

Banco Popular

2002-3

Beating the market

January 2003



CONTENTS

Highlights of 2002

Strategy for 2003

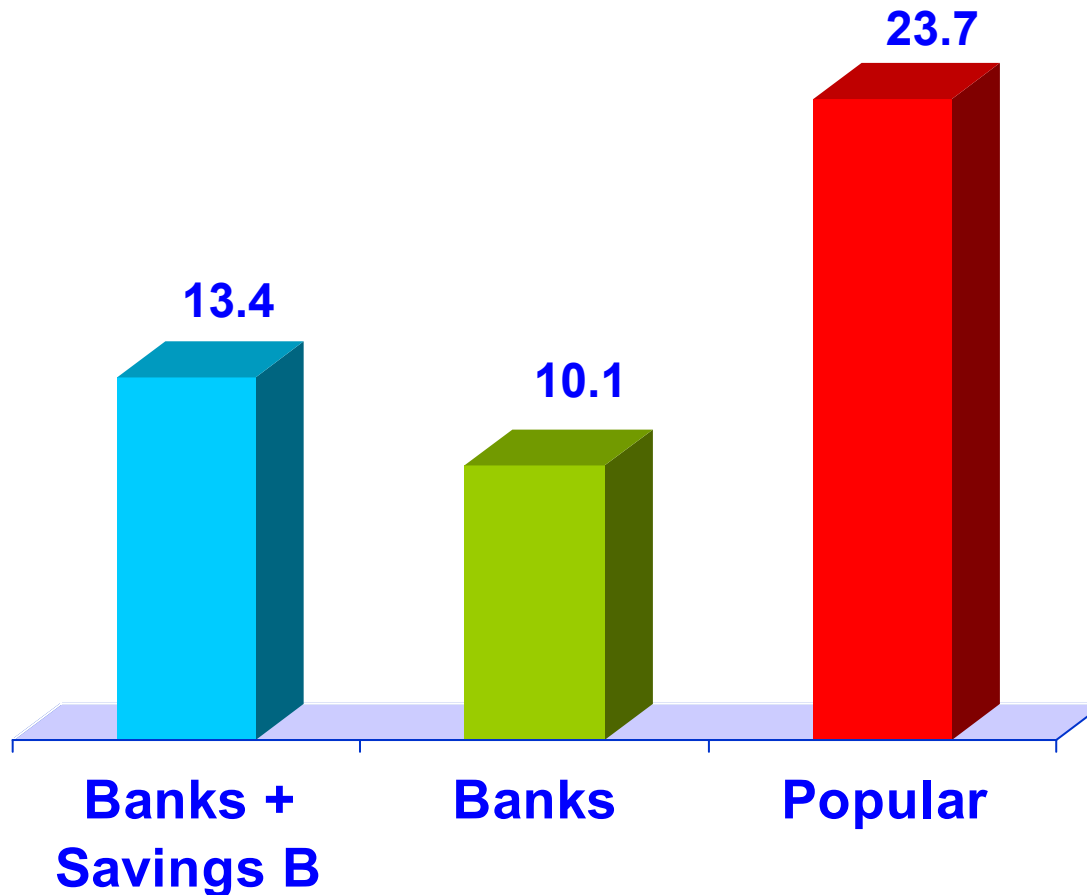
HIGHLIGHTS OF 2002

- ➔ **Market share gains**
- ➔ **Customer base expansion**
- ➔ **Strong Revenues & EPS growth**
- ➔ **Best Cost/Income ratio in Spain & Europe**
- ➔ **Best ROE in Spain & Europe**
- ➔ **Best PERFORMING STOCK**
- ➔ **Network expansion**

2002: MARKET SHARE GAIN

LOANS OF PRIVATE-SECTOR RESIDENTS

(November 30, 2002 year-on-year % change)



