

# Banco Popular Group

**ADDING MOMENTUM**



APRIL | MAY | JUNE **2006**

# DISCLAIMER

This presentation has been prepared by Banco Popular solely for purposes of information. It may contain estimates and forecasts with respect to the future development of the business and to the financial results of the Banco Popular Group, which stem from the expectations of the Banco Popular Group and which, by their very nature, are exposed to factors, risks and circumstances that could affect the financial results in such a way that they might not coincide with such estimates and forecasts. These factors include, but are not restricted to, (i) changes in interest rates, exchange rates or any other financial variable, both on the domestic as well as on the international securities markets, (ii) the economic, political, social or regulatory situation, and (iii) competitive pressures. In the event that such factors or other similar factors were to cause the financial results to differ from the estimates and forecasts contained in this presentation, or were to bring about changes in the strategy of the Banco Popular Group, Banco Popular does not undertake to publicly revise the content of this presentation.

This presentation contains summarised information and may contain unaudited information. In no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, nor is it intended to serve as a basis for any contract or commitment whatsoever.

# 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 have  
implemented all  
the measures  
we said**

# FINANCIAL RESULTS



APRIL | MAY | JUNE **2006**

**Core Business Growth**

---

**Strong Customer Acquisition**

---

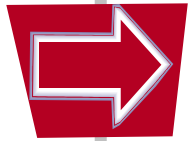
**Branch Network Expansion**

---

**Earnings**

---

**Banco Popular Portugal**



## **Core Business Growth**

---

**Strong Customer Acquisition**

---

**Branch Network Expansion**

---

**Earnings**

---

**Banco Popular Portugal**

# CORE BUSINESS GROWTH

*(Euro million)*

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

# CORE BUSINESS GROWTH

## MAJOR LOAN CATEGORIES (\*)

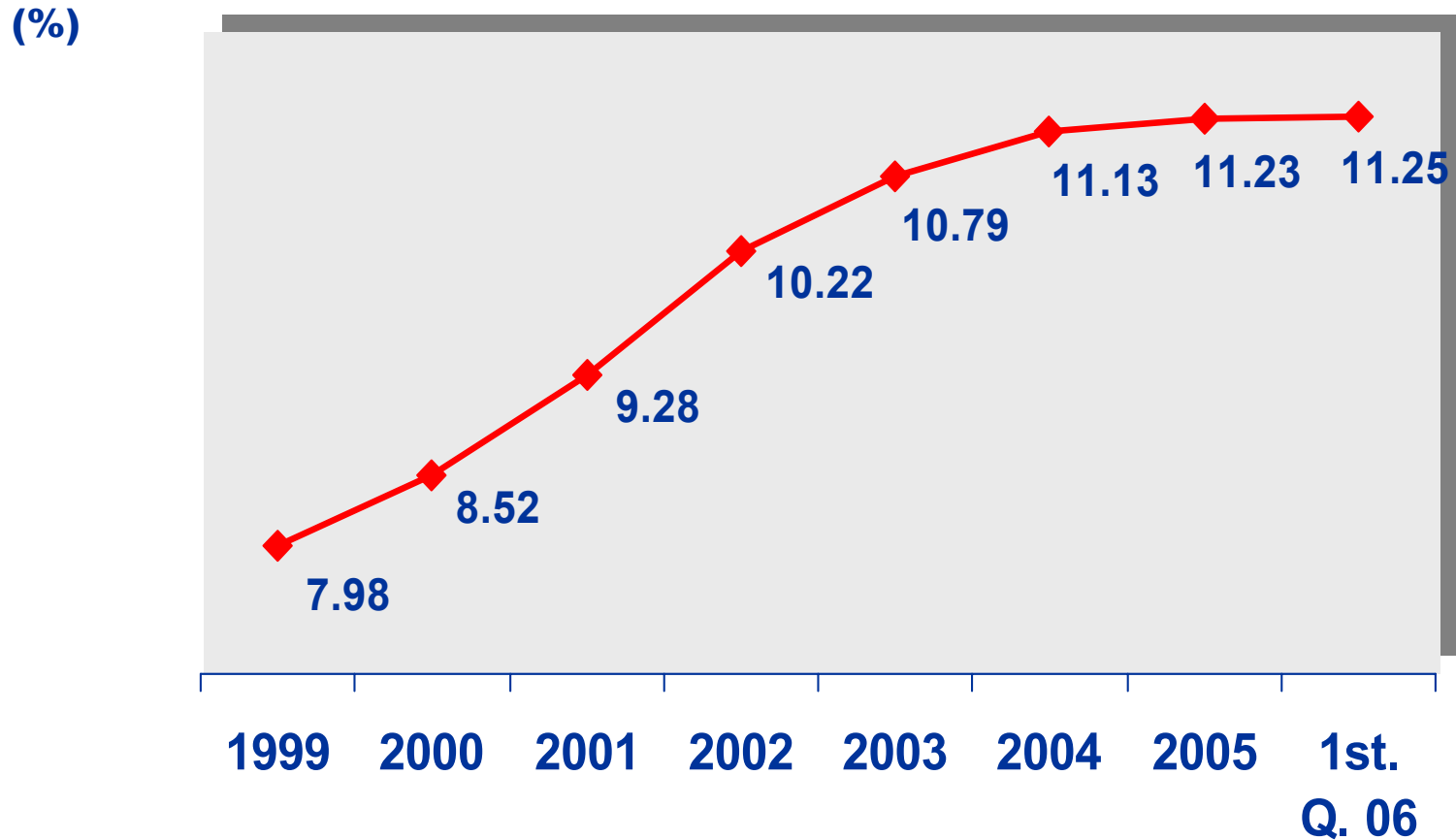
(Accumulated % change)

	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
<b>TOTAL</b>	<b>18.6</b>	<b>100.0</b>

(\*) 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

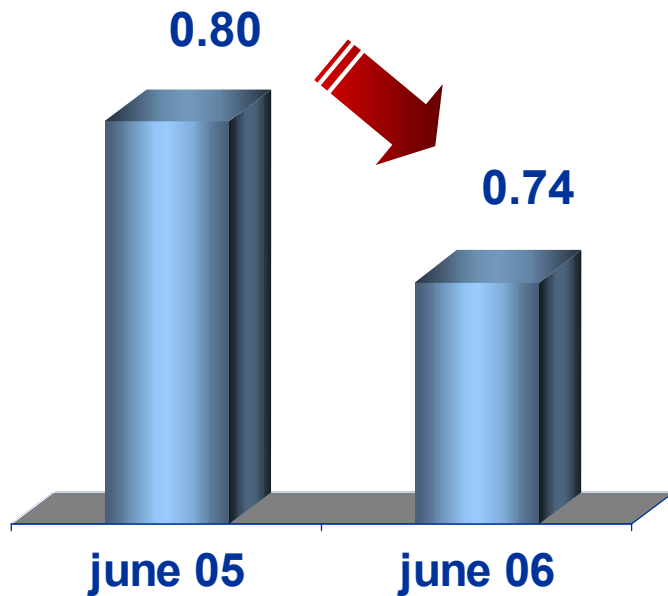
# CORE BUSINESS GROWTH - RISK MANAGEMENT

(Euro Million)

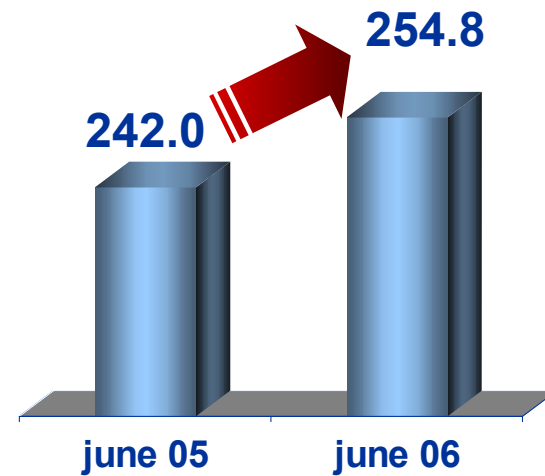
## NPLs AND RELATED COVERAGE

	30.06.05	3rd. Q. 05	4th. Q. 05	1st. Q. 06	2nd. Q. 06	30.06.06
<b>NPLs</b>						
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	
<b>COVERAGE</b>						
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



Lower  
NPLs

# CORE BUSINESS GROWTH

## CORE RESIDENT-CUSTOMER FUNDING

(June 30, 2006)

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

# CORE BUSINESS GROWTH

## CUSTOMER DEPOSIT COSTS vs. BASE RATES

(%)

	Average cost of Customer deposits	3-mos. Euribor average cost (**)
31-12-04	1.15	2.16
30-06-05	1.30	2.11
31-12-05	1.29	2.49
30-06-06	1.42	3.06

