

# Banco Popular Group

**EXPANDING  
FAST**

**October 2004**

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# MAIN TRAITS OF THIRD QUARTER

## **1** STRONG GROWTH DRIVE

- ▶ Faster growth than industry of non-mortgage loans
- ▶ Unflagging market share gains

## **2** IMPROVING CREDIT QUALITY

## **3** EXPANSION IN GROWTH BASE

- ▶ Number of customers
- ▶ Number of branches

## **4** FINE PERFORMANCE IN PORTUGAL

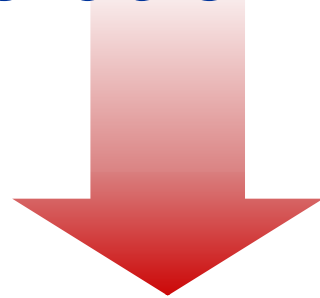
## **5** OPERATING PERFORMANCE

## **6** 3-YEAR PROGRAM GOALS

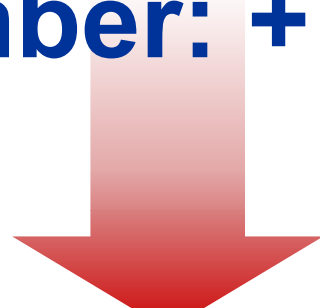
# STRONG GROWTH DRIVE

## LOANS TO PRIVATE-SECTOR RESIDENTS

**Strong acceleration in loan growth**



**September: + 23.3% p.a.**



# STRONG GROWTH DRIVE

## LOANS TO PRIVATE-SECTOR RESIDENTS

*(August 31, 2004 year-on-year % change)*

	May 04	August 04
<b>POPULAR</b>	<b>+21.7</b>	<b>+23.1</b>
<b>BANKS</b>	<b>+15.1</b>	<b>+13.7</b>
<b>BANKS + SAVINGS BANKS</b>	<b>+16.0</b>	<b>+15.6</b>

# STRONG GROWTH DRIVE

## LOANS TO PRIVATE-SECTOR RESIDENTS

**Validating leadership in  
non-mortgage loan growth**

**June: + 18.4% p.a.**

**September: + 20.3% p.a.**

# STRONG GROWTH DRIVE

## LOANS TO PRIVATE-SECTOR RESIDENTS

*(July 31, 2004 year-on-year % change)*

**Widening the gap in  
non-mortgage loans**

**POPULAR +20.0%**

**BANKS +9.0%**



# STRONG GROWTH DRIVE

## MAJOR LOAN CATEGORIES (\*)

*(Accumulated % change)*

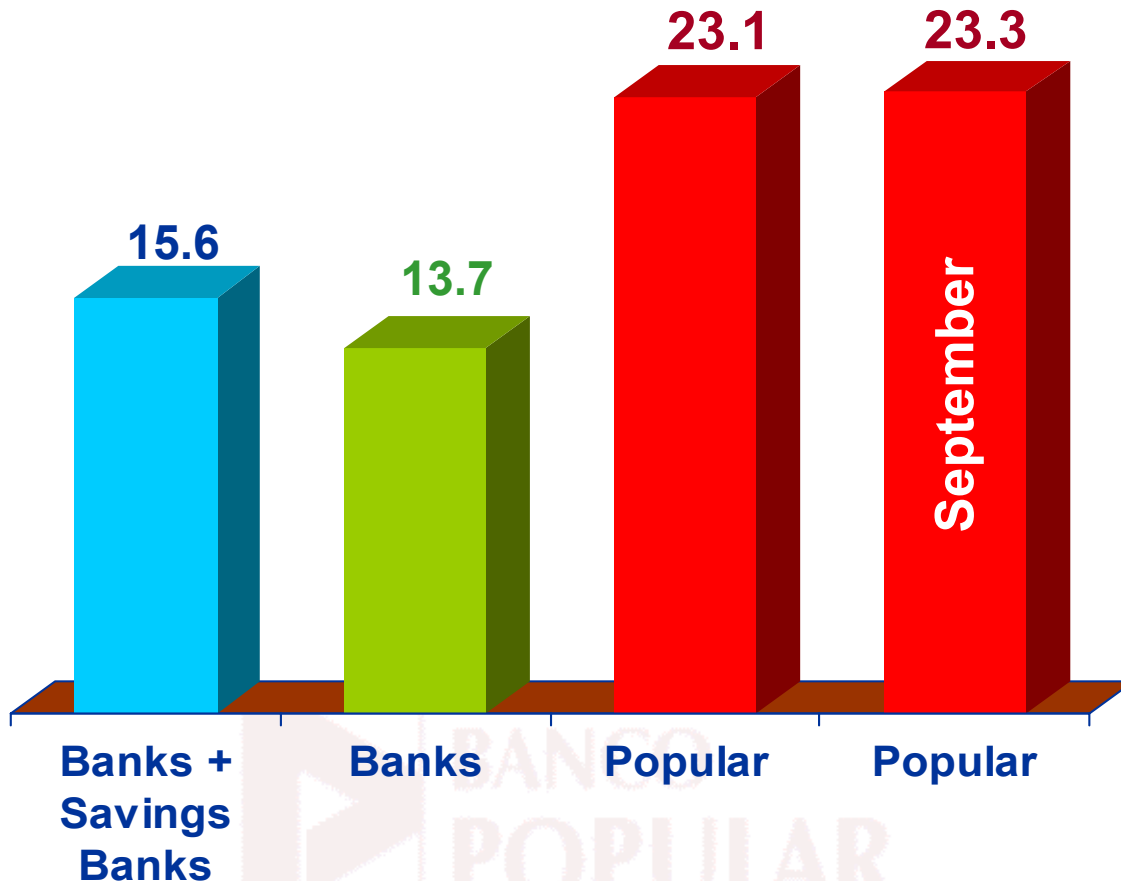
	Growth rate September 04	% of total loans
Bill discounting	17.3	11.4
Mortgage loans	30.5	52.5
Personal loans & overdrafts	18.5	29.5
Leasing	24.3	5.5
<b>TOTAL</b>	<b>23.5</b>	

(\*) All loans except NPLs & Repos

# STRONG GROWTH DRIVE

## LOANS TO PRIVATE-SECTOR RESIDENTS (ex BNC)

(August 31, 2004 year-on-year % change)



## STRONG GROWTH DRIVE

**NON MORTGAGE LOANS  
GROWTH TWICE AS FAST  
AS THE BANKING INDUSTRY**



# STRONG GROWTH DRIVE

## GROWTH RATE – NON MORTGAGE LOANS

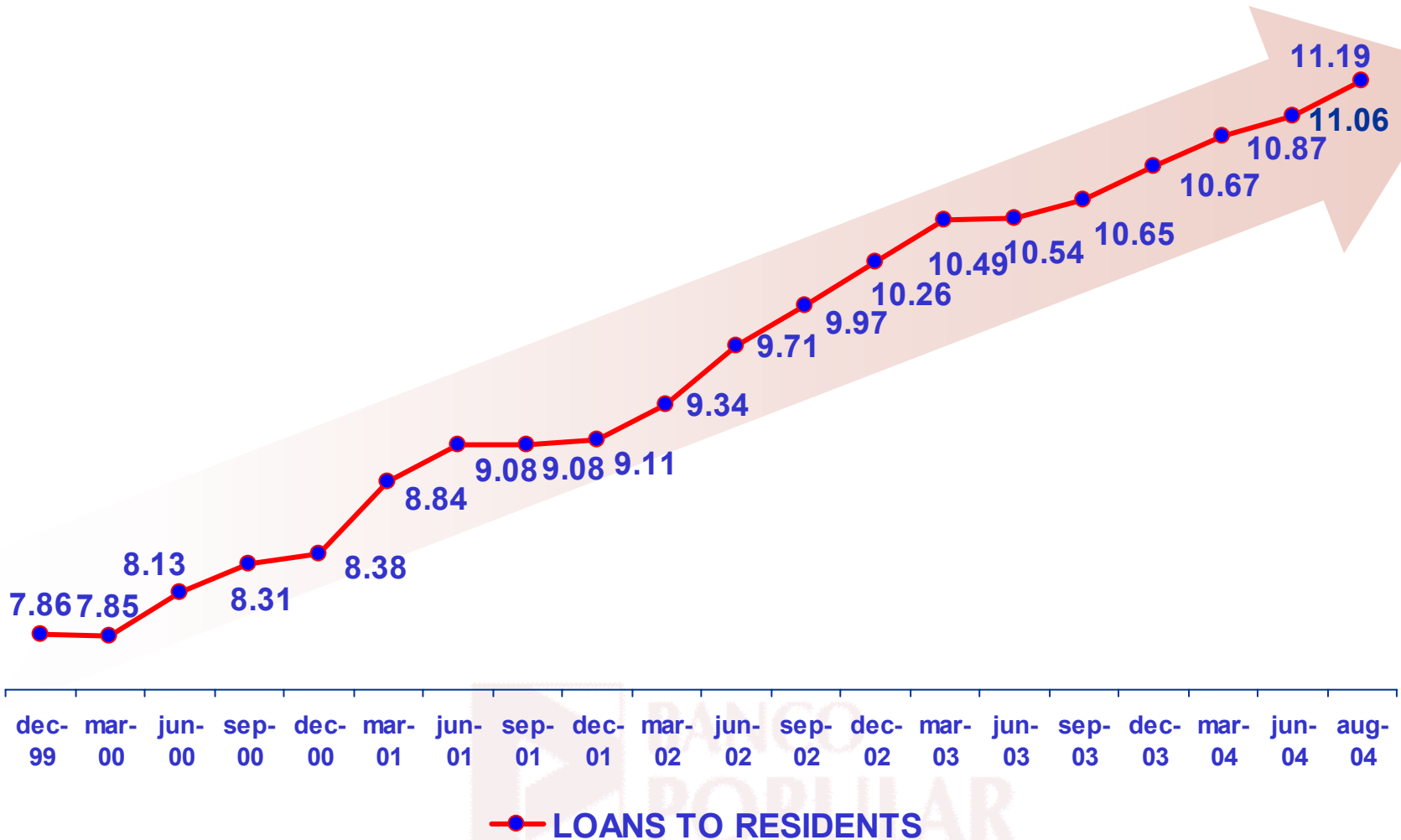
	July 04			Sept. 04	
	SAVINGS BANKS	BANKS	BANKS + S. BANKS	BPE	BPE
Bill discounting	11.9	12.7	12.4	20.0	18.4
Personal loans & overdrafts	13.2	7.4	9.6	19.4	20.3
Leasing	10.1	19.3	17.3	22.4	24.3
<b>Non mortgage</b>	<b>12.9</b>	<b>9.0</b>	<b>10.5</b>	<b>20.0</b>	<b>20.3</b>