2002: MARKET SHARE GAIN

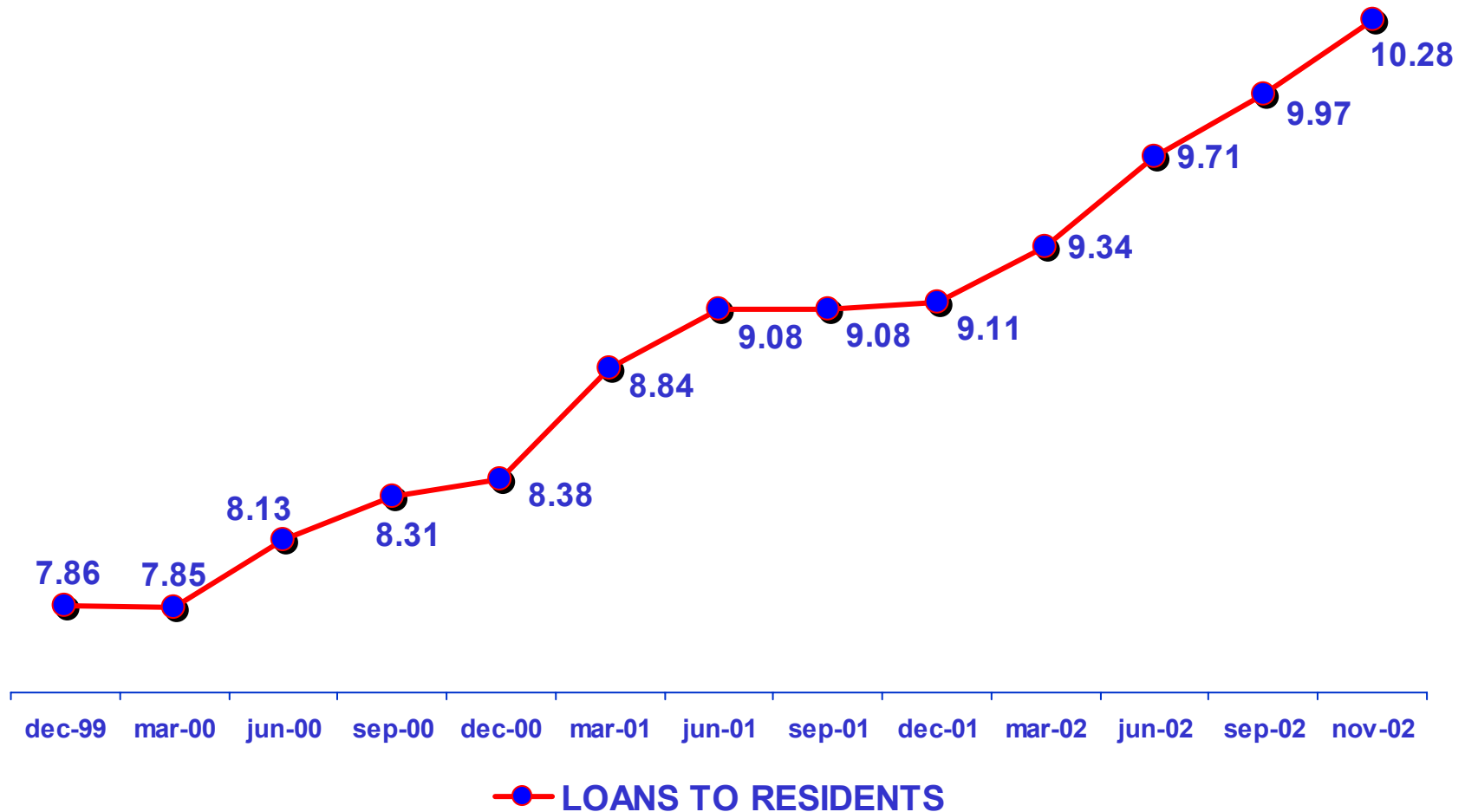
CORE LOAN BUSINESS (Residents only)

(Accumulated % change)

	<i>June</i>	<i>September</i>	<i>December</i>
Bill discounting	(4.1)	(6.0)	6.5
Mortgage	31.7	35.3	36.8
Personal & overdrafts	7.3	8.1	6.9
Leasing	11.6	9.2	10.3
TOTAL CORE LOAN PORTFOLIO	15.2	17.0	19.8
Excluding NPLs, REPOs & Advances to Social Security & BPH			
Total resident lending	16.9	20.7	23.0