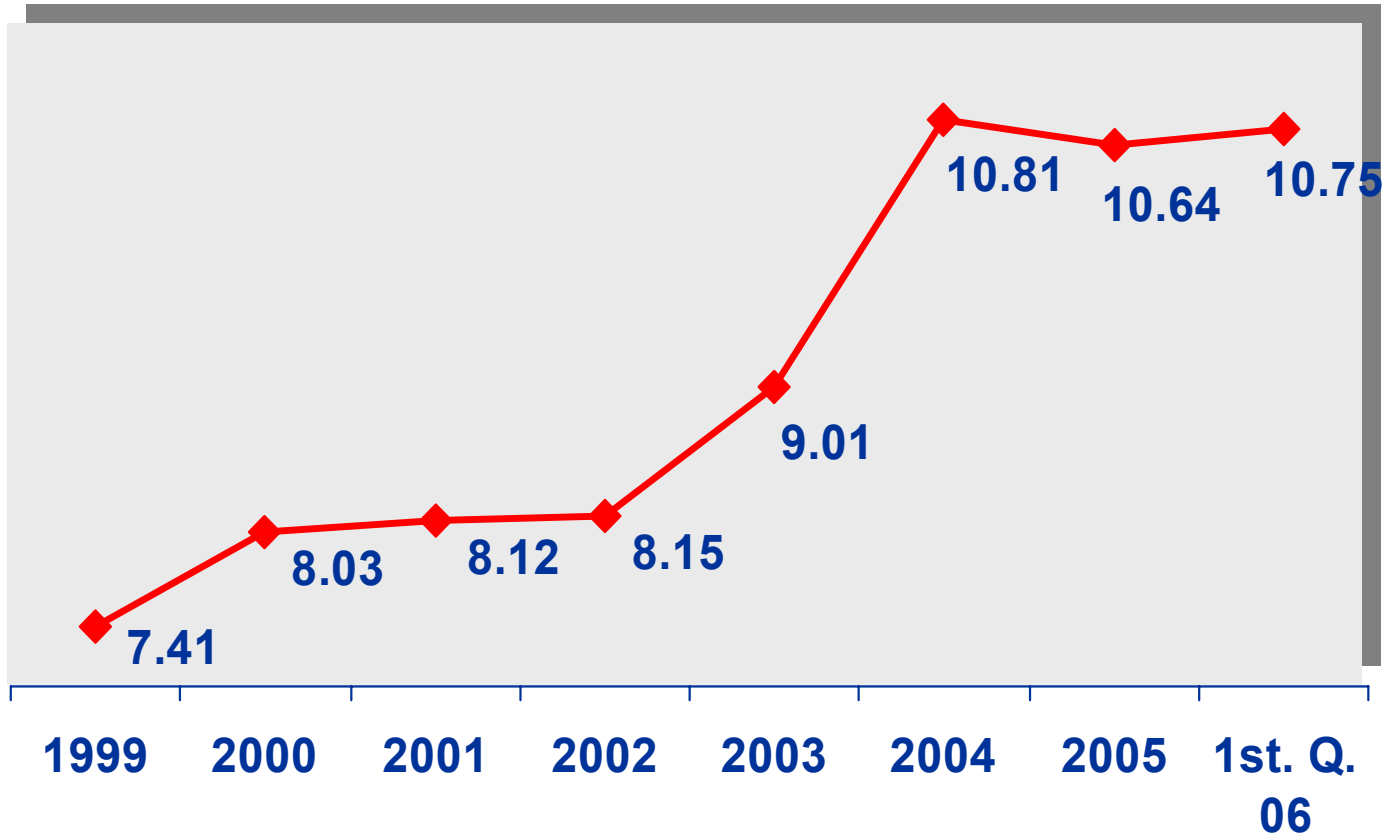
**Improvement in customer deposit margins**

(\*\*) Source: Reuters, base 360 days

# CORE BUSINESS GROWTH - CLIENTS DEPOSITS

## MARKET SHARE OVER NON PUBLIC BANKS (Private Resident Sector)

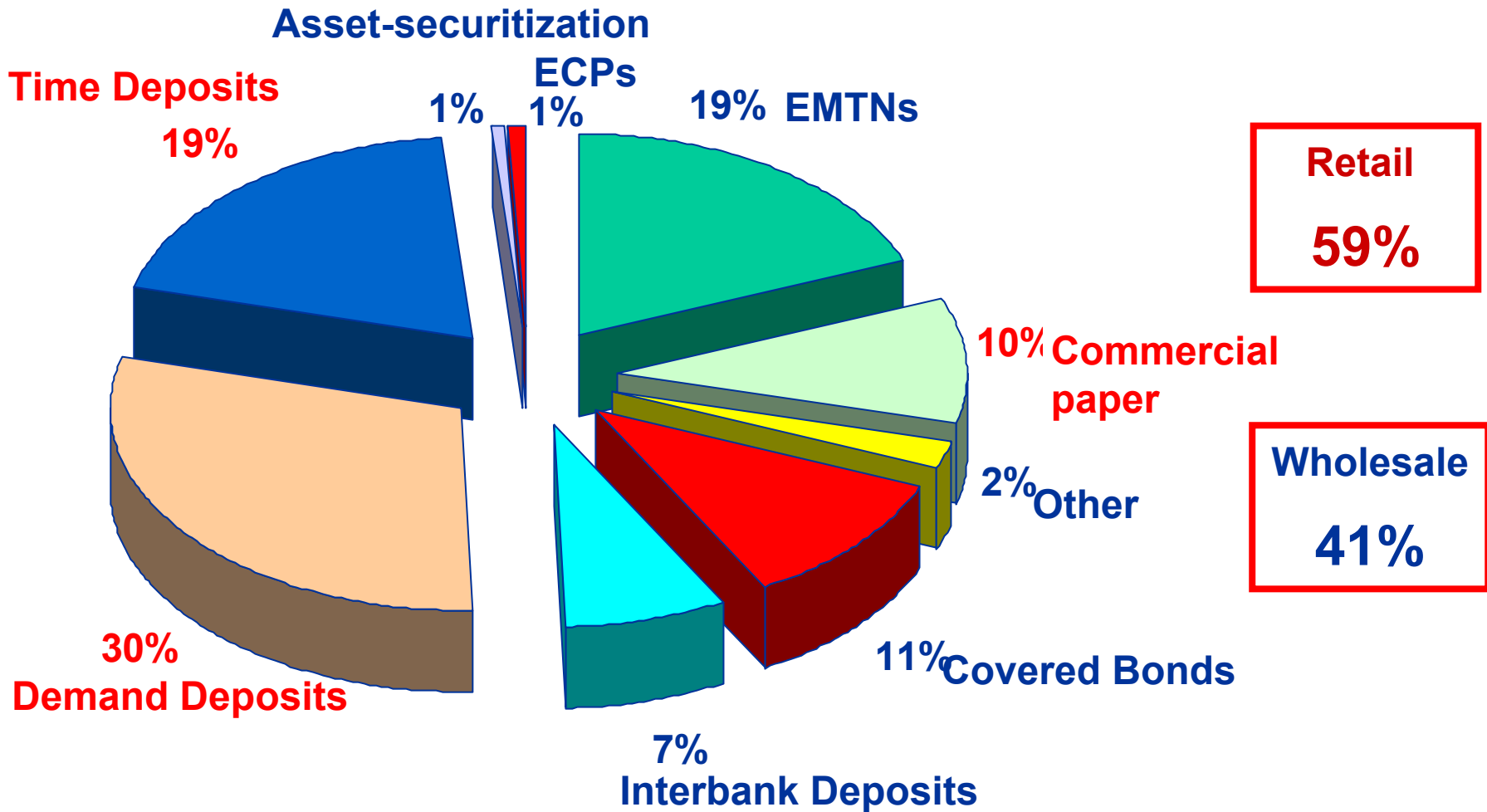
(%)



Source: AEB (Información: Balance Reservado)

# CORE BUSINESS GROWTH

## FUNDING BREAK-DOWN



# CORE BUSINESS GROWTH

## FUNDS MANAGED

*(Euro Million)*

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

# 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	
<b>TOTAL</b>	<b>10,960.8</b>	<b>19.5</b>	← BANCO POPULAR GROUP *
		<b>8.2</b>	← INDUSTRY

Outperformance due to:

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

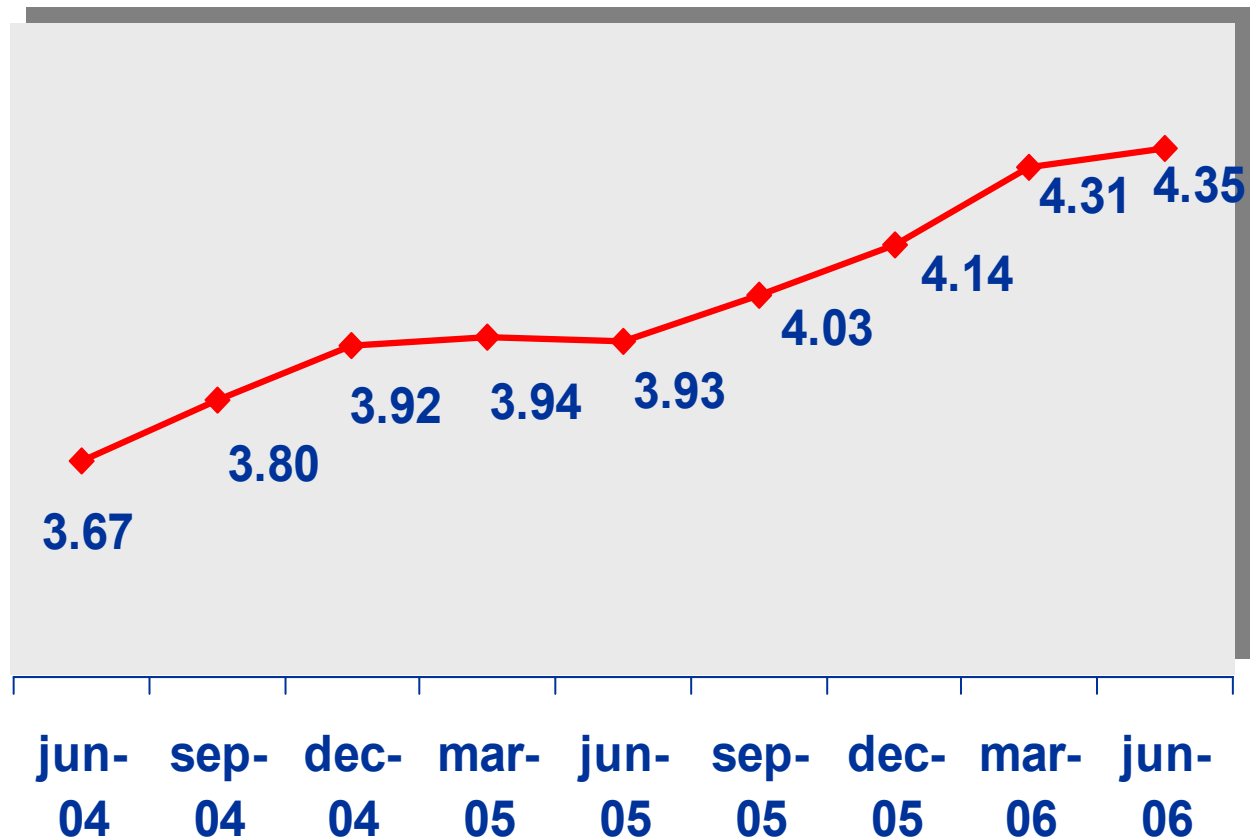
	June 06	June 05
Improvement in market share	4.35%	3.93%

\* 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)

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

# CORE BUSINESS GROWTH - ASSET MANAGEMENT

## PENSION ASSETS UNDER MANAGEMENT

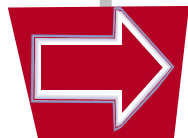
(Euro Thousand)

	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
<b>TOTAL</b>	<b>3,664.883</b>	<b>3,301,589</b>	<b>363,294</b>	<b>11.00</b>