Excluding REPOs, prepayment & other and NPL

Source: Banco de España Boletín Estadístico

# STRONG GROWTH DRIVE

## MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)



# STRONG GROWTH DRIVE

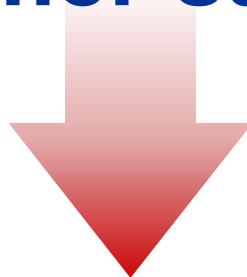
## MARKET SHARE GAINS IN ALL LOAN CONCEPTS

### BANKS + SAVINGS BANKS (%)

	2000	2001	2002	2003	June 04
Bill discounting	10.17	10.22	10.75	11.09	11.62
Secured loans	3.34	4.17	4.75	4.98	5.09
Personal loans & overdrafts	3.95	4.12	4.10	4.37	4.53
Leasing	9.00	9.40	9.00	8.50	9.85

## STRONG GROWTH DRIVE

**And also fast adquisition of  
customer savings <sup>(1)</sup>**



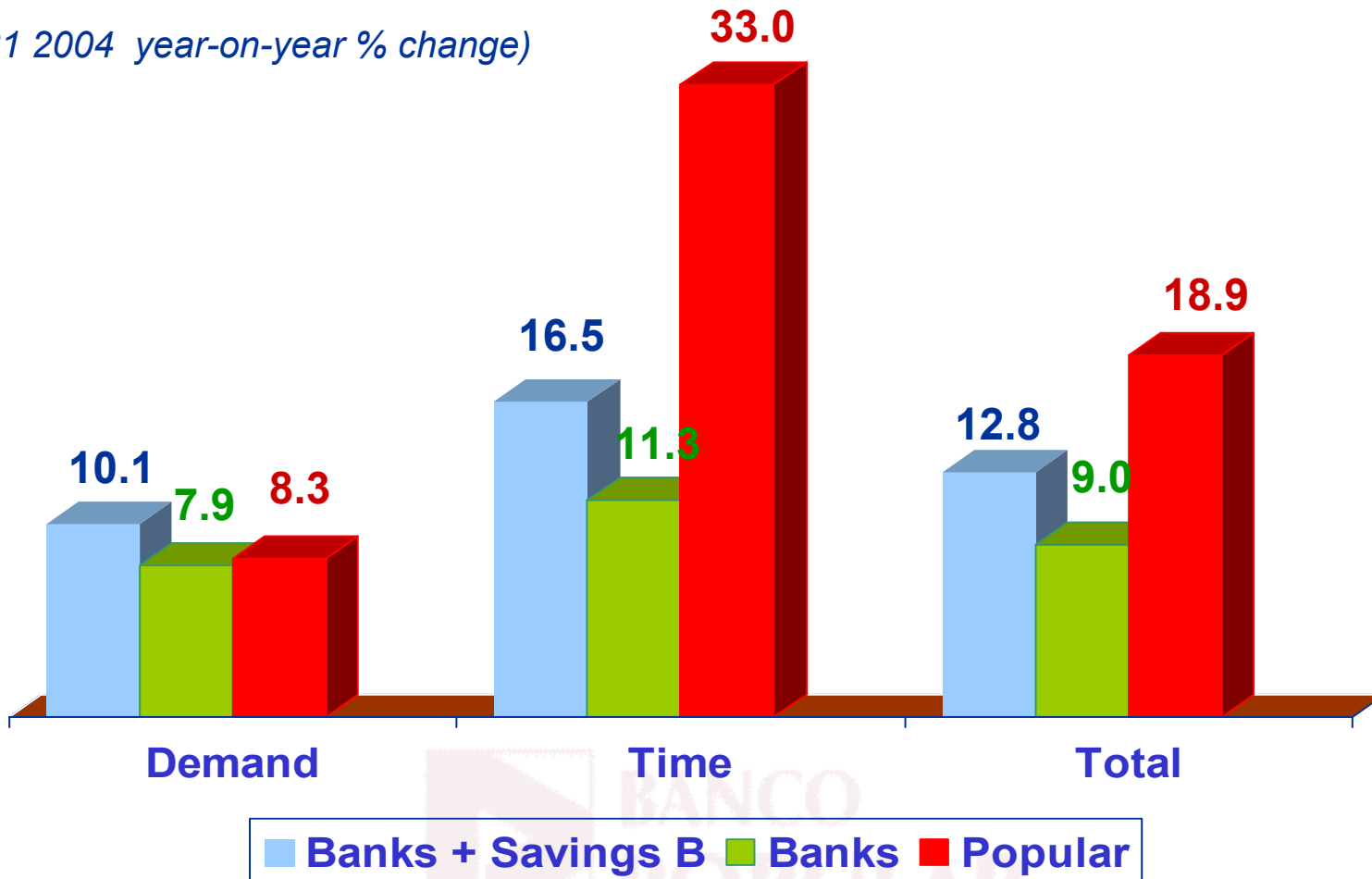
**September: + 13.9% p.a.**

(1) Excluding EMTN, covered bonds and REPOs.

# STRONG GROWTH DRIVE

## GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(August, 31 2004 year-on-year % change)



# STRONG GROWTH DRIVE

## CORE RESIDENT-CUSTOMER DEPOSITS (ex BNC)

(Accumulated % change)

	<b>Sept.-03</b>	<b>Dec.-03</b>	<b>Without covered bonds Sept.-04</b>
<b>Demand deposits</b>	<b>9.1</b>	<b>10.3</b>	<b>12.2</b>
<b>Time deposits</b>	<b>8.7</b>	<b>5.9</b>	<b>4.7</b>
<b>Customers commercial paper</b>	<b>29.5</b>	<b>58.1</b>	<b>54.7</b>
<b>TOTAL</b>	<b>10.8</b>	<b>12.4</b>	<b>14.1</b>



# STRONG GROWTH DRIVE

**SUSTAINED MARKET SHARE  
GAINS IN MUTUAL FUNDS**



# STRONG GROWTH DRIVE

## MUTUAL FUNDS VOLUMES IN 2004 vs. INDUSTRY –SPAIN ONLY-

	Net Asset Value		
	Sept. 04(€ million)	% change	
Money Market	1,688.9	-8.1	
Bonds	1,840.4	15.2	
Fixed income	3,529.3	2.7	
Equity	717.2	42.1	
Balanced	714.2	5.0	
Guaranteed	2,203.2	21.3	
Global	347.9	1,922.7	
<b>TOTAL</b>	<b>7,511.8</b>	<b>16.4</b>	← BANCO POPULAR GROUP *
		<b>10.4</b>	← INDUSTRY

**Outperformance due to:**

	POPULAR	INDUSTRY
Net Inflows	13.5%	8.1%
Management / Markets	2.9%	2.3%

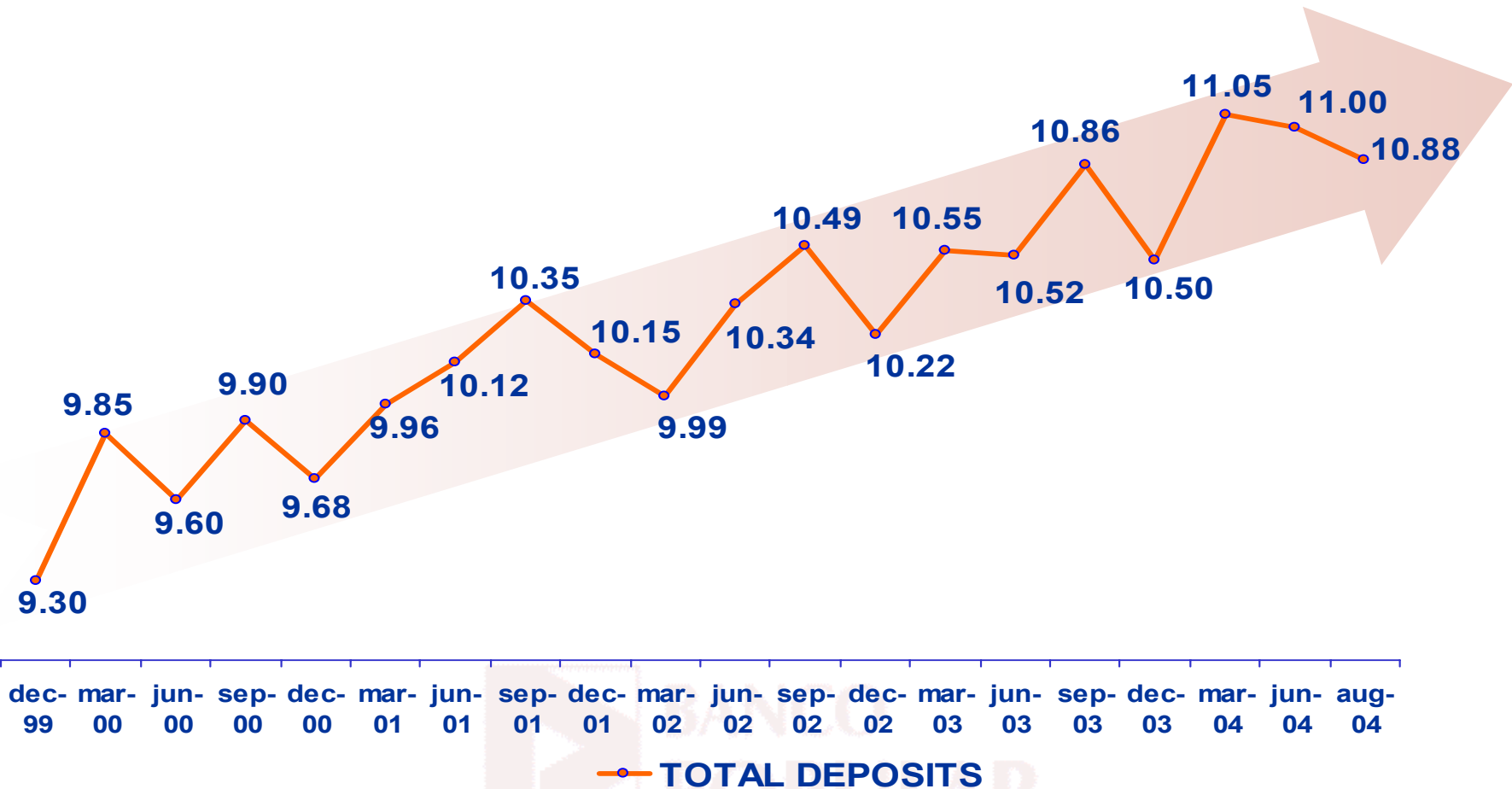
	Sept. 04	Sept. 03
Improvement in market share	3.53%	3.35%