2002: MARKET SHARE GAIN

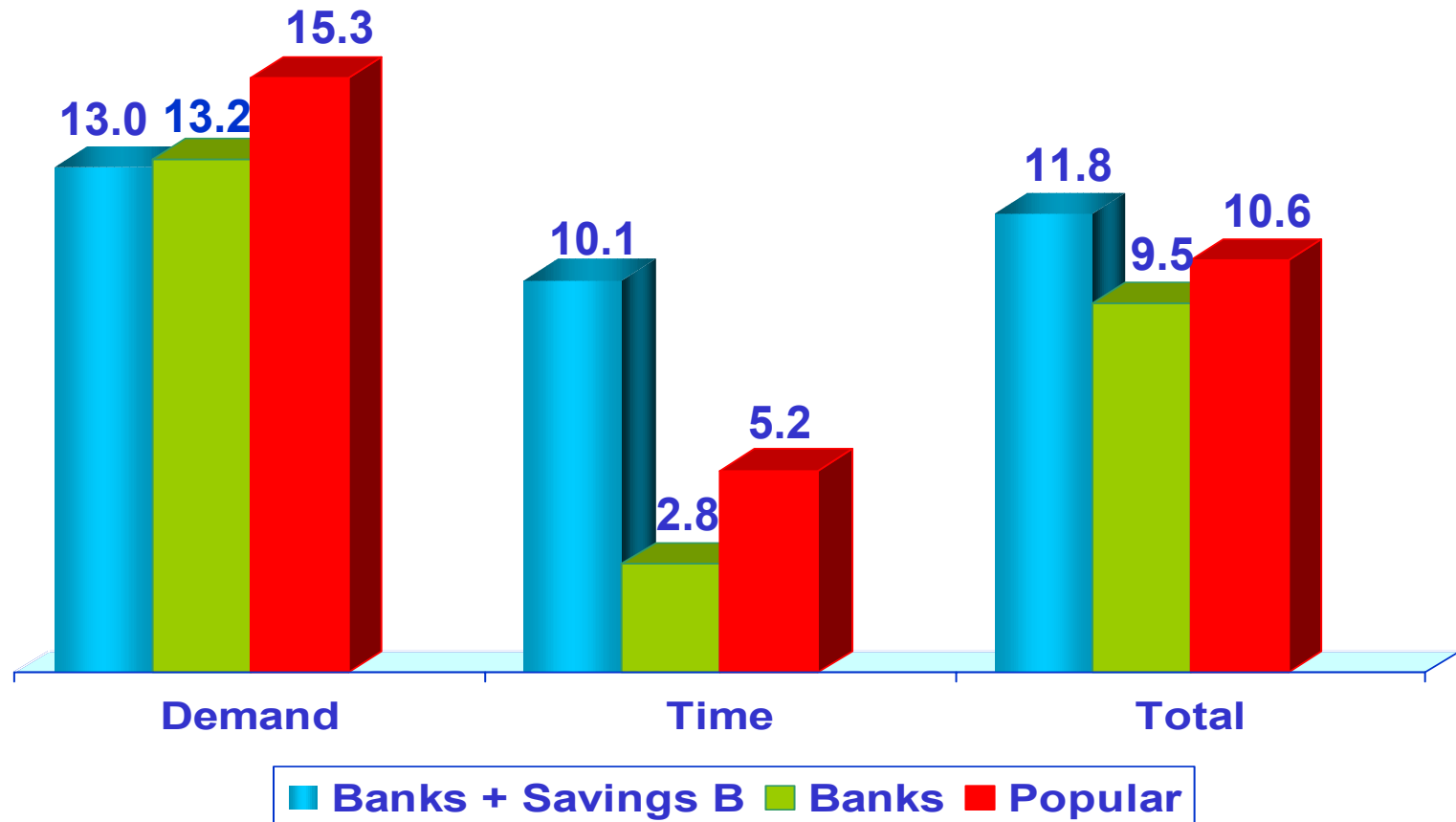
MARKET SHARE OVER COMMERCIAL BANKS



2002: MARKET SHARE GAIN

GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(November 30, 2002 year-on-year % change)