Core Business Growth

---



**Strong Customer Acquisition**

---

Branch Network Expansion

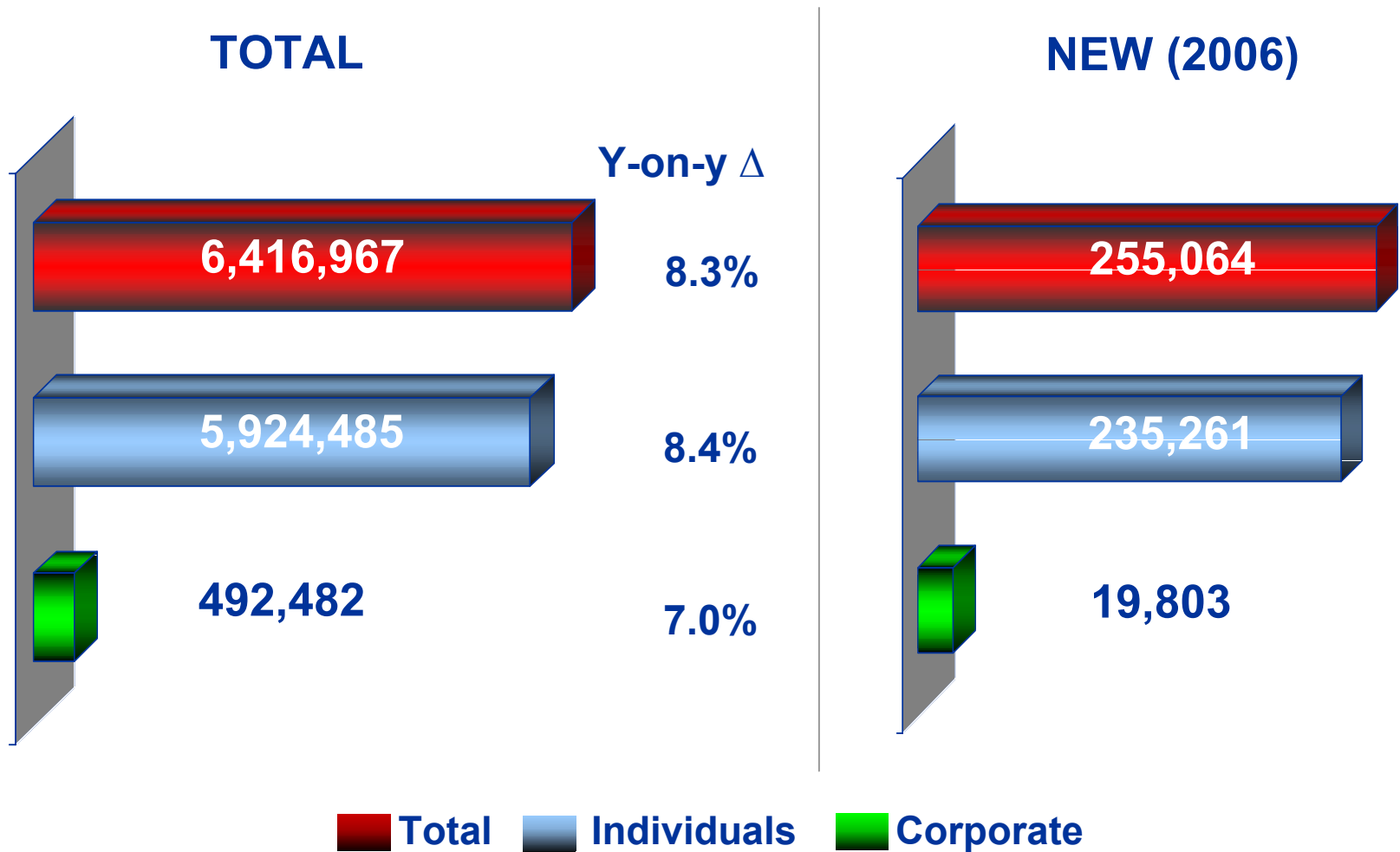
---

Earnings

---

Banco Popular Portugal

# STRONG CUSTOMER ACQUISITION



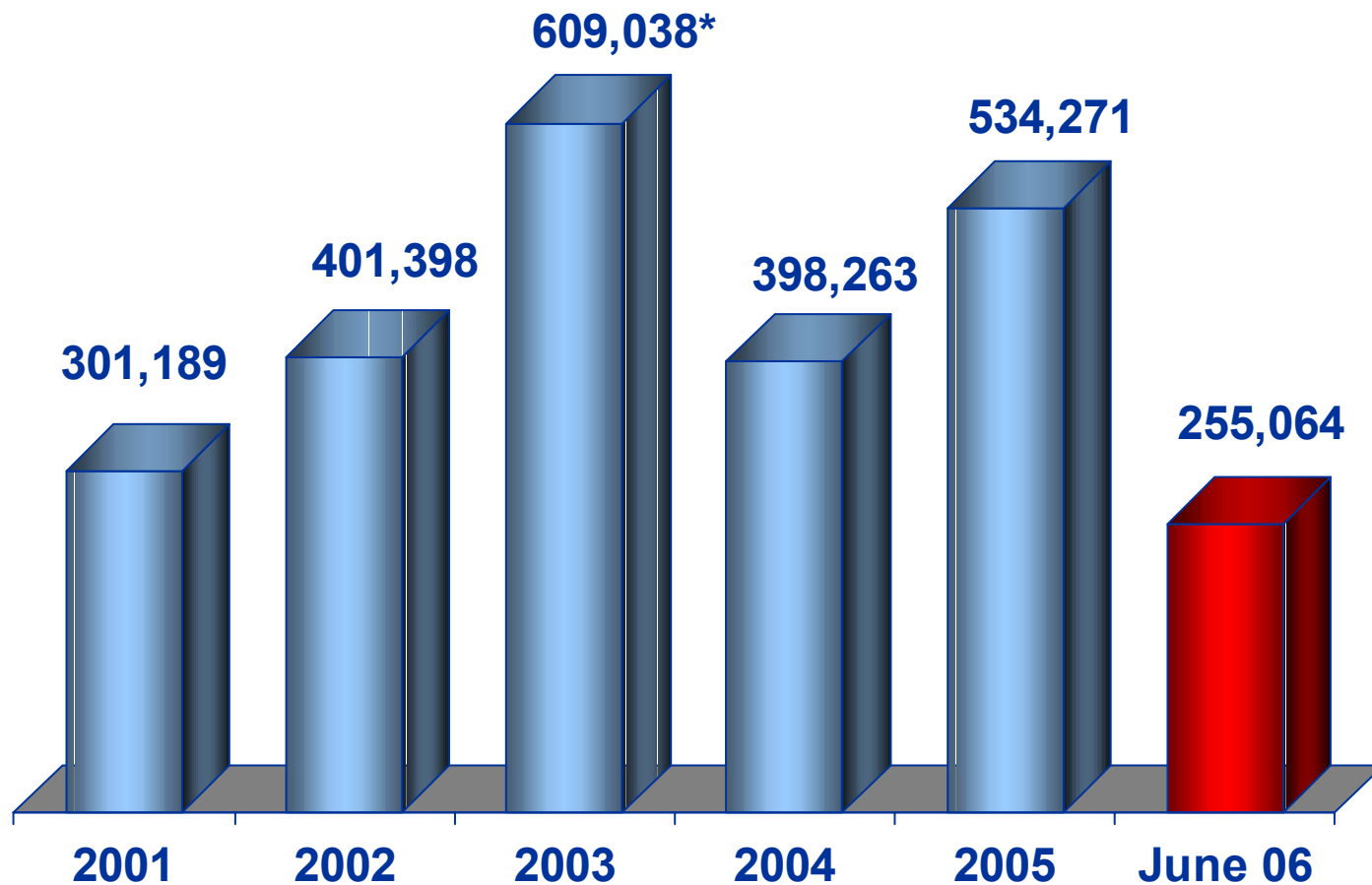
# STRONG CUSTOMER ACQUISITION

## COMMERCIAL PERFORMANCE

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

# 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
<b>June 2006 .....</b>	<b>2.081.136</b>

**More than 55,000  
clients linked  
each quarter**

**y-on-y  
11.1%**

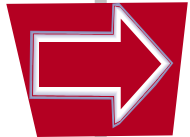
**One third of all Spanish clients have 4 products or more**