\* Excluding BNC & Popular Banca Privada. The total amount including BNC & PBP amounts to €8,314.8 million (+18.4%)

# STRONG GROWTH DRIVE

## MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)

Without covered bonds



# STRONG GROWTH DRIVE

## AFFINITY GROUPS

(Euro million)

	No. of clients	On- & off-B/S AuM	Loans
<b>SME Affinities Change (1)</b>	<b>177,455 33%</b>	<b>2,199 51%</b>	<b>8,073 45%</b>
<b>Individuals-Affinity (*) Change (1)</b>	<b>354,333 43%</b>	<b>4,951 25%</b>	<b>4,485 62%</b>

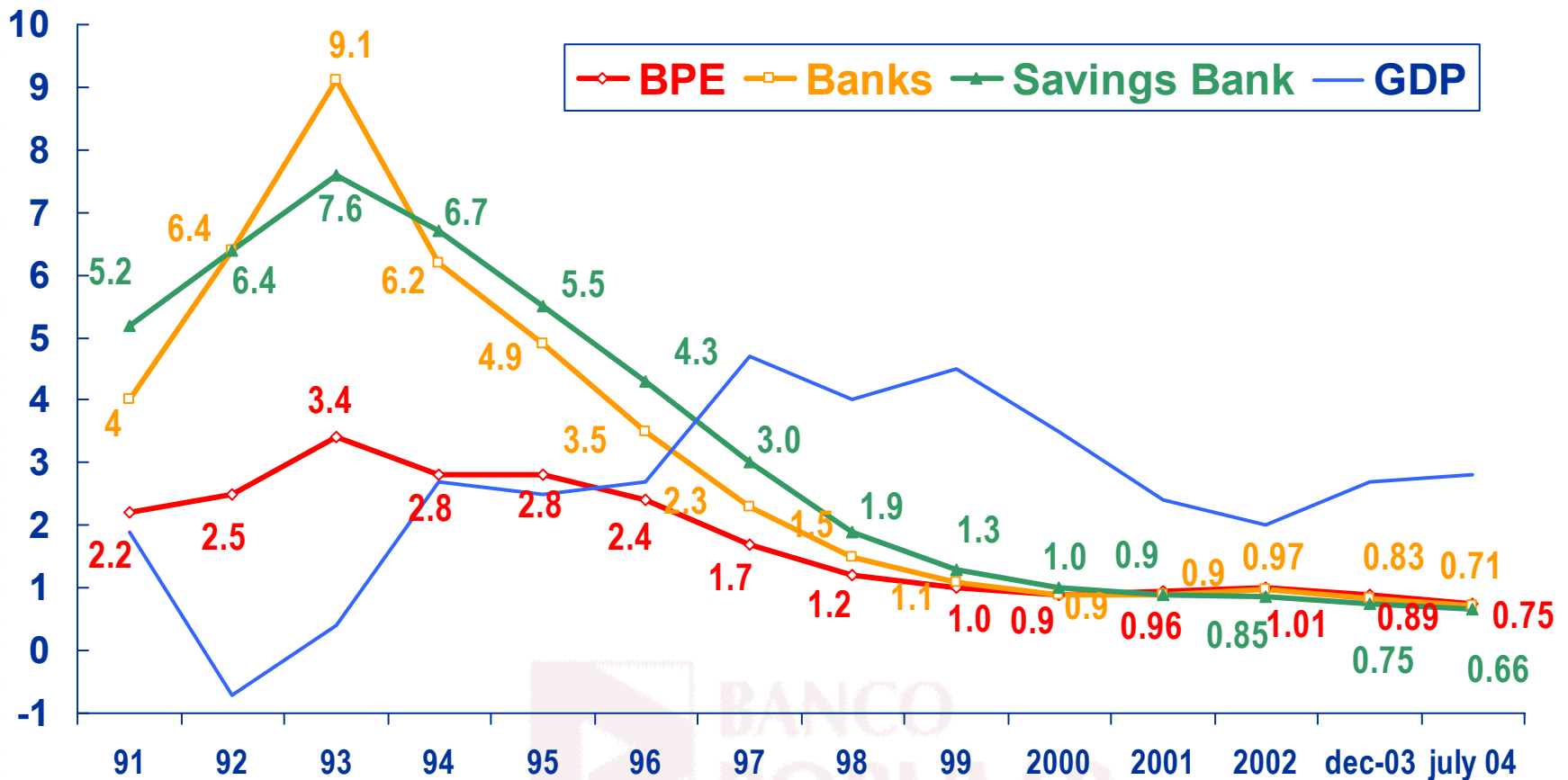
(\*) Ex. POP Club  
(1) Year-on-year

**LOWER NPLs DUE TO  
IMPROVEMENT IN SME  
CREDIT QUALITY**

# IMPROVING CREDIT QUALITY

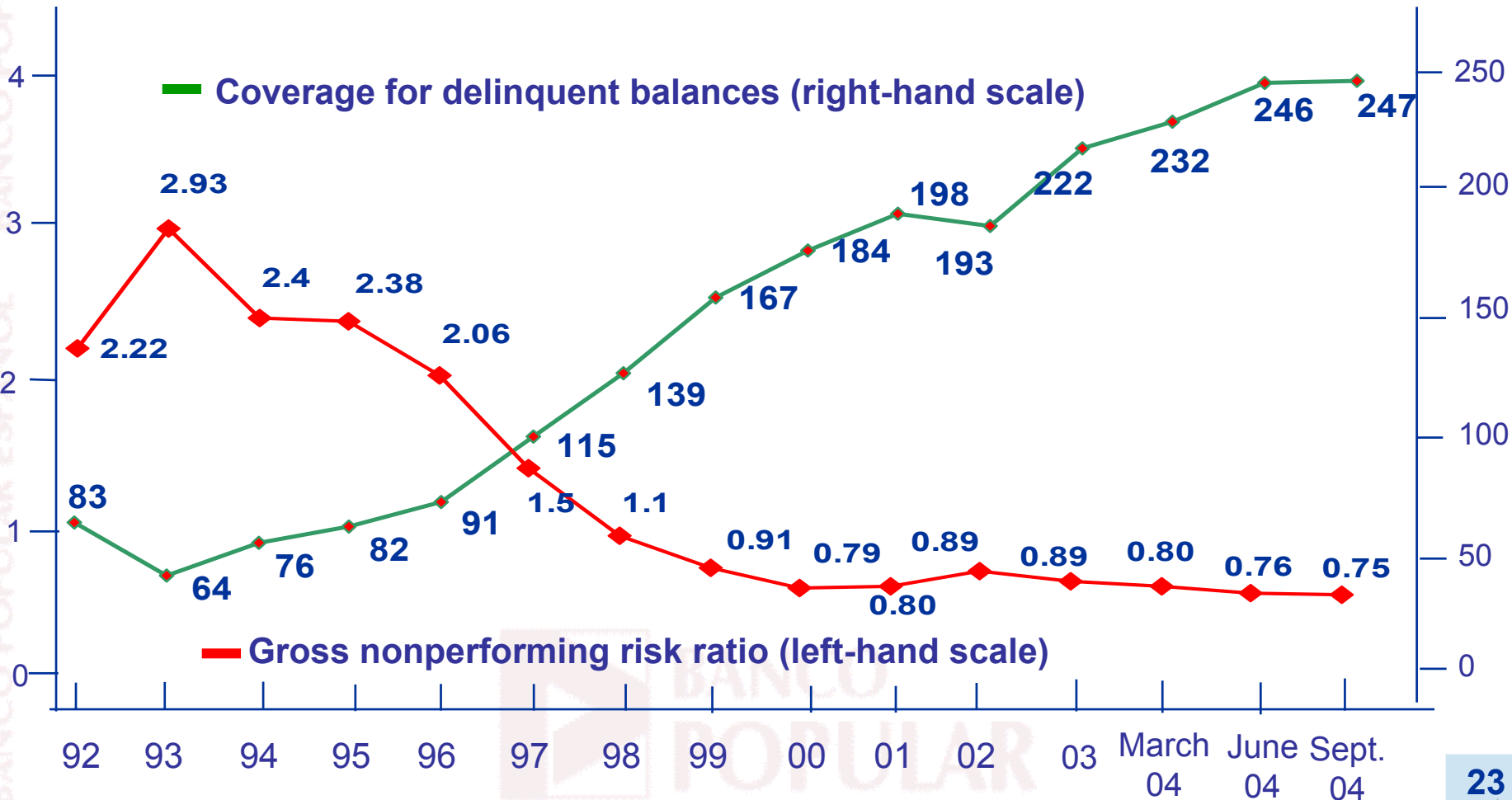
## LOAN PORTFOLIO QUALITY

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



# IMPROVING CREDIT QUALITY

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

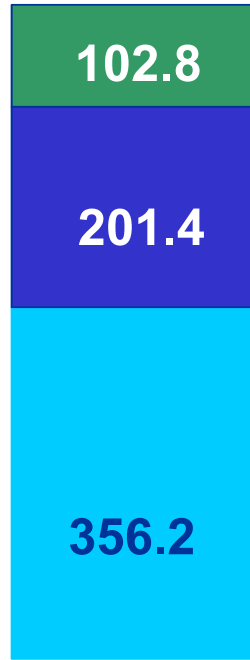


# IMPROVING CREDIT QUALITY

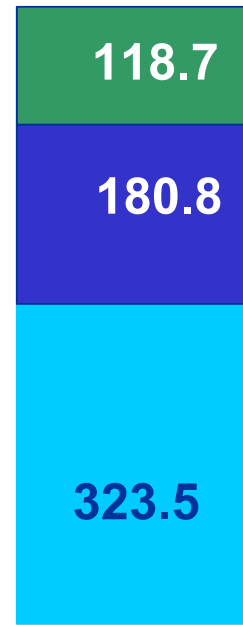
## NPL EVOLUTION

(Euro million)