2002: MARKET SHARE GAIN

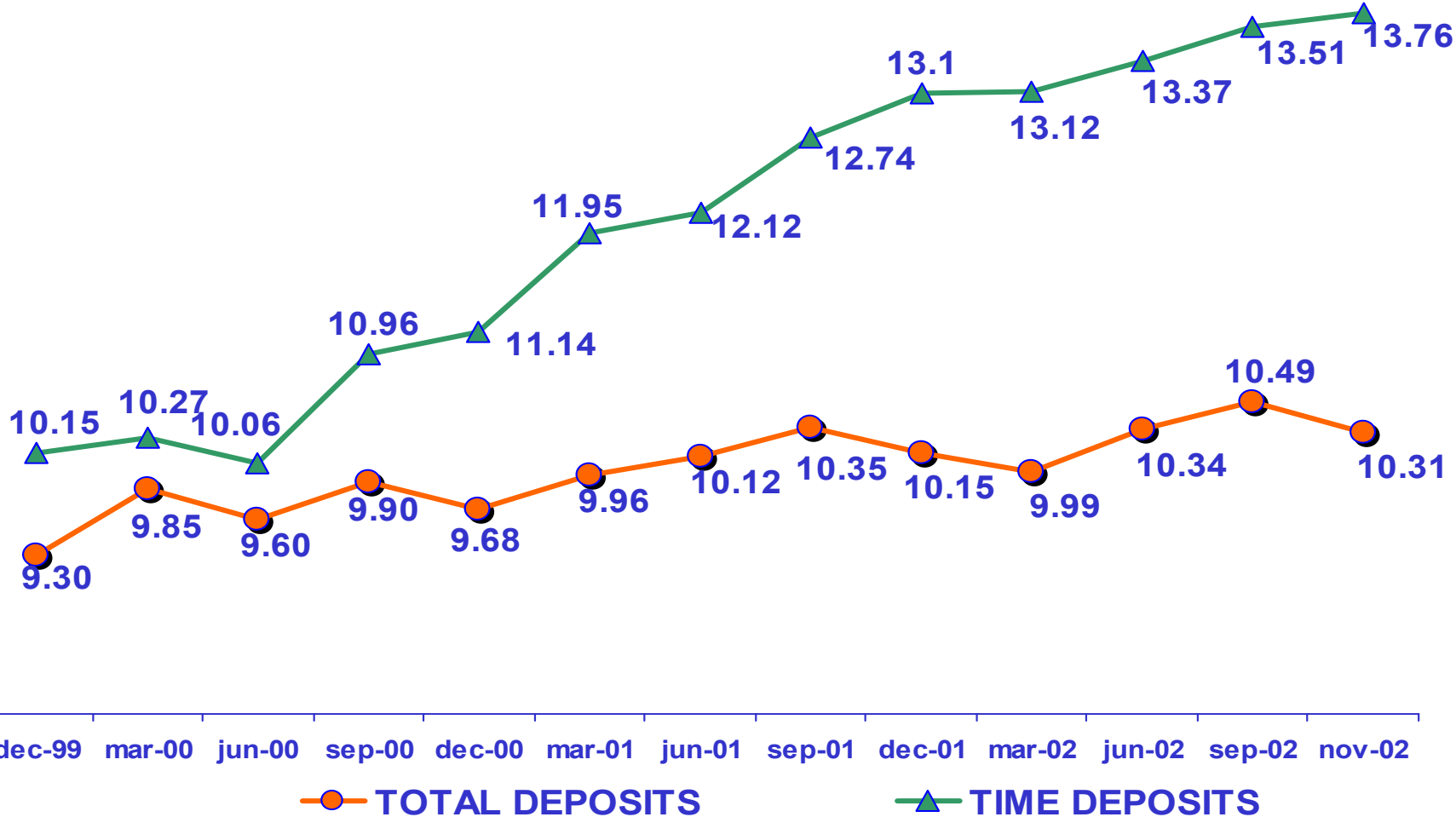
CORE RESIDENT-CUSTOMER DEPOSITS

(Accumulated % change)