Core Business Growth

---

Strong Customer Acquisition

---



**Branch Network Expansion**

---

Earnings

---

Banco Popular Portugal

# BRANCH NETWORK EXPANSION

## NETWORK ACTIVITY THROUGH JUNE 2006

**Opened Branches**

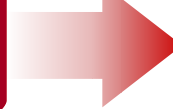
**30**

**Closed Branches**

**6**

**Impending Branches**

**34**



**Refurbished 19**  
**In progress 15**

# BRANCH NETWORK EXPANSION

## NETWORK ADJUSTMENTS THROUGH JUNE 2006



Core Business Growth

---

Strong Customer Acquisition

---

Branch Network Expansion

---

 Earnings

---

Banco Popular Portugal

# EARNINGS

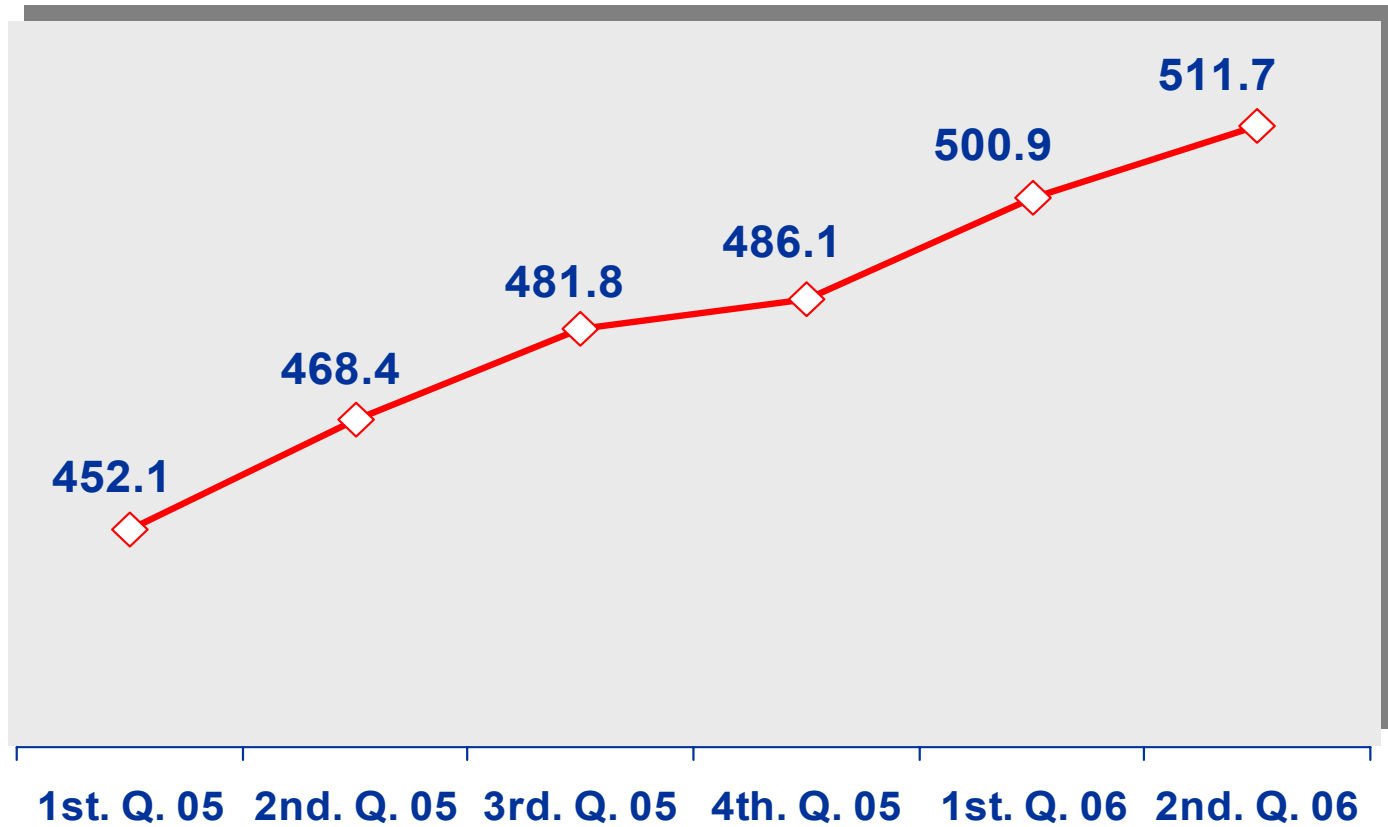
<i>(Euro Million)</i>	1st. H. 2006	y-on-y % $\Delta$
<b>Net interest revenue</b>	<b>1,012.6</b>	<b>10.0</b>
Revenues from equity method entities	--	-99.4
Net fees	418.5	9.9
Insurance business	18.9	104.1
Asset trading	13.8	163.7
Exchange gains (net)	23.6	26.7
<b>Ordinary revenue</b>	<b>1,487.3</b>	<b>11.3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

\* w/o compensating fees

# EARNINGS

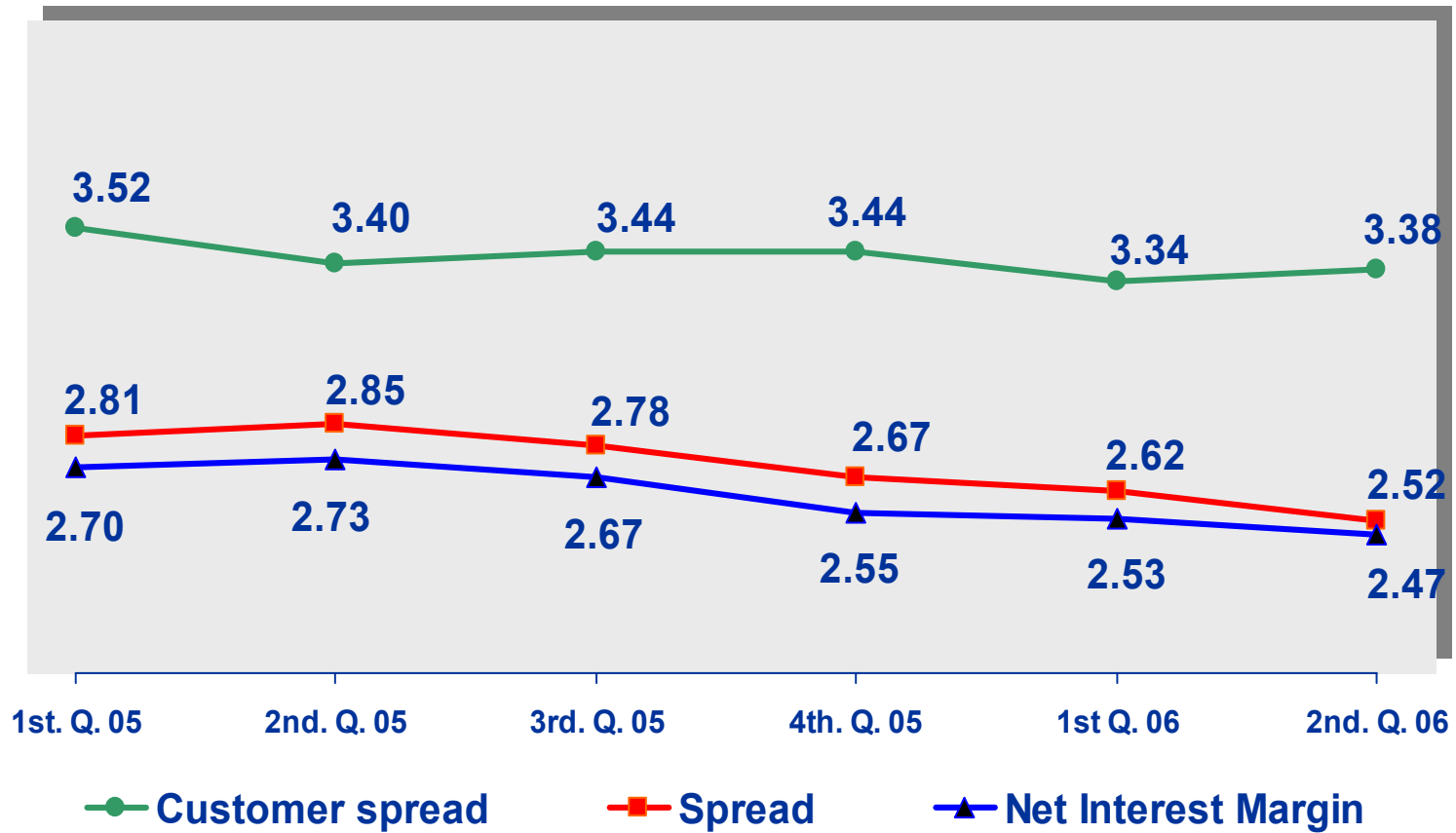
## NET INTEREST REVENUE

*(Euro Million)*



## NET INTEREST MARGIN & SPREAD

(%)



# EARNINGS

## FEES FOR SERVICES

	Year-on-year % accum. $\Delta$	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
<b>TOTAL</b>	<b>9.9</b>	<b>100.0</b>

# EARNINGS

## FEES FOR SERVICES

(Euro Million)

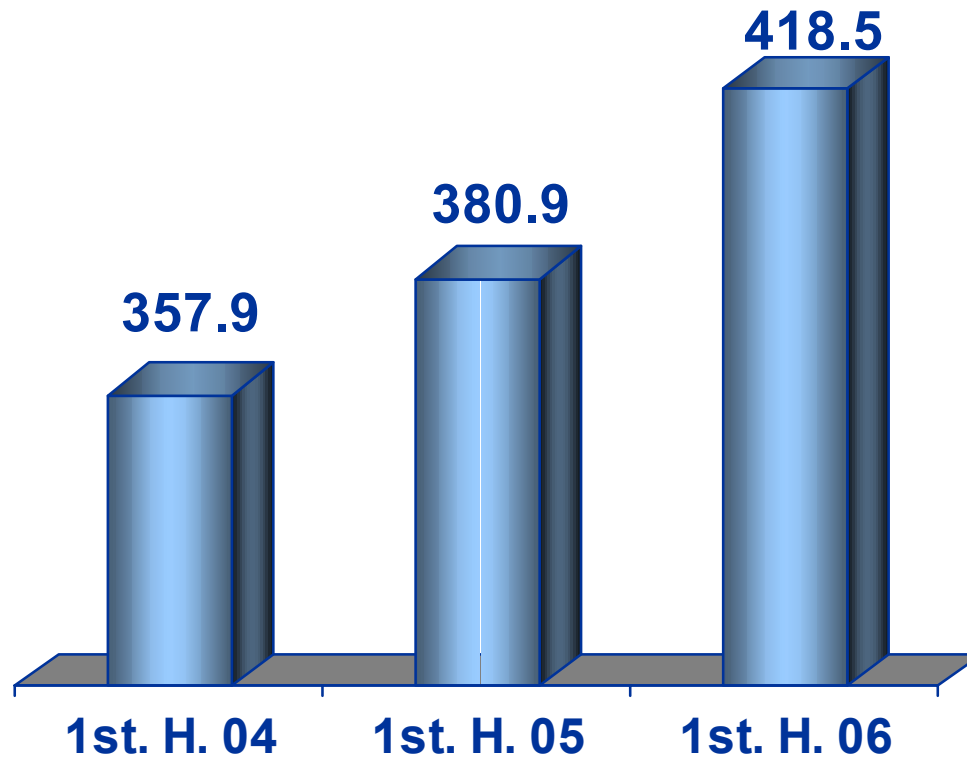
	June 06	June 05	y-on-y
Gross fees	500.7	475.3	5.4
Fees paid	82.2	94.4	-12.9
Net fees	418.5	380.9	9.9

**Significant decline in fees paid**

# EARNINGS

## FEEES FOR SERVICES

(Euro Million)

