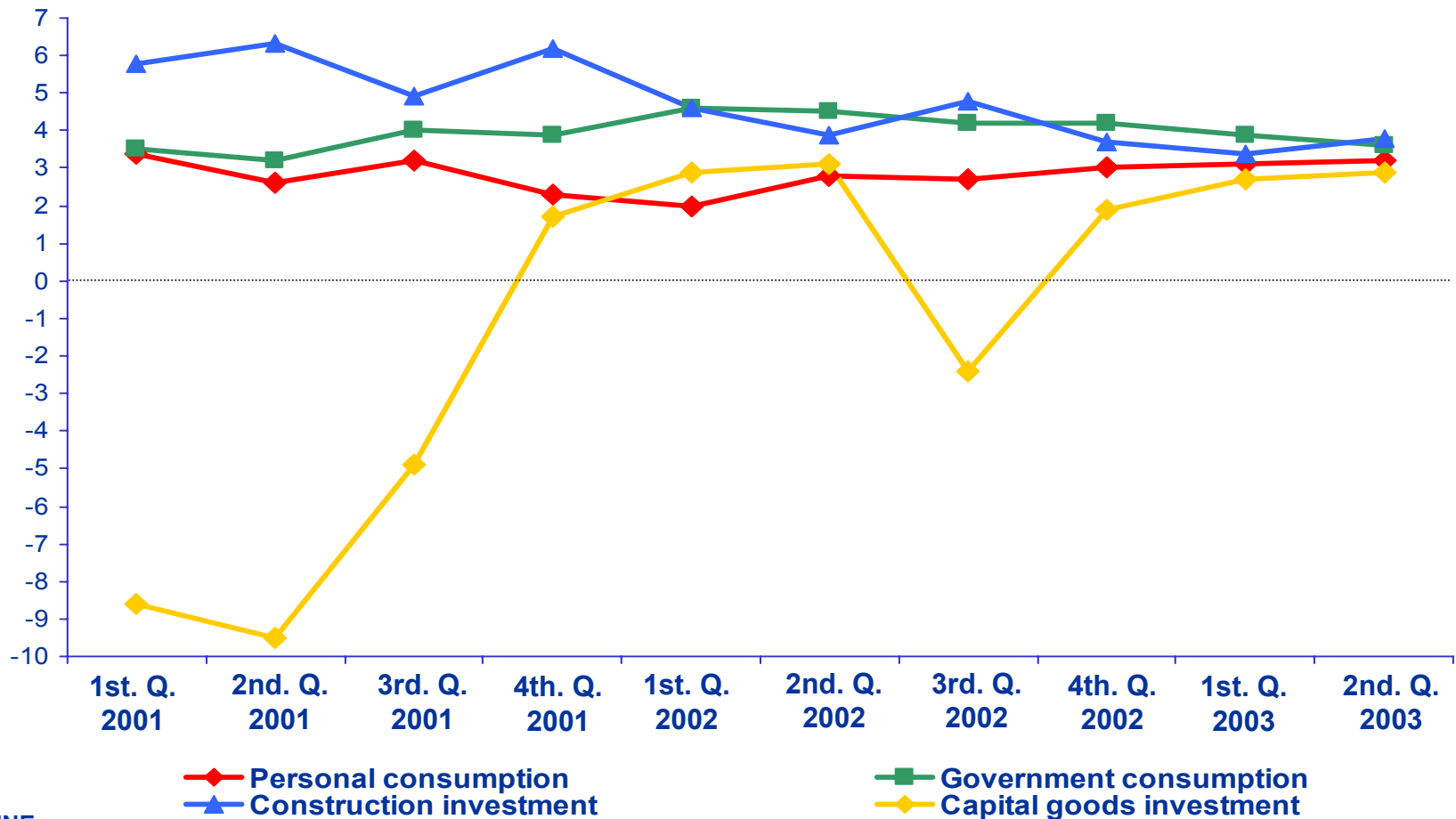
■ Internal Demand

▲ Balance of Trade

LOOKING AHEAD: DRIVERS OF SPAIN INTERNAL DEMAND

% annual growth (standalone periods)