	<i>June</i>	<i>September</i>	<i>December</i>
Demand deposits	9.1	8.6	4.7
Time deposits	12.4	9.5	9.8
Customers commercial paper	52.8	135.8	71.4
TOTAL	12.6	14.9	10.3

2002: MARKET SHARE GAIN

MARKET SHARE OVER COMMERCIAL BANKS



Banco Popular

2002: MARKET SHARE GAIN

MAJOR PRODUCTS MARKET SHARE

(Accumulated % change)

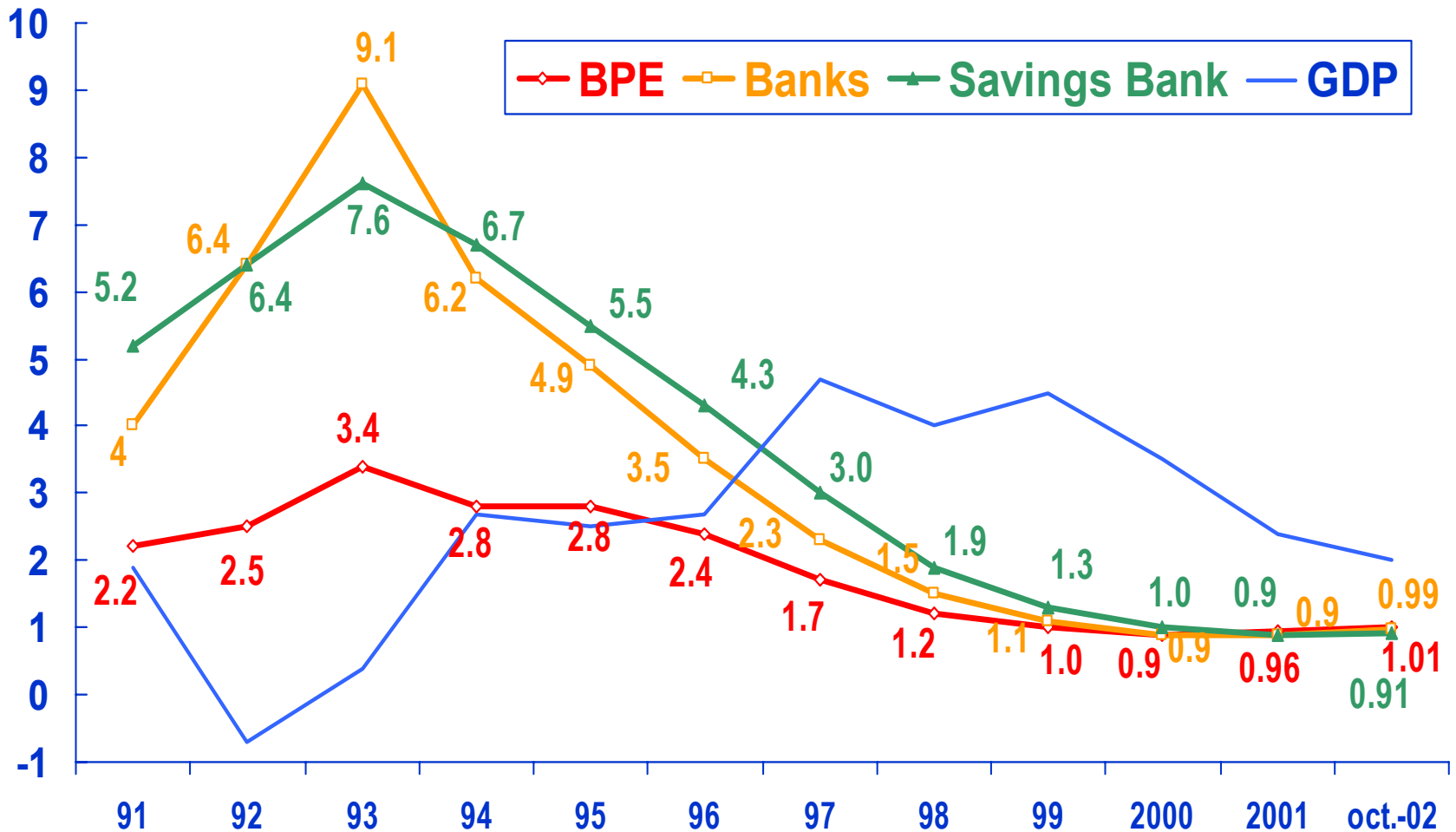
	Growth rate December-02		Market share Sept.-02
	As reported	Like for like	
Bill discounting	1.9	1.9	11.0
Mortgage loans	43.4	36.8	4.6
Personal loans & overdrafts	8.4	8.2	4.1
Leasing	12.3	10.3	9.5
Factoring	23.3	23.3	7.3
Pension funds*	3.5	3.5	7.0
Mutual funds	2.1	2.1	3.1