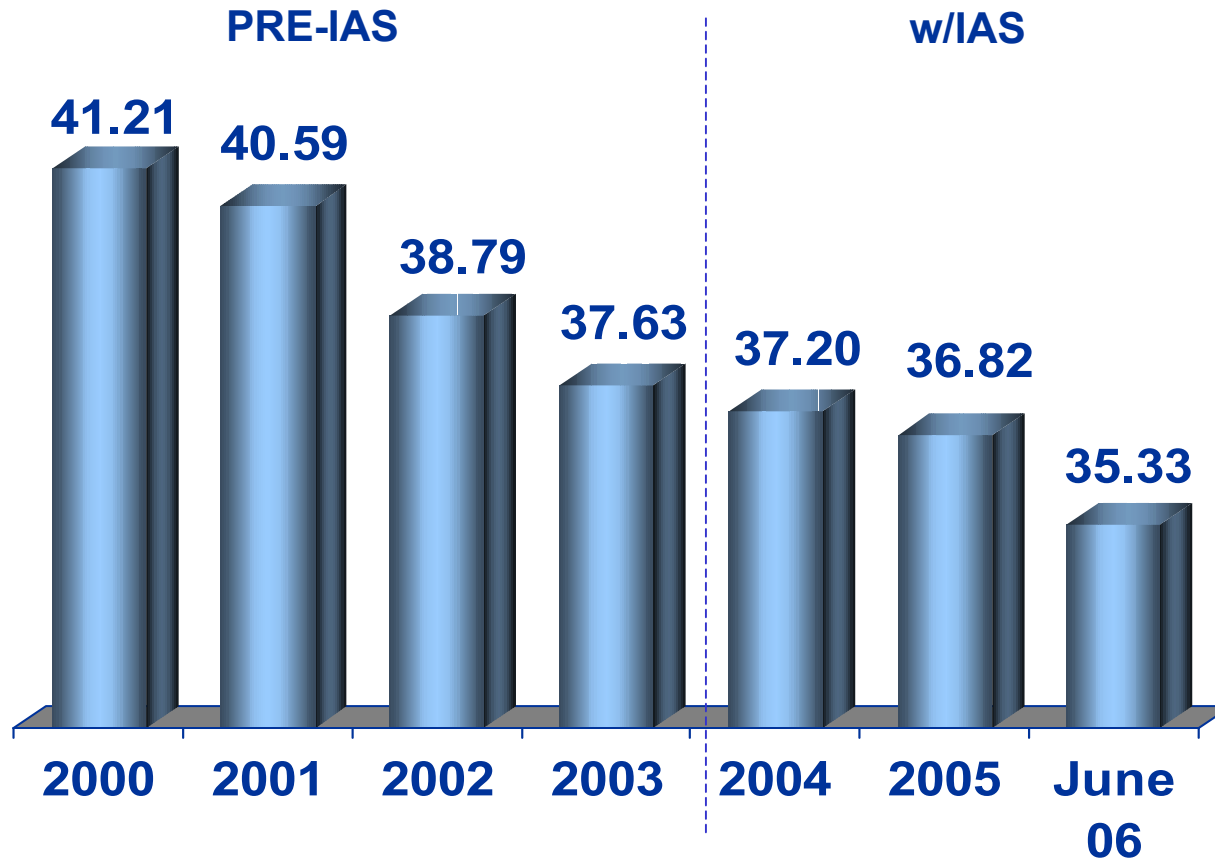


**y-on-y accum.**

**9.9%**

## COST/INCOME RATIO EVOLUTION

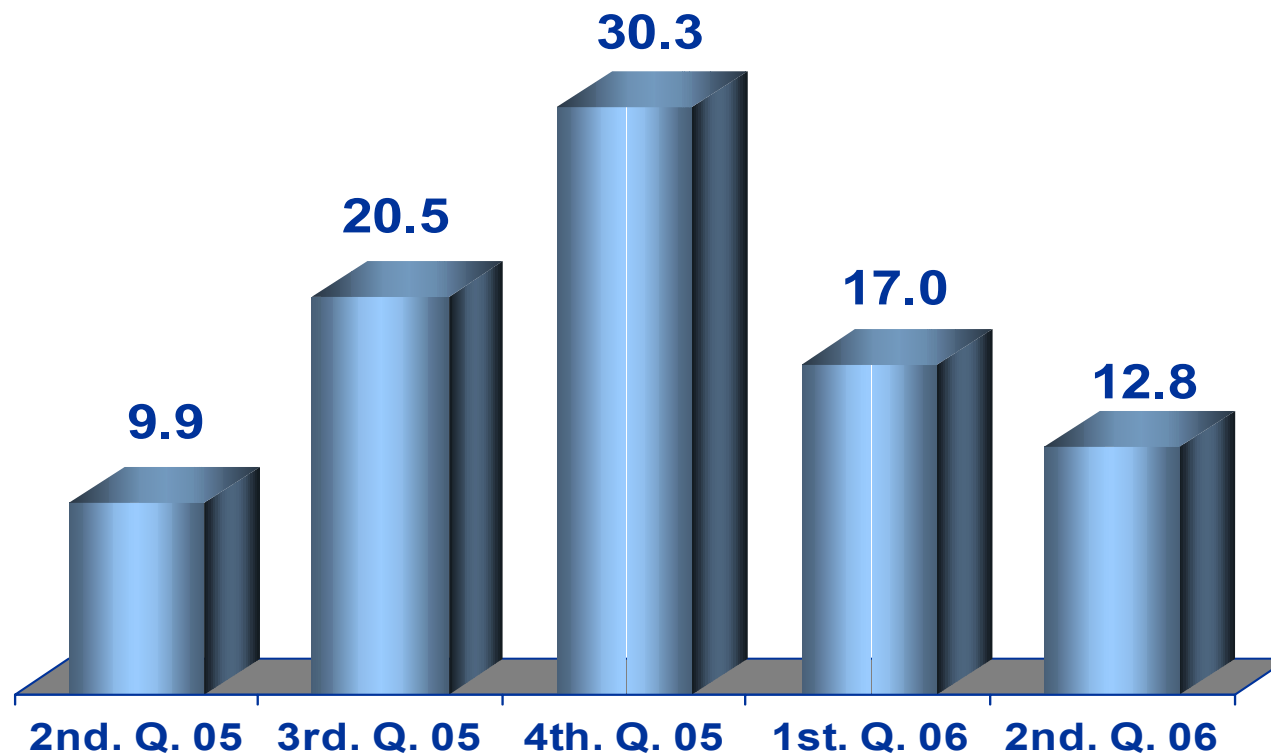
(%)



# EARNINGS

## GENERAL EXPENSES

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



# EARNINGS

## GENERAL EXPENSES

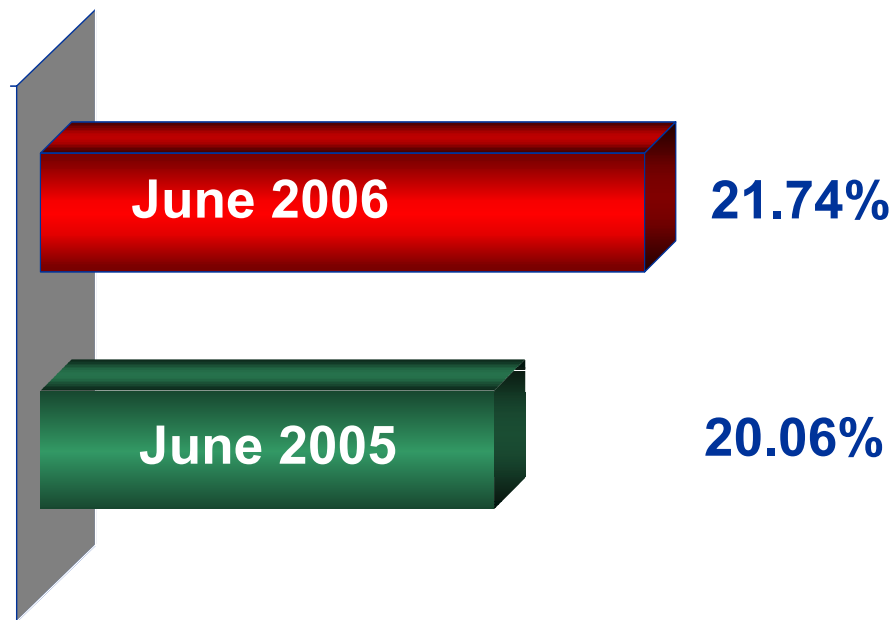
(Euro Thousand)

	30.06.06	30.06.05	% variation
<b>General expenses</b>	<b>165.853</b>	<b>144,458</b>	<b>14.8</b>
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