September 03



September 04



%  $\triangle$

Write-offs



+15.5%

Recoveries



-10.2%

Gross Additions



-9.2%

Net Change 52.0



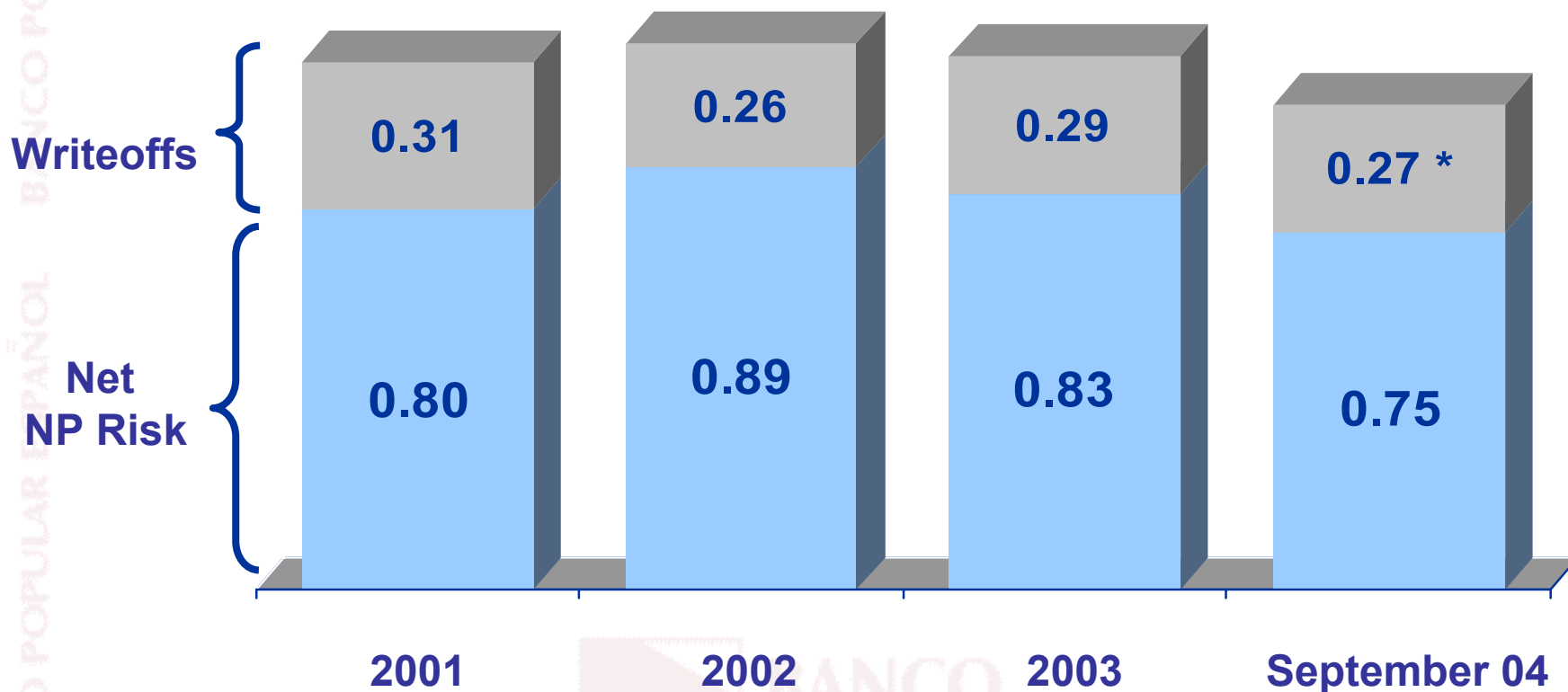
24.0



- 53.8%

# IMPROVING CREDIT QUALITY

## NON PERFORMING RISK (bps)



\* Annualized



# EXPANSION IN GROWTH BASE

**1 GROWTH IN CUSTOMERS**

**2 MORE BRANCHES**

▶ **Actually opened**

**and**

▶ **Leased / bought for impending opening**



# EXPANSION IN GROWTH BASE

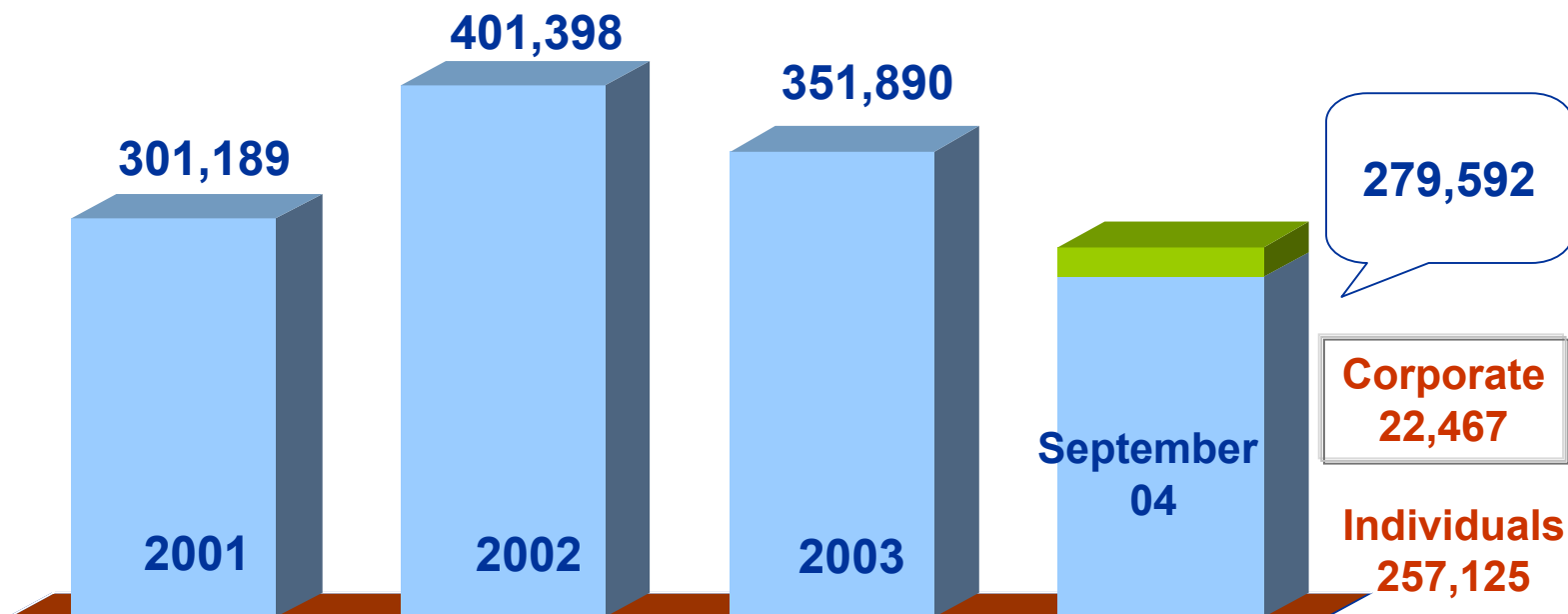
**316,187**

**net NEW customers in 9 mos. 2004**



# EXPANSION IN GROWTH BASE

## NET NEW CLIENTS (Spain)



Total number of clients: 5,284,690

Individuals: 4,882,068

Corporate: 402,622

y-o-y %

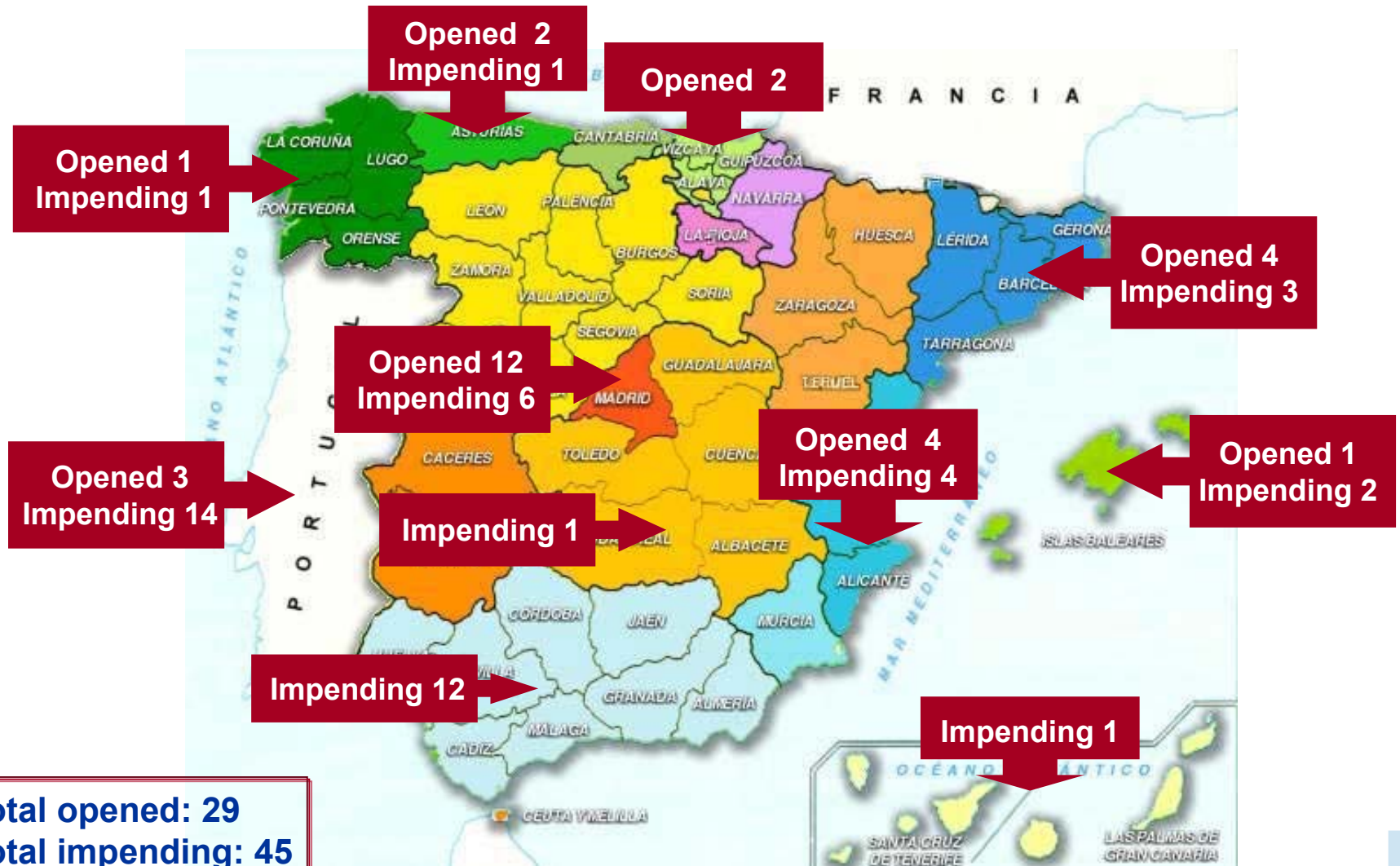
7.52

7.45

8.31

# EXPANSION IN GROWTH BASE

## NUMBER OF NEW BRANCHES



**Total opened: 29**  
**Total impending: 45**

# FINE PERFORMANCE IN PORTUGAL

## ACTIVATE UNDERLYING VALUE



(September 30, 2004)

y-on-y  
% Δ

<b>Net interest revenue</b>	<b>33.0</b>
<b>Fees for services</b>	<b>36.9</b>
<b>Ordinary revenue</b>	<b>33.8</b>
<b>Operating cost</b>	<b>14.1</b>
<b>Operating income</b>	<b>49.9</b>
<b>Income before taxes</b>	<b>93.1</b>
<b>Net income attributable</b>	<b>95.0</b>

# FINE PERFORMANCE IN PORTUGAL

## ACTIVATE UNDERLYING VALUE



*(September 30, 2004)*

y-on-y  
% Δ