* Assets in private/individual accounts

2002: MARKET SHARE GAIN

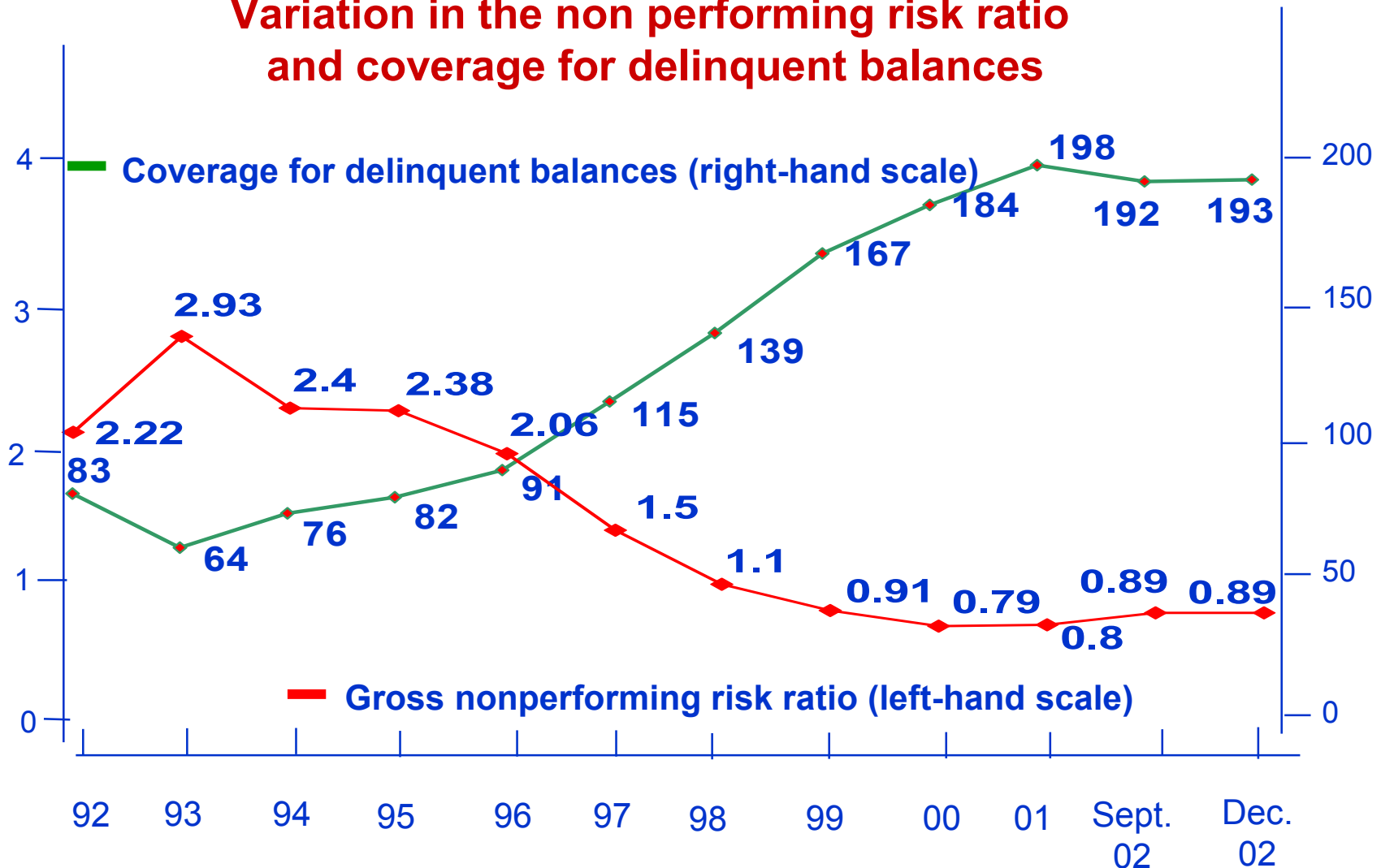
LOAN PORTFOLIO QUALITY

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