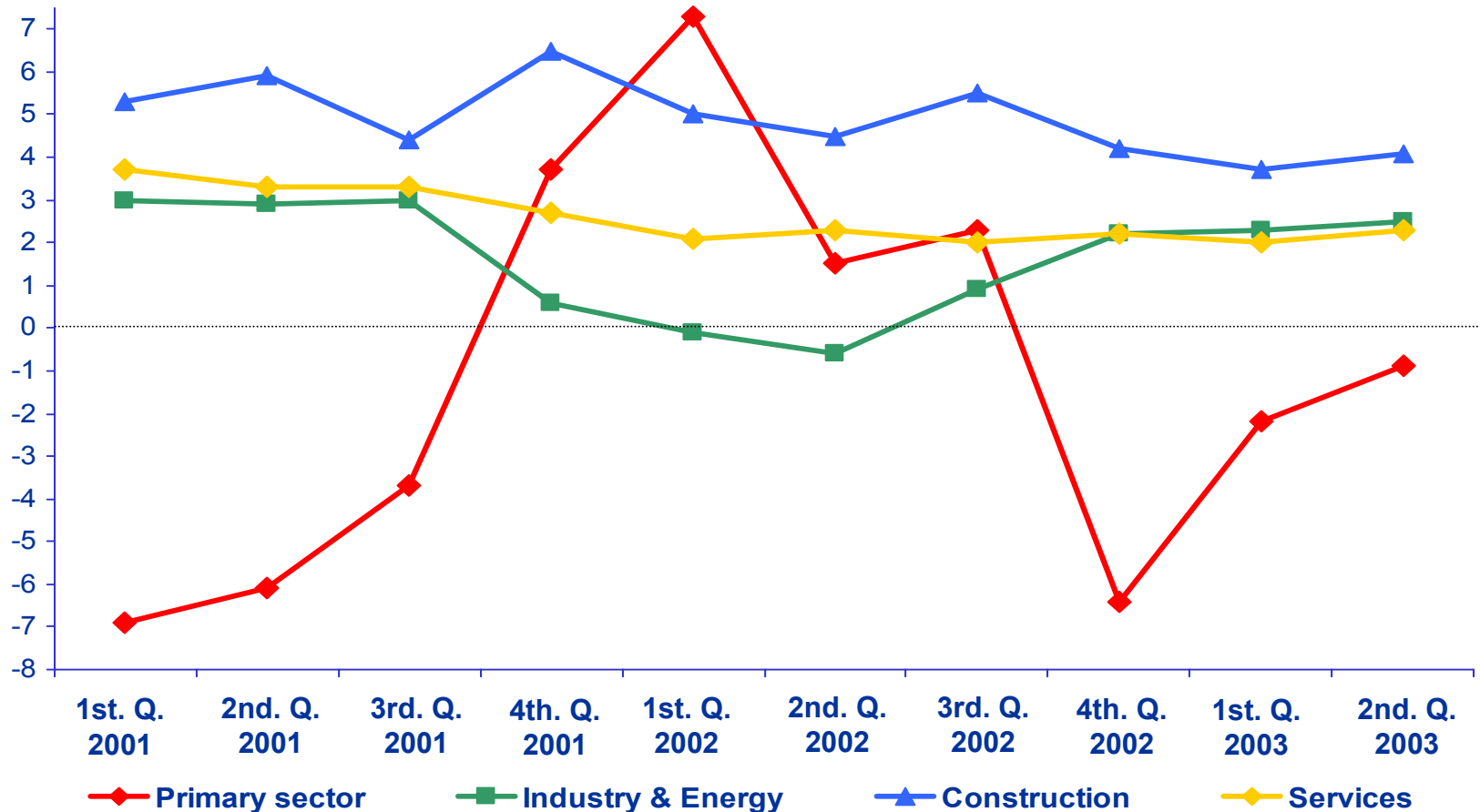
Capital goods investment is taking over and personal consumption is not flagging



LOOKING AHEAD: STRUCTURE OF SPAIN DEMAND GROWTH

% annual growth gross added value

Industry's driving power is coming back



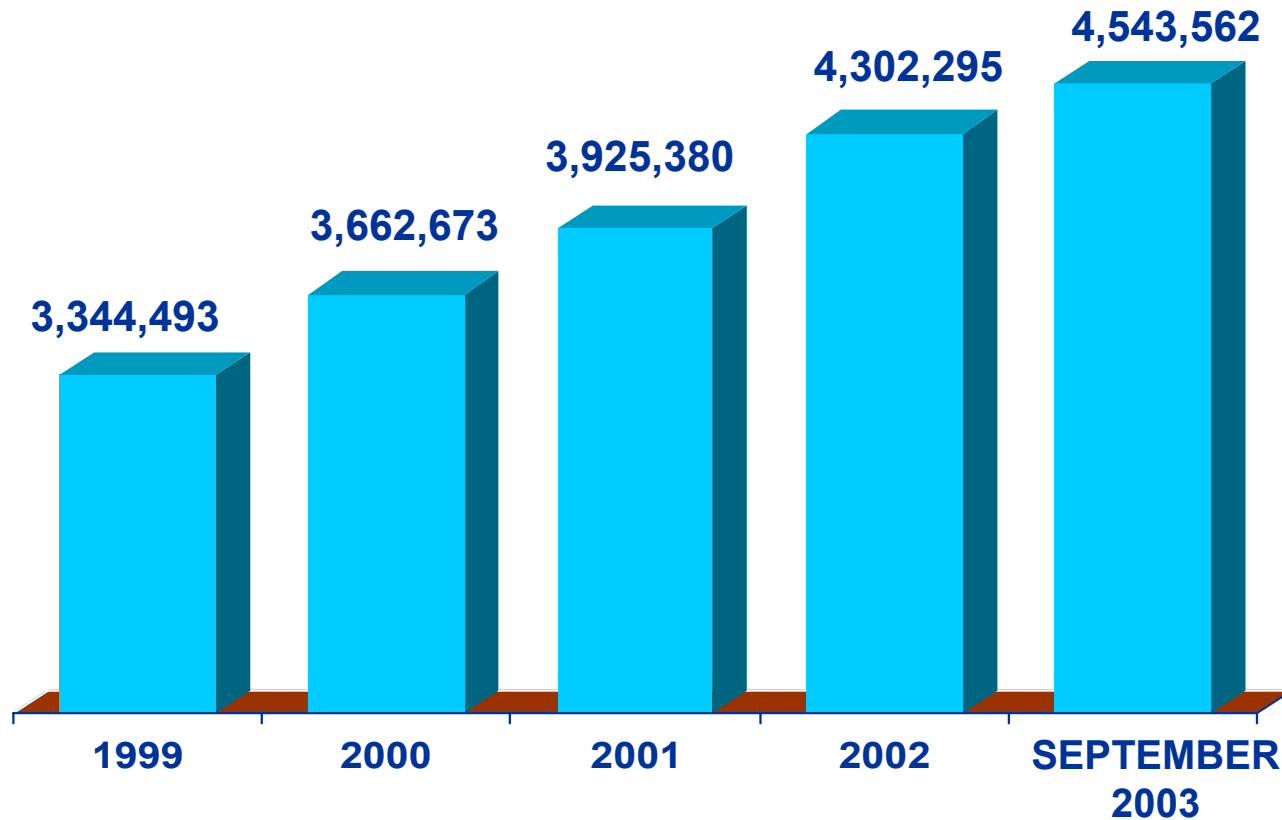
LOOKING AHEAD: POSITIVE IMPACT FROM RATES INCREASE