**Total assets managed**

**22.8**

**Loans and discounts**

**25.2**

**Customer funds**

**1.3**

**Branches**

**12**

**Banco Popular**

**8**

**Opened**

**4**



# FINE PERFORMANCE IN PORTUGAL

## ACTIVATE UNDERLYING VALUE



(September 30, 2004)

	September 2004	December 2003	Portuguese industry Dec. 03
R.O.A.	0.86	0.65	0.57
R.O.E.	12.90	8.77	9.21
Cost/income ratio	47.48	53.69	55.9
Net interest margin	2.84	2.53	1.71



# FINE PERFORMANCE IN PORTUGAL

## ACTIVATE UNDERLYING VALUE



	September 2004	December 2003
<b>Number of clients</b>	<b>276,974</b>	<b>258,148</b>
<b>Individuals</b>	<b>238,582</b>	
<b>Corporate</b>	<b>38,392</b>	



# OPERATING PERFORMANCE

(Euro million)

	<b>9 mos. 2004</b>	<b>y-on-y % <math>\Delta</math></b>
<b>Net interest revenue</b>	<b>1,448.2</b>	<b>8.5</b>
<b>Fees for services</b>	<b>493.8</b>	<b>10.1</b>
<b>Ordinary revenue</b>	<b>1,971.0</b>	<b>9.4</b>
<b>Operating cost</b>	<b>667.5</b>	<b>8.7</b>
<b>Operating income</b>	<b>1,214.3</b>	<b>9.9</b>
<b>Income before taxes</b>	<b>974.8</b>	<b>9.4</b>
<b>Net income attributable</b>	<b>585.6</b>	<b>11.9</b>

# OPERATING PERFORMANCE

## EXCLUDING BNC

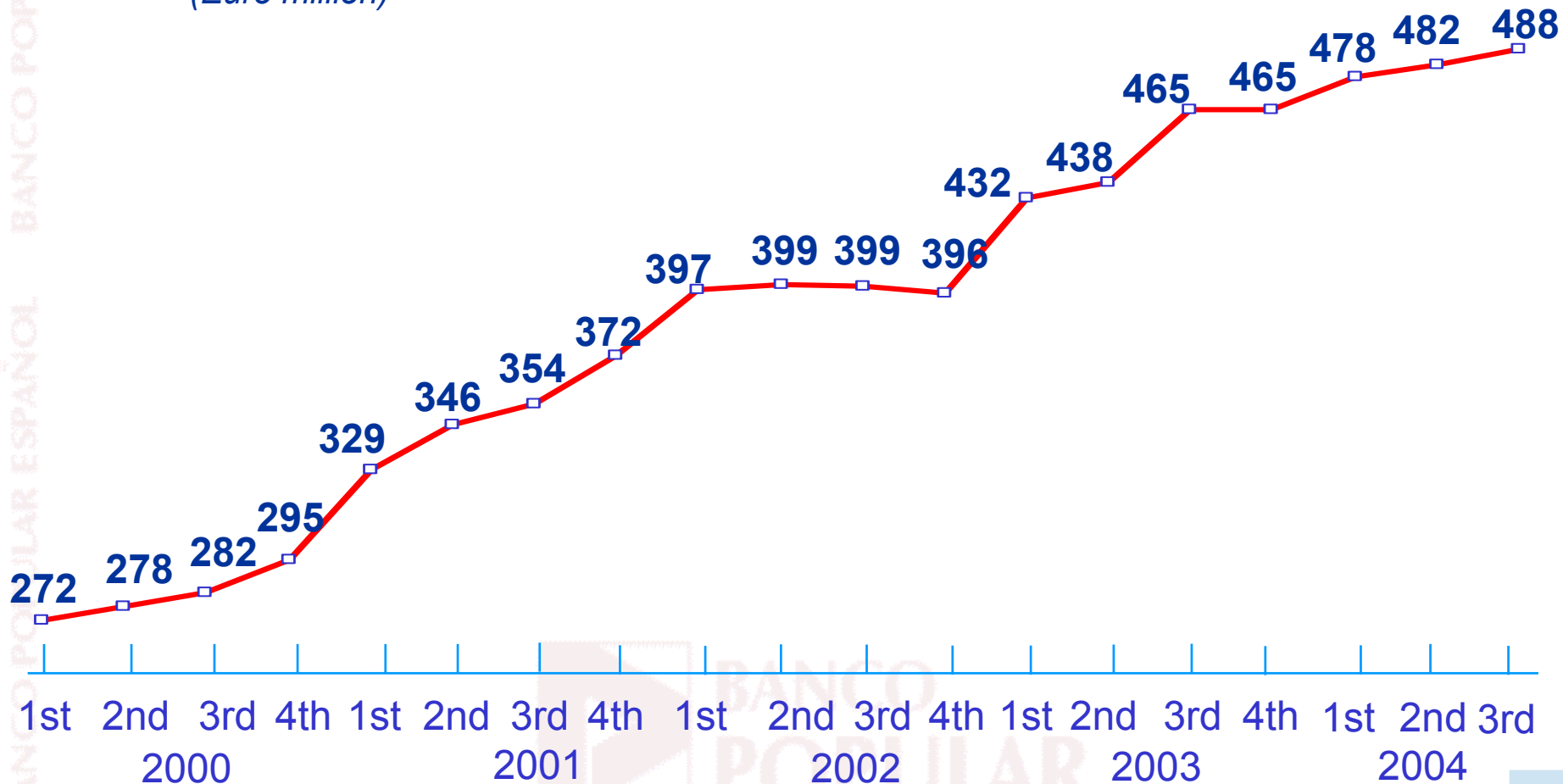
(Euro million)

	6 mos. 2004	y-on-y % $\Delta$	9 mos. 2004	y-on-y % $\Delta$
Net interest revenue	901.0	3.6	1,389.2	4.1
Fees for services	318.5	7.3	482.0	7.4
Ordinary revenue	1,233.5	4.4	1,899.8	5.5
Operating cost	410.4	2.5	637.1	3.8
Operating income	767.4	5.4	1,176.3	6.4
Income before taxes	615.2	6.5	958.9	7.6
Net income attributable	356.3	7.4	572.9	9.5