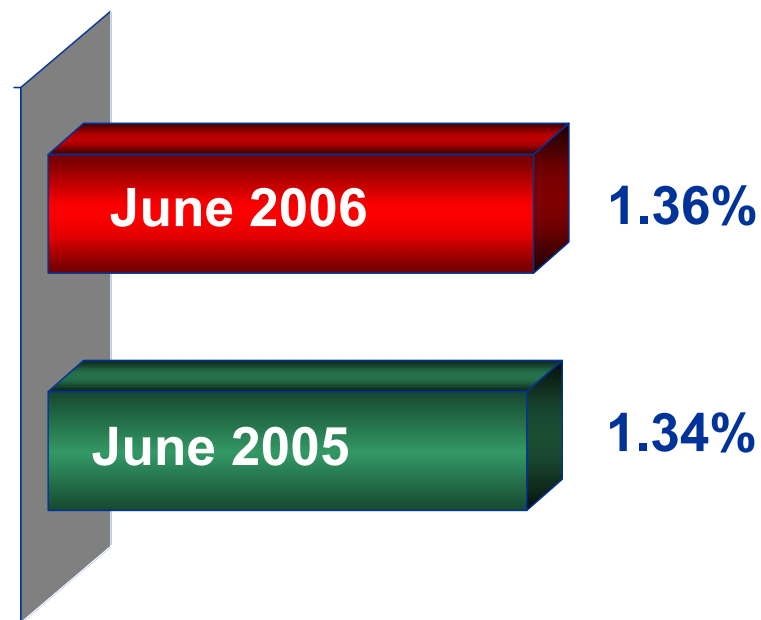
# EARNINGS

## PROFITABILITY

### ROE

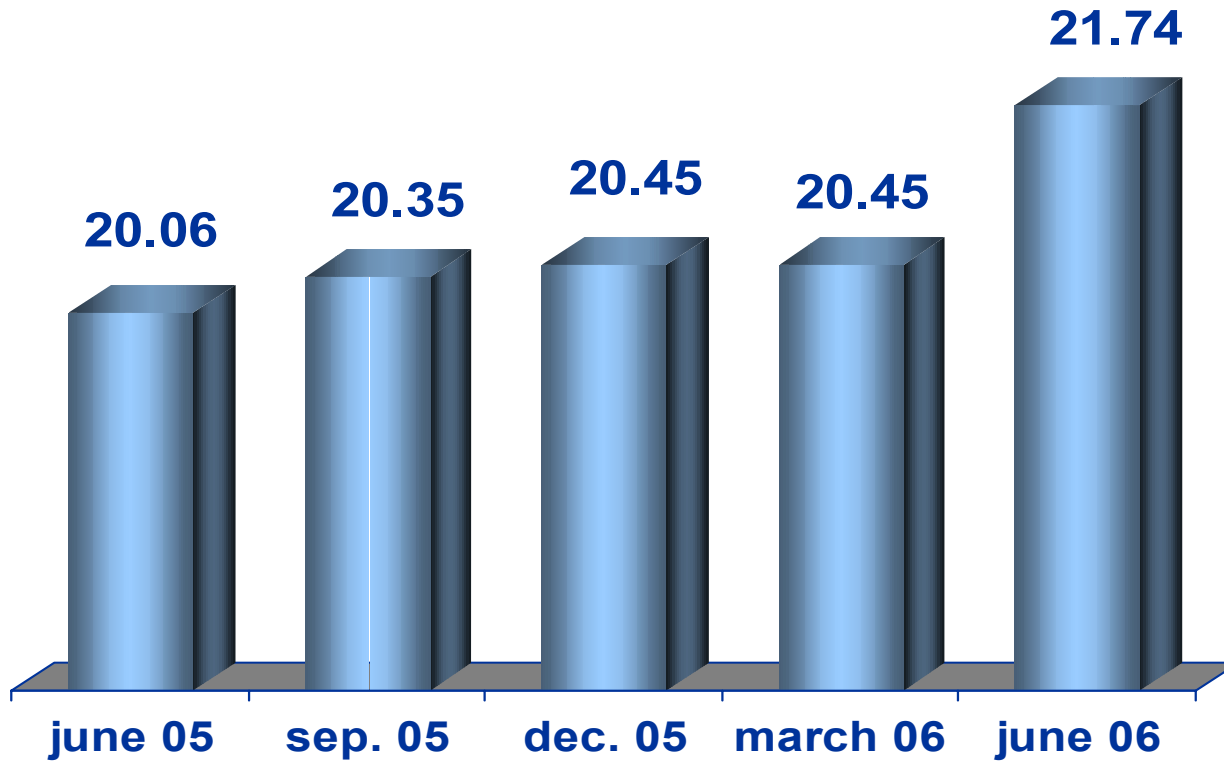


### ROA



## 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
<b>Total core capital</b>	<b>4,960.6</b> <b>6.52%</b>	<b>4,824.5</b> <b>6.52%</b>
<b>Total Tier I Capital</b>	<b>5,948.6</b> <b>7.81%</b>	<b>5,812.5</b> <b>7.85%</b>
<b>Total Tier 2 Capital</b>	<b>1,460.4</b> <b>1.92%</b>	<b>1,437.2</b> <b>1.94%</b>
<b>BIS computable capital</b>	<b>7,409.0</b> <b>9.73%</b>	<b>7,249.7</b> <b>9.79%</b>

**Total BIS risk weighted assets**

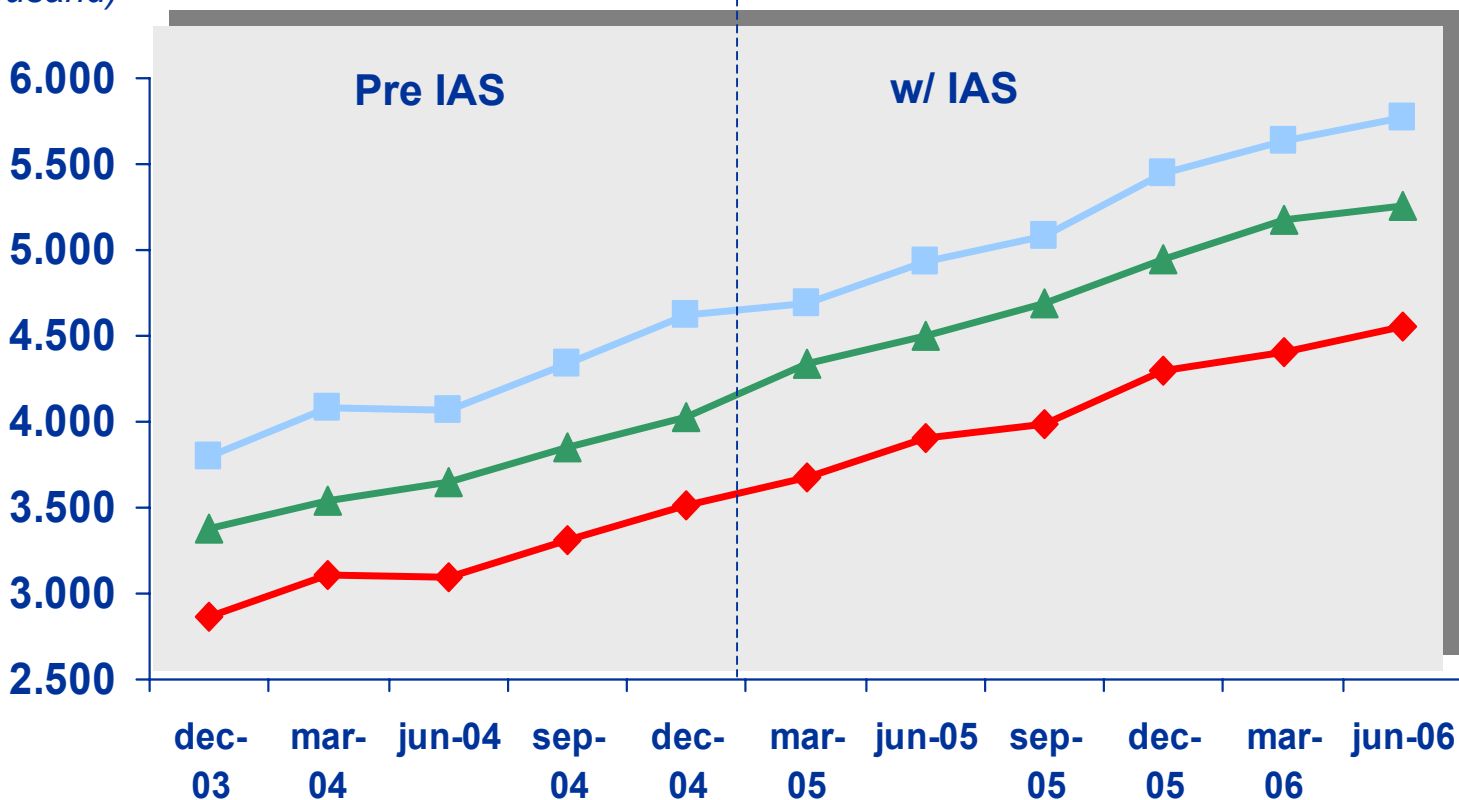
**76,121.0**

**74,023.8**

# EARNINGS - PRODUCTIVITY

## BUSINESS MANAGEMENT METRICS (BY EMPLOYEE)\*

(Euro Thousand)



◆ Customer funds on B/S

■ On-and-off B/S funds

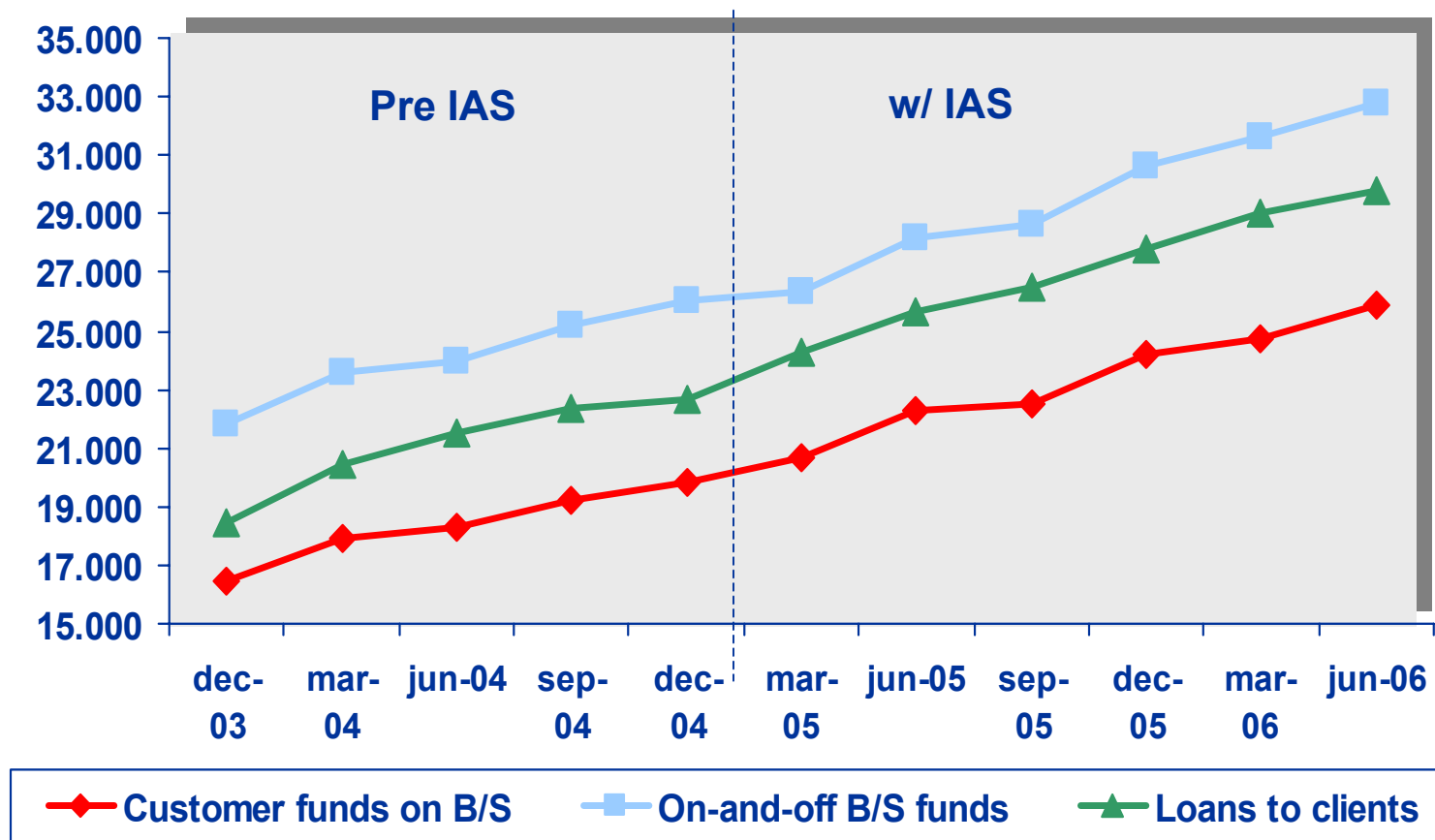
▲ Loans to clients

\* Only banking employees

# EARNINGS - PRODUCTIVITY

## BUSINESS MANAGEMENT METRICS (BY BRANCH OFFICE)

(Euro Thousand)