DURATION

<i>(September 30, 2003)</i>	Amount MM Euros	Interest Rate %	PV MM Euros	Duration Days	Holding Period 365	
					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		

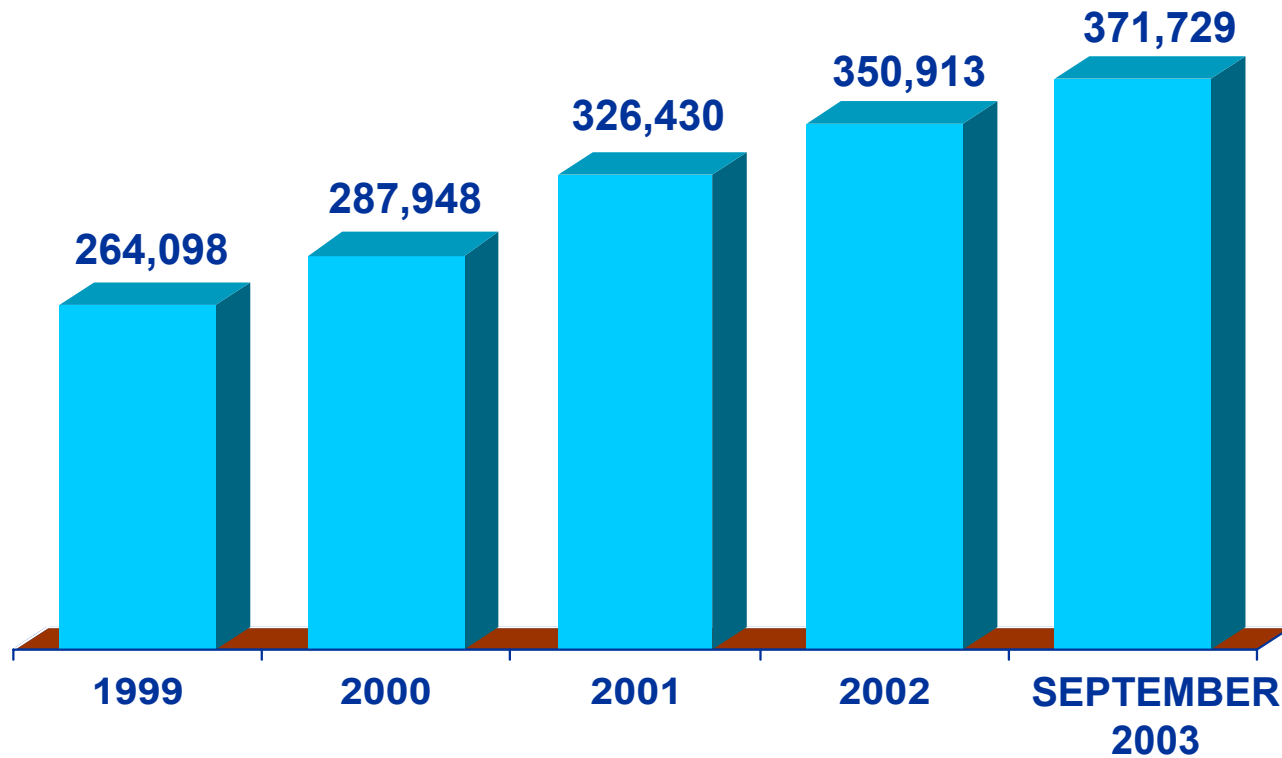
LOOKING AHEAD: NEW CLIENTS

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

EUROMONEY



Banco Popular Español

Velázquez 34. 28001 Madrid

Telephone: 34 915207000. Fax: 34 915779208

Internet: <http://www.bancopopular.es>