# OPERATING PERFORMANCE

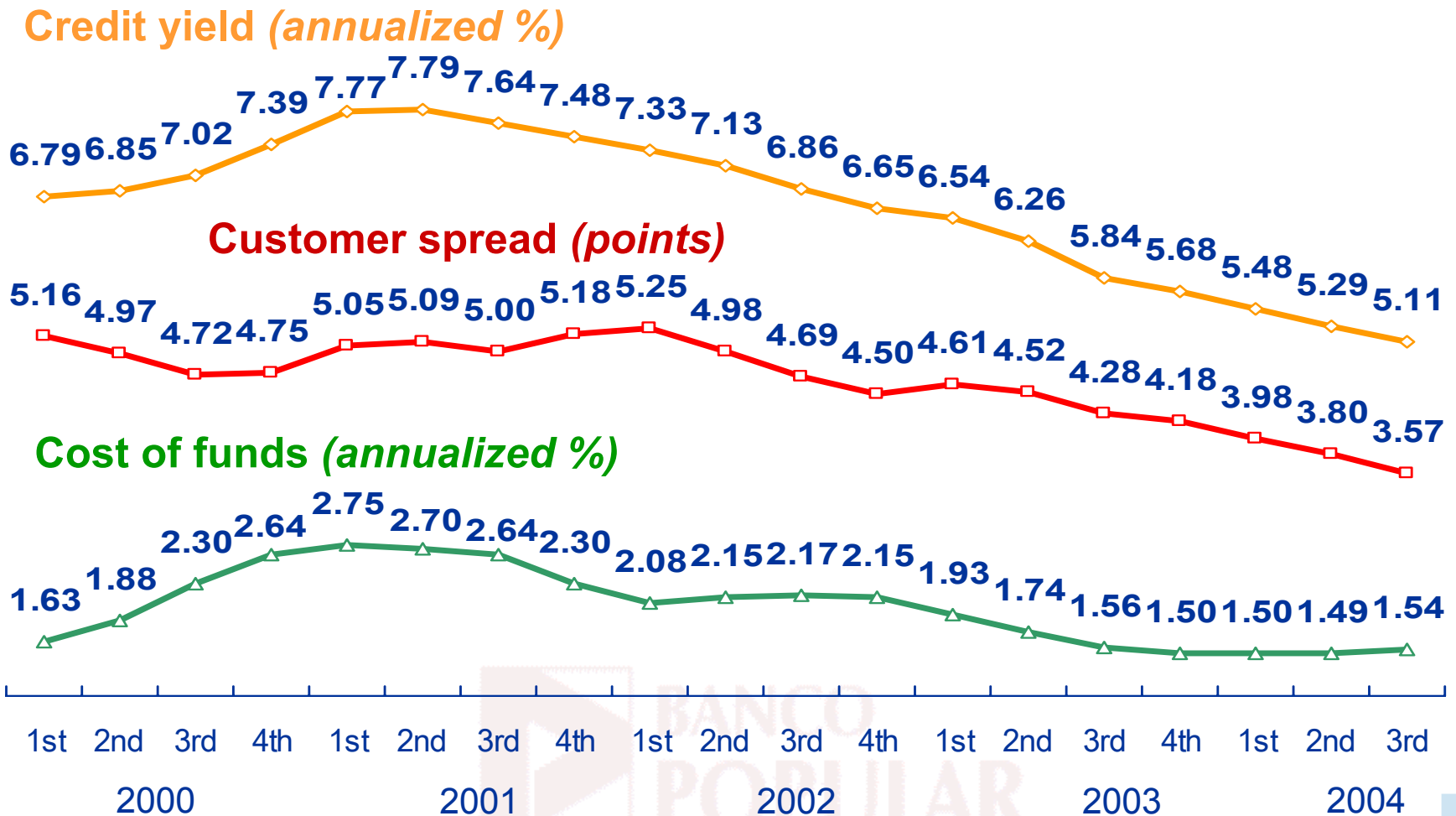
## NET INTEREST REVENUE (Quarter standalone)

(Euro million)



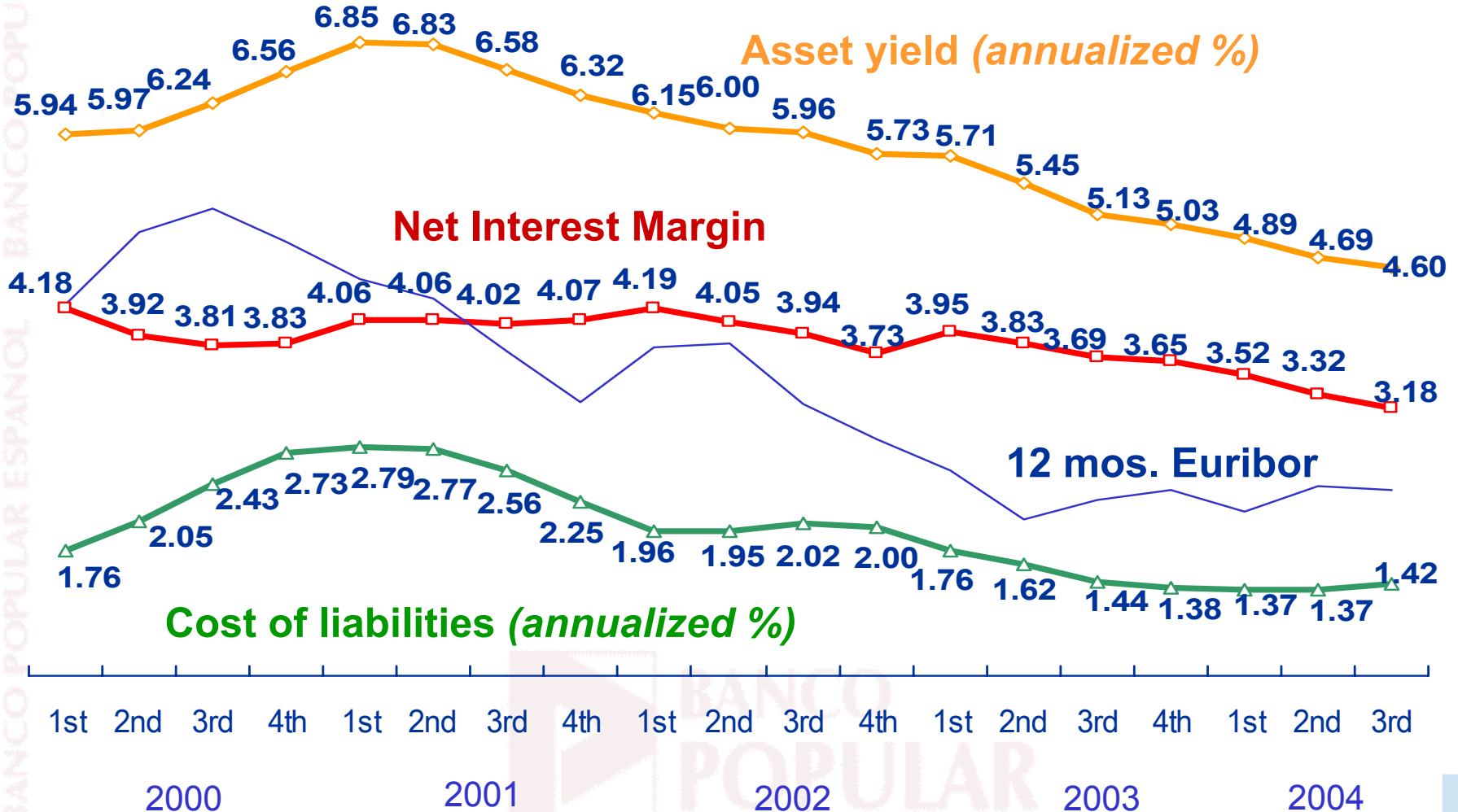
# OPERATING PERFORMANCE

## QUARTERLY CUSTOMER SPREAD



# OPERATING PERFORMANCE

## NET INTEREST MARGIN



# OPERATING PERFORMANCE

## INTEREST RATE IMPACT ON YIELDS & COSTS (ex-BNC)

From Base To	Sep 03/ Jun 03	Dec 03/ Sep 03	Mar 04/ Dec 03	Jun 04/ Mar 04	Sep 04/ Jun 04
Bill discounting	-0.32	-0.26	-0.11	-0.10	-0.02
Mortgages	-0.26	-0.24	-0.18	-0.16	-0.08
SME & Consumer	-0.22	-0.18	-0.24	-0.09	-0.03
Overdrafts	-0.24	-0.16	-0.22	-0.12	-0.09
Leasing	-0.46	-0.25	-0.26	-0.17	-0.07
<b>TOTAL</b>	<b>-0.27</b>	<b>-0.23</b>	<b>-0.19</b>	<b>-0.14</b>	<b>-0.07</b>
Demand Deposits	-0.01	0.01	0.01	0.01	0.01
Time Deposits	-0.35	-0.03	-0.01	-0.01	0.03
Commercial Paper	-0.14	0.03	-0.05	0.04	0.01
<b>TOTAL</b>	<b>-0.15</b>	<b>-0.01</b>	<b>0.06</b>	<b>0.00</b>	<b>-0.02</b>
<b>Differential</b>	<b>-0.12</b>	<b>-0.22</b>	<b>-0.25</b>	<b>-0.14</b>	<b>-0.05</b>

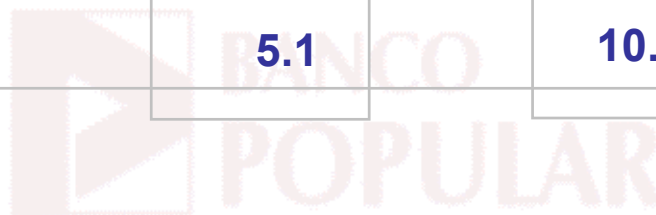


# OPERATING PERFORMANCE

## FEES FOR SERVICES

Year-on-year % accum.  $\Delta$

	<i>Sept. 03</i>	<i>Sept. 04</i>	<i>As % of total fees</i>
Loan-related fees	(1.6)	11.0	12.1
Fees from guarantees	17.4	18.4	11.7
Collection & card-related	0.5	1.3	37.2
Customer financial asset mgt.	5.0	17.7	25.6
Mutual funds	5.7	20.0	17.0
Other AM	3.8	13.3	8.6
Account mgt. Fees	5.6	29.3	9.2
Other (inc. Inv. Banking)	53.0	(6.3)	4.2
<b>TOTAL</b>	<b>5.1</b>	<b>10.1</b>	<b>100</b>