# FINANCIAL RESULTS

**Core Business Growth**

---

**Strong Customer Acquisition**

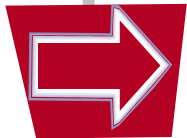
---

**Branch Network Expansion**

---

**Earnings**

---



**Banco Popular Portugal**

# BANCO POPULAR PORTUGAL



APRIL | MAY | JUNE **2006**

# BANCO POPULAR PORTUGAL

*(Euro Thousand)*

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

# BANCO POPULAR PORTUGAL

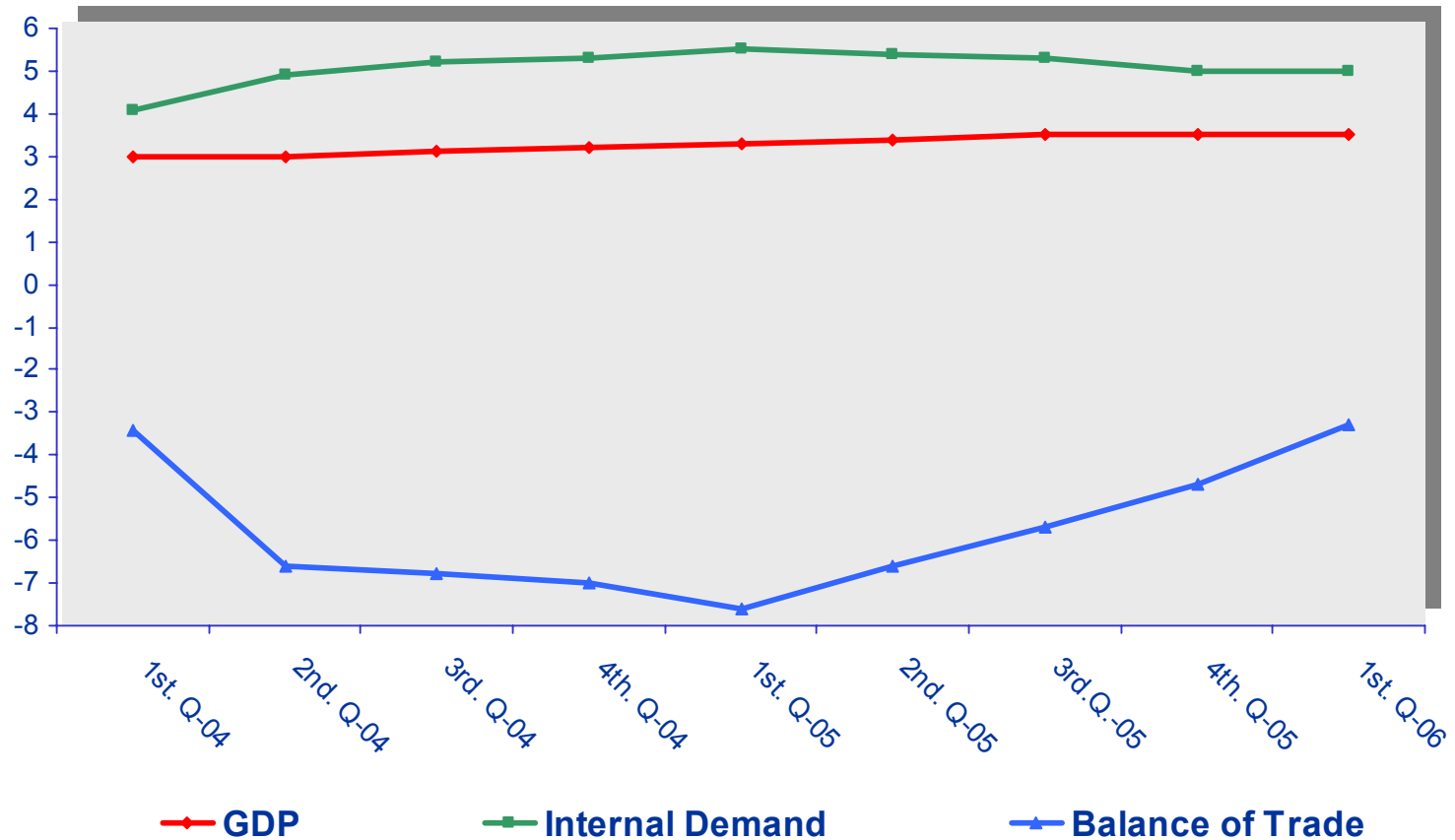
<i>(Euro Million)</i>	June 2006	June 2005	△%
Loans	5,558.7	4,503.4	23.4
<b>Total assets</b>	<b>6,579.5</b>	<b>5,204.7</b>	<b>26.4</b>
Customer deposits	2,814.6	2,662.0	5.7
Interbank deposits	2,682.8	1,873.7	43.2
Subordinated funding	295.5	252.0	17.2
Equity	387.1	333.1	16.2
<b>Total liabilities and equity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

