

January 2004

Banco Popular Group

A 3-YEAR FLIGHT

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3-YEAR PROGRAM

MAIN GOAL

Net Income Attributable

2003: 714 mill. euros



2006: 1 BILLION euros



3-YEAR GROWTH: +12 % PER ANNUM

3-YEAR PROGRAM

A 3-YEAR SCENARIO

Likely ranges of P&L growth:

	<u>average p.a.</u>
Net interest revenue	11 – 13 %
Ordinary revenues	10 – 12 %
Operating income	12 – 14 %
Net income attributable	12 – 14 %

3-YEAR PROGRAM

RATIOS FOR 3 YEARS

R.O.E.**R.O.A****COST/INCOME****Range 3-y****22-27 %****1.4-1.6 %****36-32 %****Target****25 %*****1.5 %****34 %**

* Subject to changes: acquisitions, IAS, growth...

3-YEAR PROGRAM

A 3-YEAR SCENARIO

**Loan
book**

**Customer
funds**

Growth: 15-18 % p.a.

9-13 % p.a.

Market share gain*: 0.25 % p.a.

0.20 % p.a.

Non performing loan ratio: below 0.90 %

* On commercial banks (transactions with residents)

3-YEAR PROGRAM

A 3-YEAR SCENARIO

Other business growth assumptions:

- ⇒ Progressive change in the loan mix:**
 - **more corporate and consumer loans**

- ⇒ Fee Income Growth: 7 – 10 % p.a.:**
 - **propelled by Asset Management boost**

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY. MANAGEMENT FOCUS ON:

- 1. Across the line deployment on private individuals**
- 2. Maintain pressure on corporate business acquisition**
- 3. New actions with retailers**
- 4. Speed up growth of affinity groups**
- 5. New instruments to back up marketing efforts**
- 6. Expand and optimise branches and agents**
- 7. Growth in Portugal**

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

1. Banking for private individuals:

➡ Mass-retail banking

- Development of CONSUMER LOANS from cards

2004: launch new generation revolving cards

- Further expand all card business (Vid next chart)
- New systems & products for mortgage lending
- Finer client segmentation & new products
- Increase stickiness: ≥ 4 products/customer

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals. Cards

	<u>in 2003</u>	<u>Targets: increase 3 years</u>
Nr cards	4.8 mill.	> 1 million new cards
Turnover	€ 5.5 bill.	> € 1.2 billion more

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals:

➡ **Personal banking:** exploit 600 internal agents

	<u>2003</u>	<u>TARGET 2006</u>
Customers	81.269	150.000
Assets	€12.3 billion	€ 25 billion

➡ **Private banking:** increase agents, branches

Assets	€ 1.6 billion	€ 3.0 billion
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3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals:



Target

1 million new customers

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

2. Pressure on corporate customer banking:

➡ Increase progressively acquisition rate to:

40.000 new SMEs per year

➡ New segmentation & packaging of products

➡ Increase stickiness:

100 SME managers to enhance range of services

Better products: international & internet related

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1/2. Individuals & SME customers. Stickiness

- ➡ Transfer experience with affinity groups
- ➡ Linked customers: ≥ 4 products:

Period	2003	Target 2006
Linked customers	1.770.000	2.200.000

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

3. “The Bank of retailers”:

- ⇒ Personalised contact & offer for 40.000 retailers
- ⇒ Internet & Affinity Card strategy

4. Affinity groups of customers:

- ⇒ Business Growth targets:
 - Increase progressively rate to 30% per year

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

5. Launch new marketing instruments:

- ➡ **IT platform for consumer revolving credit**
- ➡ **IT campaign manager**
- ➡ **Market surveys to focus new marketing campaigns**

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

6. Branches & Agents

- ➡ **100 new branches in Spain**
- ➡ **70 new branches in Portugal ***
- ➡ **Close diluters**
- ➡ **Agents: duplicate Degree of Activity & add products**

* In 4 years (vid last charts)

3-YEAR PROGRAM

7. BNC

GROWTH TARGETS for 4 years



Average loan growth ➡ **20% annual**

Average deposit growth ➡ **12% annual**

Increase in fee income ➡ **20% annual**

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

3-YEAR PROGRAM

7. BNC



TO ATTAIN THOSE TARGETS...

	2003	2007
No. branches	130	200
No. employees	1,133	1,548
Employees per branch	8.6	7.7

3-YEAR PROGRAM

7. BNC



EXPECTED RESULTS

	2003	2007
Cost / Income ratio	48.5	37.8
ROE	8.8	17.8
ROA	0.6	1.0



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