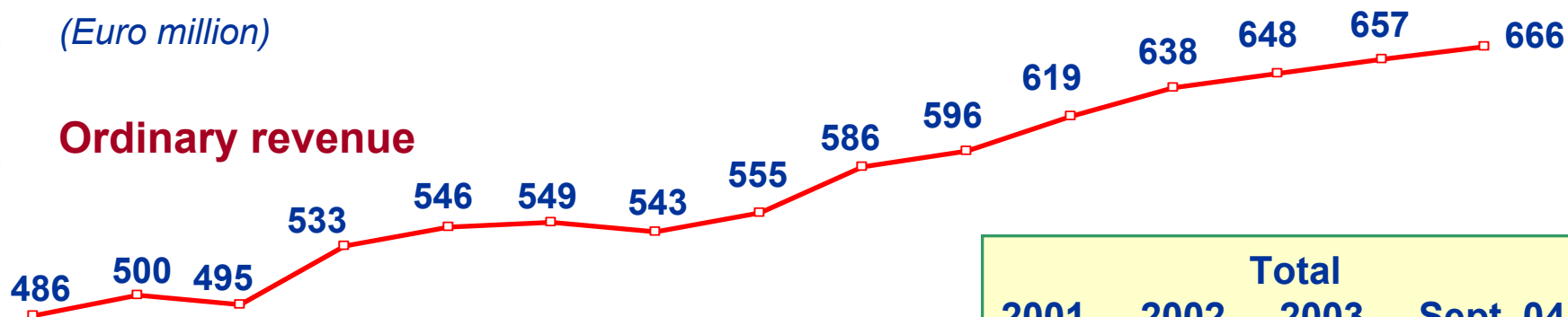


# OPERATING PERFORMANCE

## COST/INCOME RATIO

(Euro million)

Ordinary revenue



Operating efficiency (%)



Operating costs + depreciation

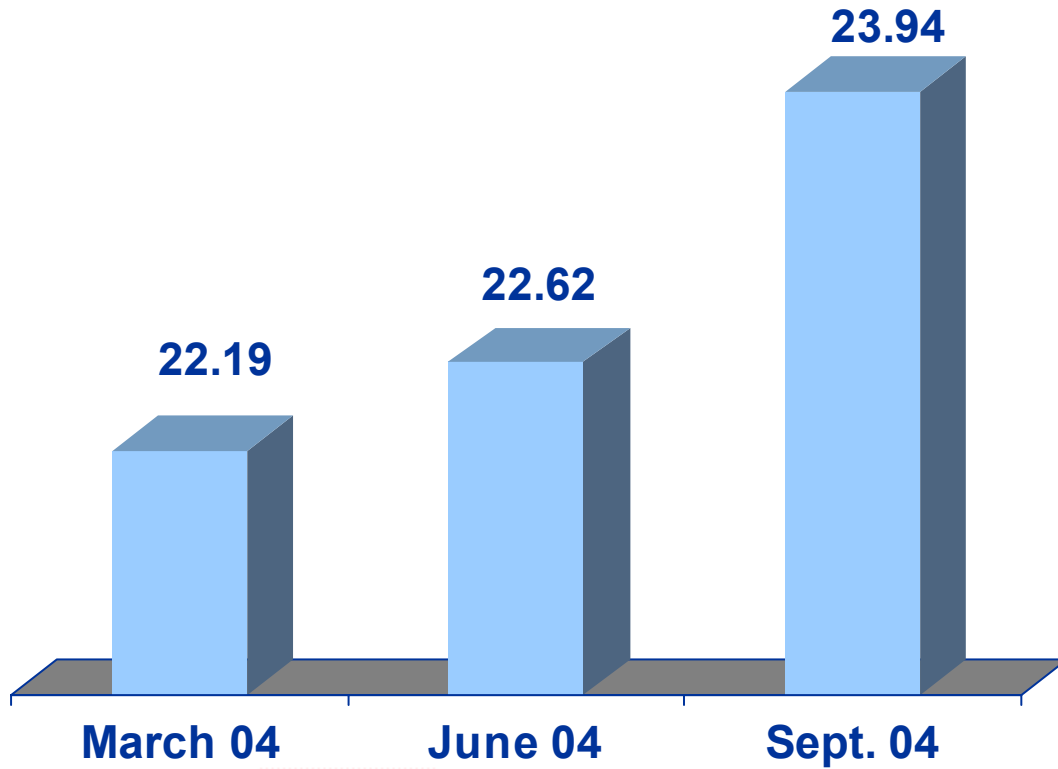


Total			
2001	2002	2003	Sept. 04
40.59	38.79	37.63	36.89

1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st. 2nd. 3rd.  
2001 2002 2003 2004

# ROE

ROE (%)



Data annualized



# LOOKING AHEAD: POSITIVE IMPACT FROM RATES INCREASE

## DURATION

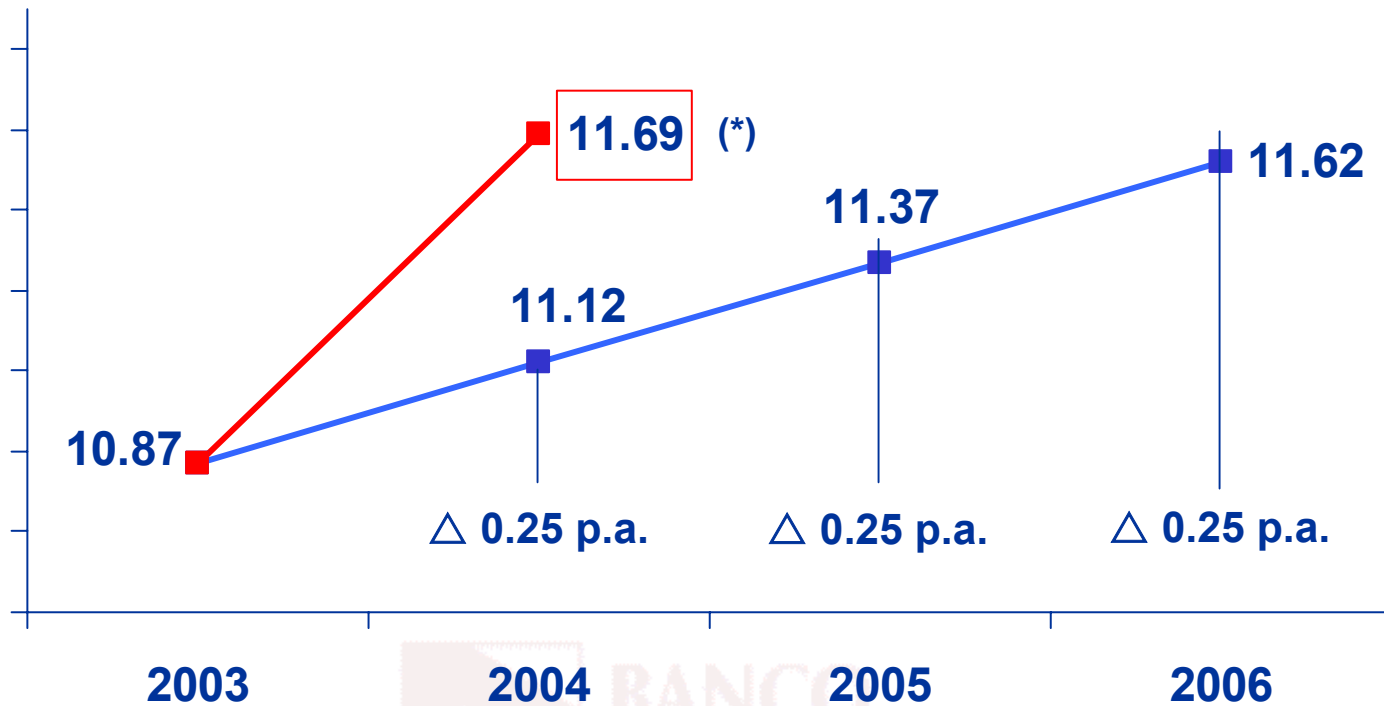
(September 30, 2004)

	Amount MM Euros	Interest Rate %	PV MM Euros	Duration Days	Holding Period 365 PV MM Euros	Duration Days
<b>SENSITIVE ASSETS</b>	<b>55,203.1</b>	<b>3,83</b>	<b>55,750.7</b>	<b>246.85</b>	<b>50,061.9</b>	<b>136.04</b>
MONETARY MARKET	9,918.7	2.16	9,894.4	332.55	7,250.4	32.32
LOANS	44,607.0	4.20	45,168.5	183.79	42,779.2	153.56
SECURITIES	677.4	4.24	687.8	3,155.57	32.3	212.30
<b>SENSITIVE LIABILITES</b>	<b>40,562.2</b>	<b>2.25</b>	<b>40,693.6</b>	<b>161.55</b>	<b>37,727.3</b>	<b>78.97</b>
MONETARY MARKET	18,898.5	2.17	18,886.2	173.54	16,884.8	41.65
CUSTOMER DEPOSITS	13,812.6	1.94	13,848.4	130.26	13,204.2	92.89
SECURITIES	7,851,1	2.98	7,959.0	187.53	7,638.3	137.39
<b>EQUITY</b>	<b>3,112.5</b>		<b>15,057.2</b>	<b>477.40</b>		