# ANNEX

APRIL | MAY | JUNE **2006**

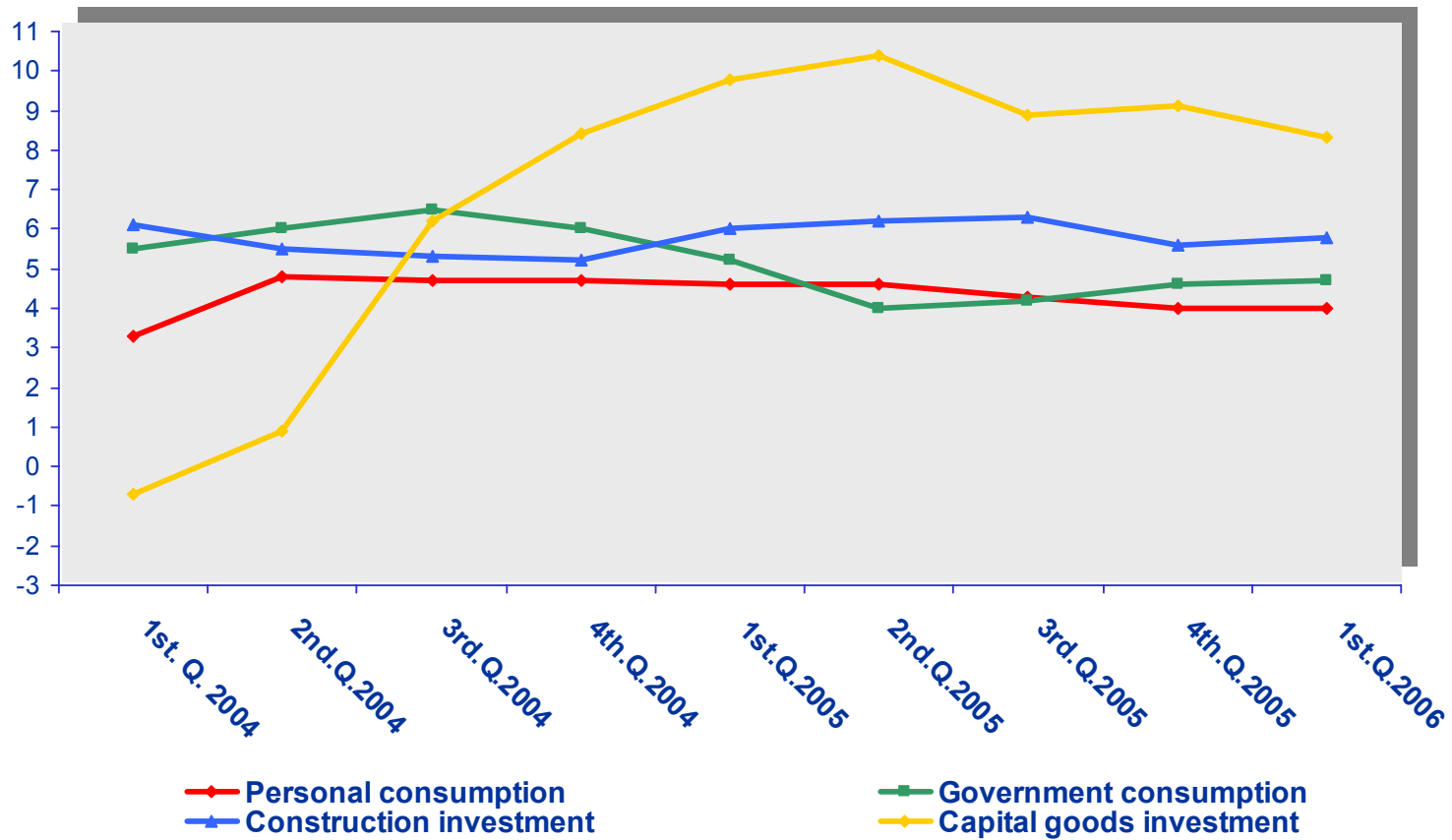


# MACROECONOMIC PARAMETERS IN SPAIN



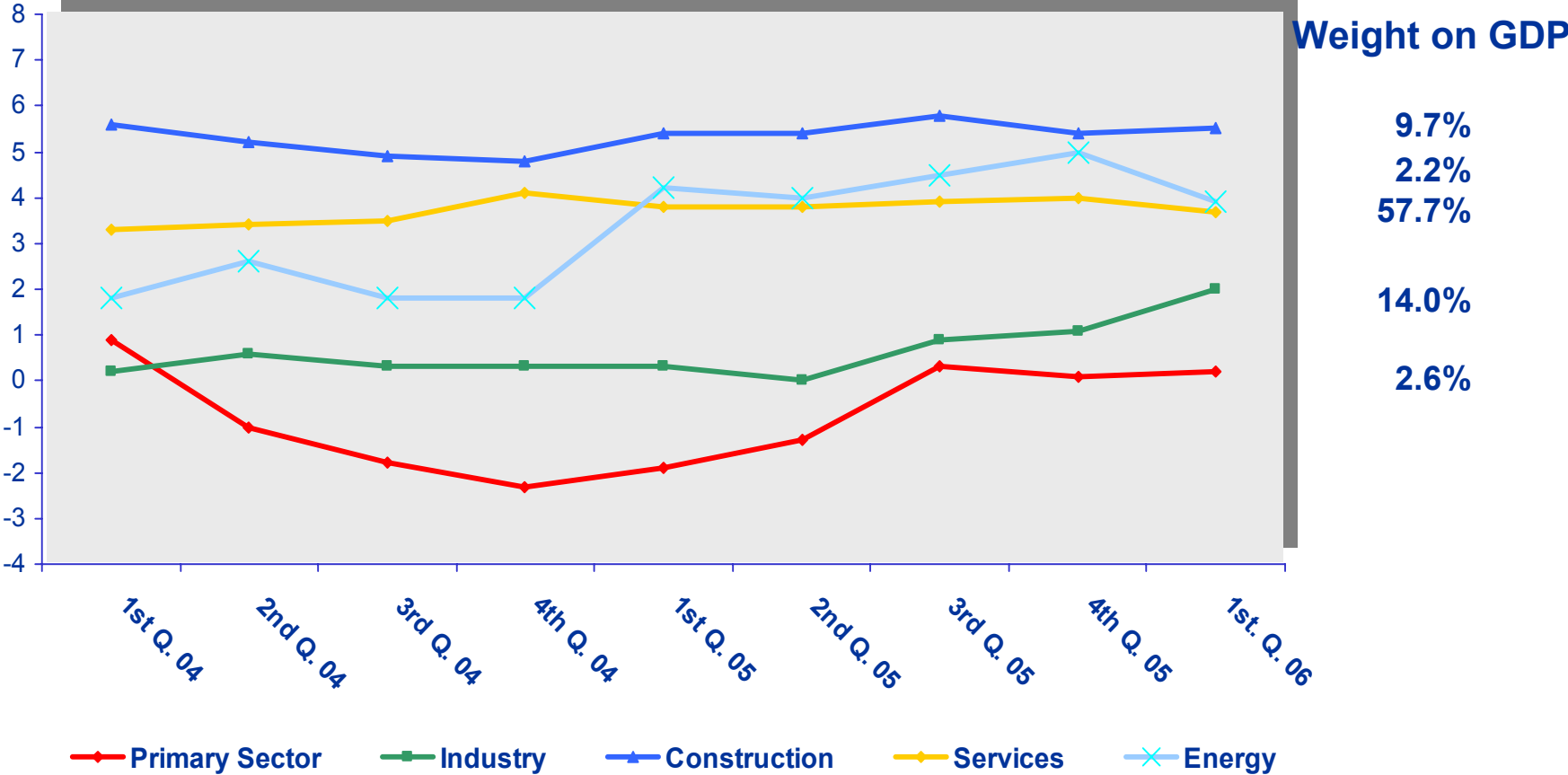
Source: INE

# MACROECONOMIC PARAMETERS IN SPAIN



Source: INE

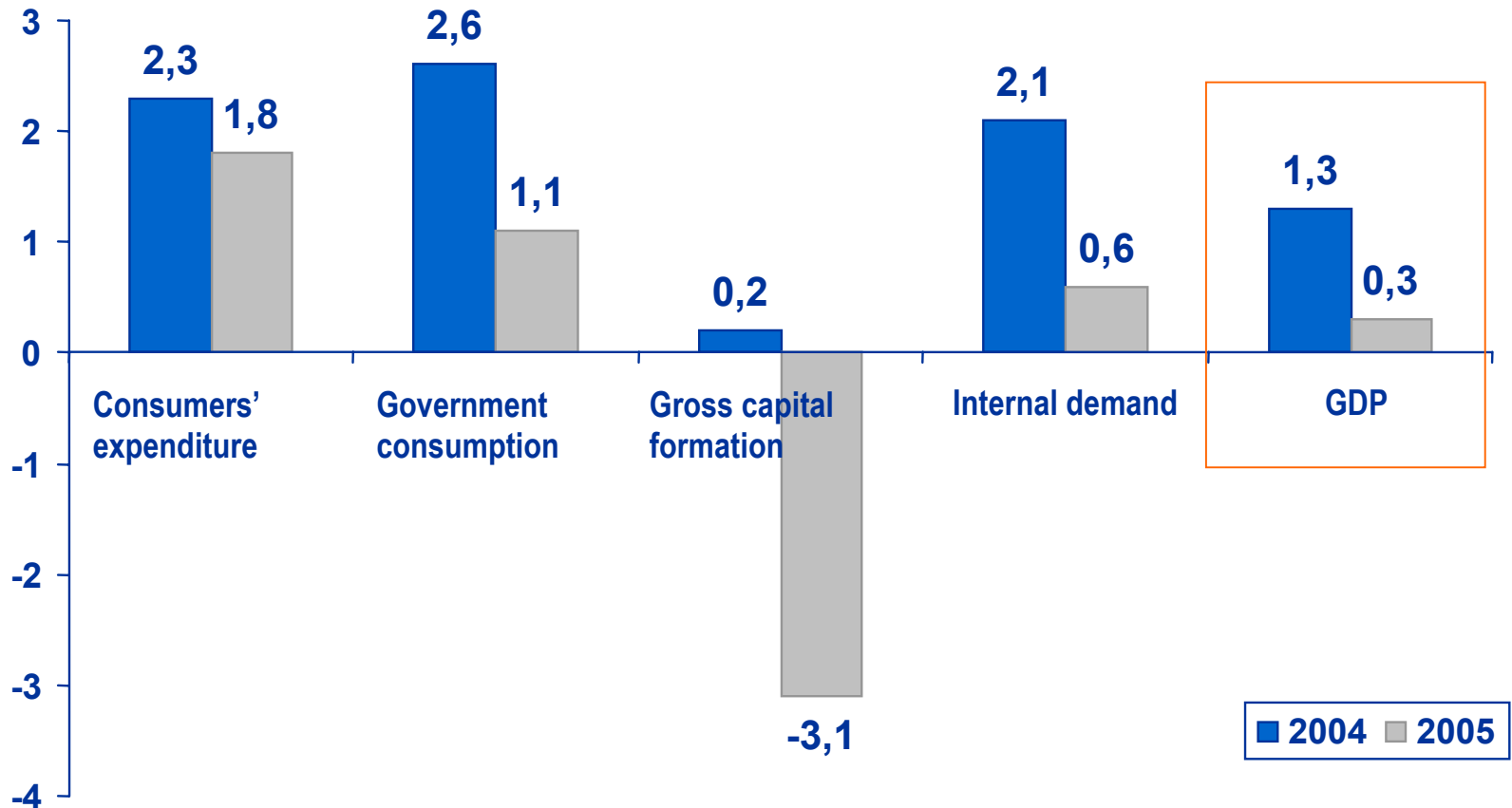
# MACROECONOMIC PARAMETERS IN SPAIN



Source: INE

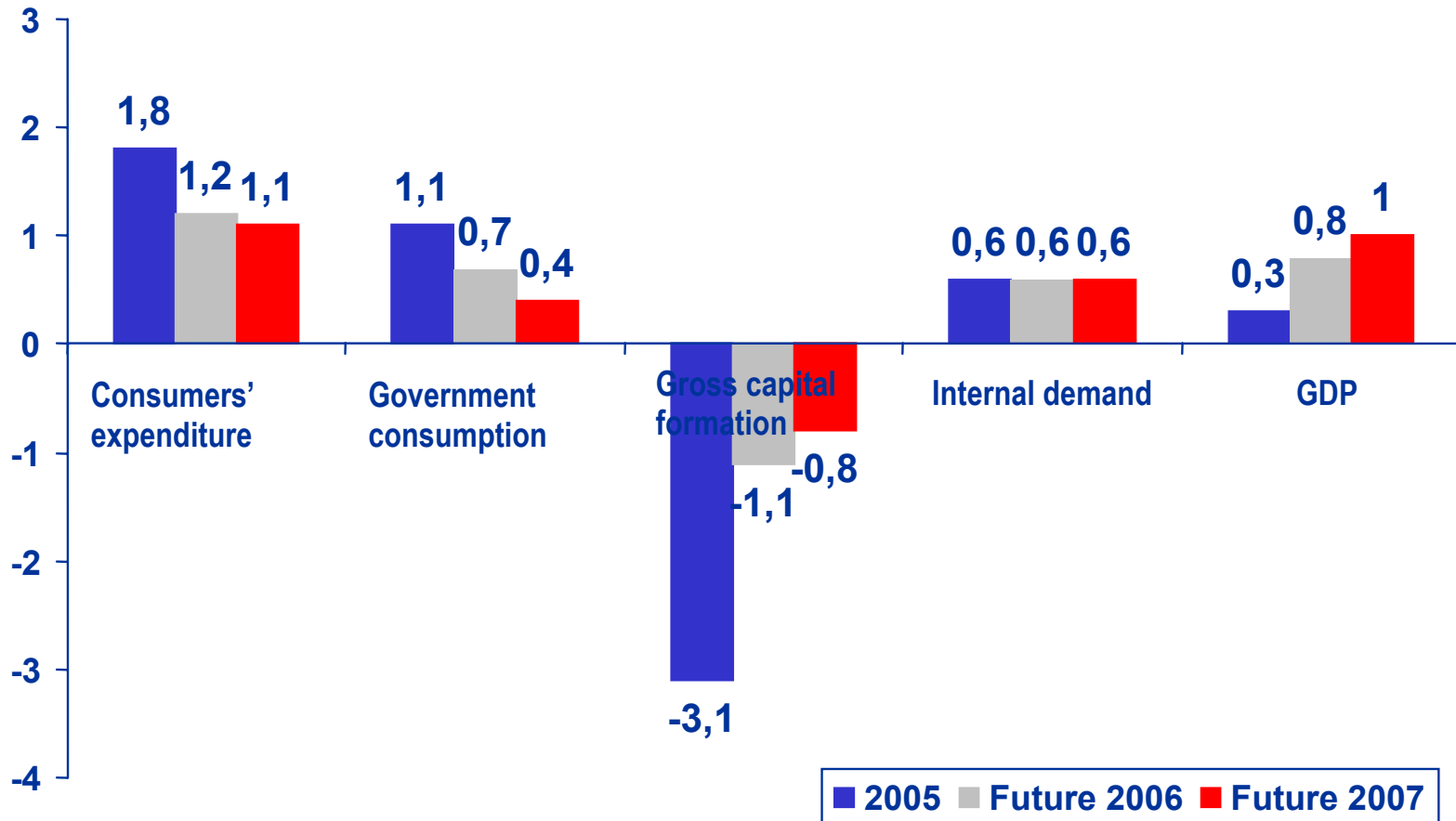
# MACROECONOMIC PARAMETERS IN PORTUGAL

## Past evolution of GDP components (%)



# MACROECONOMIC PARAMETERS IN PORTUGAL

## GDP: expected trend (%)



# **Banco Popular Español**

**Velázquez 34. 28001 Madrid**

**Telephone: 34 915207000**

**Fax: 34 915779208**

**Banco Popular Español  
Banco de Andalucía  
Banco de Castilla  
Banco de Crédito Balear  
Banco de Galicia  
Banco de Vasconia**

**Banco Popular Portugal  
Banco Popular France  
Banco Popular Hipotecario  
Bancopopular-e.com  
Popular Banca Privada**

**[www.grupobancopopular.es](http://www.grupobancopopular.es)**