# 3-YEAR PROGRAM GOALS

## MARKET SHARE OVER COMMERCIAL BANKS

### LOANS TO RESIDENTS



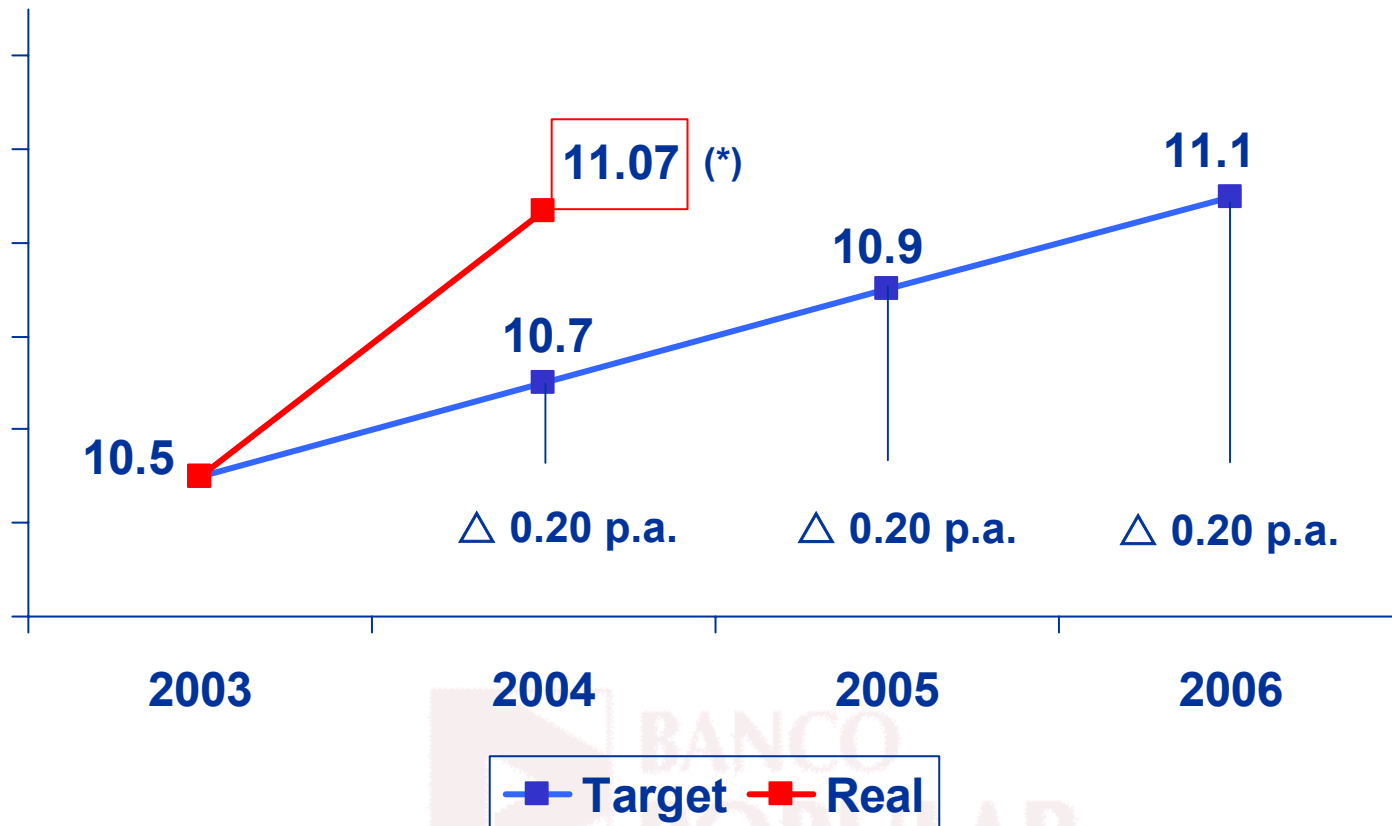
(\*) Annualized

—■— Target —■— Real

# 3-YEAR PROGRAM GOALS

## MARKET SHARE OVER COMMERCIAL BANKS

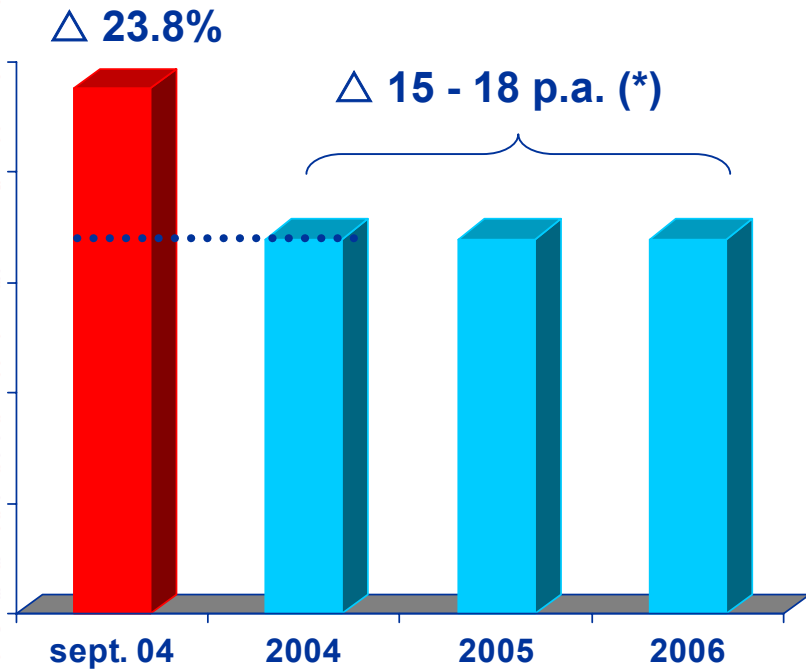
### TOTAL DEPOSITS



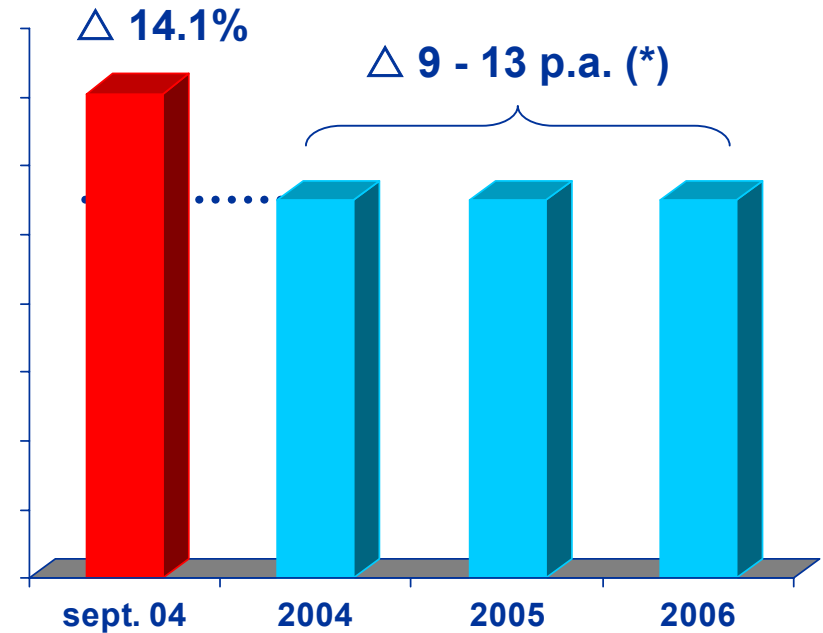
(\*) Annualized

# 3-YEAR PROGRAM GOALS

## LOAN BOOK



## CUSTOMER FUNDS

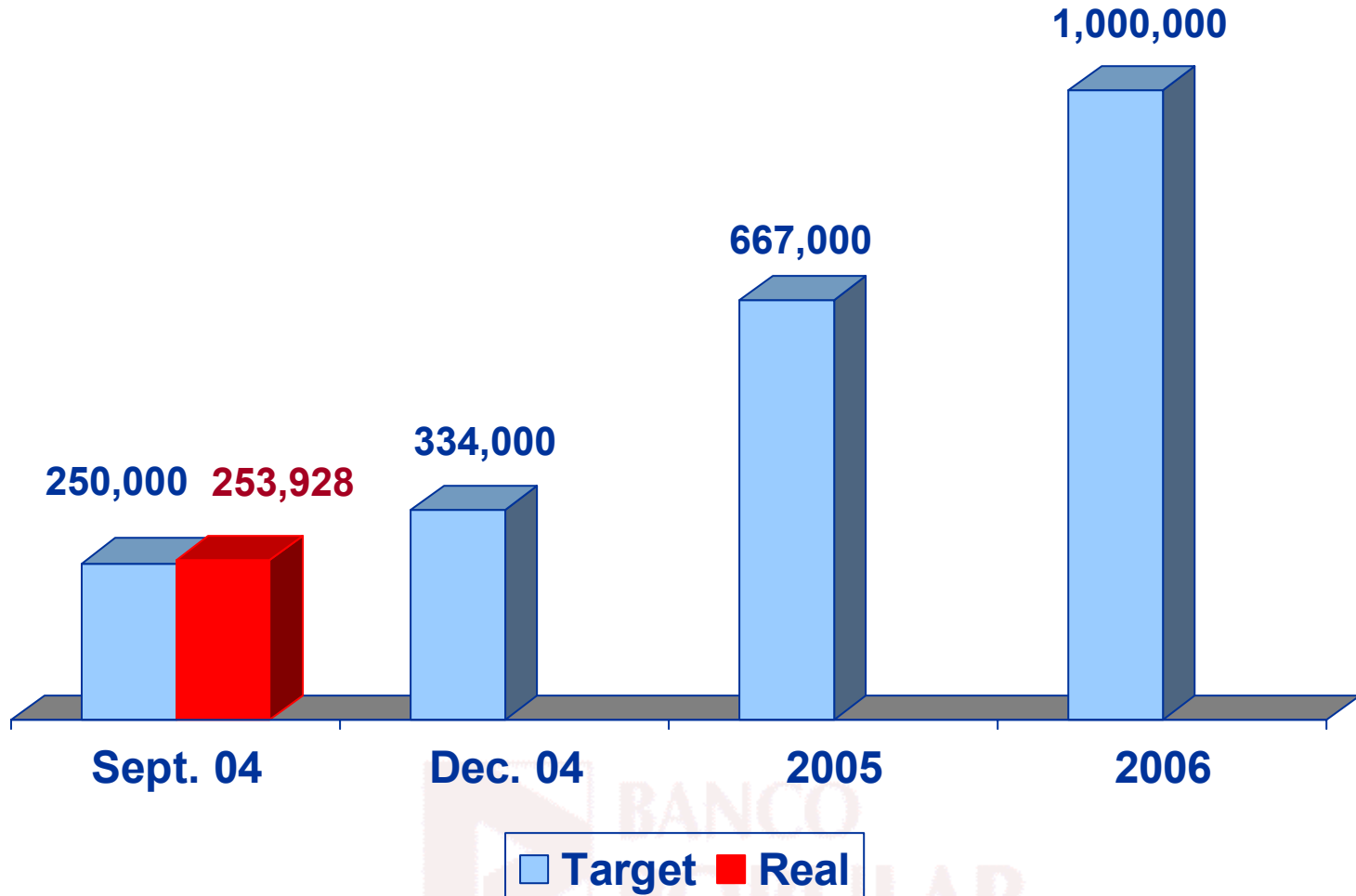


(\*) As per SUMMA Plan



# 3-YEAR PROGRAM GOALS

## NUMBER OF CLIENTS: INDIVIDUALS



# 3-YEAR PROGRAM GOALS

## NUMBER OF CLIENTS: CORPORATE





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