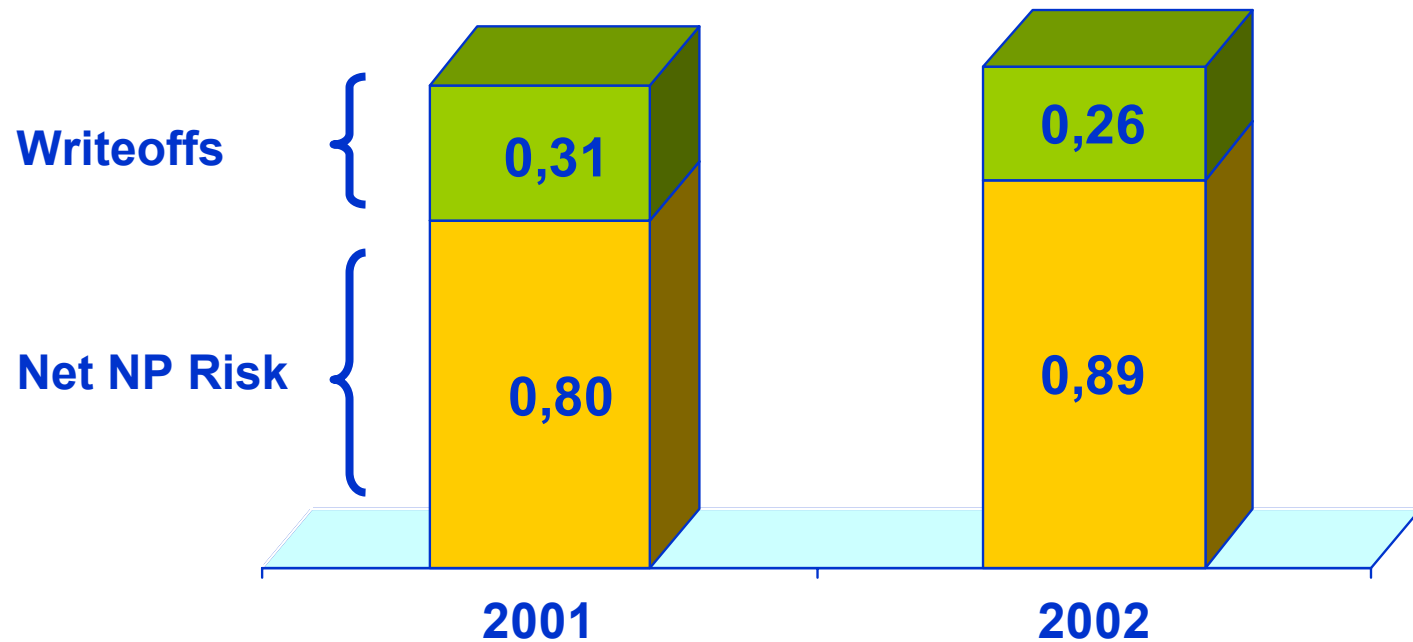
2002: MARKET SHARE GAIN

Variation in the non performing risk ratio and coverage for delinquent balances



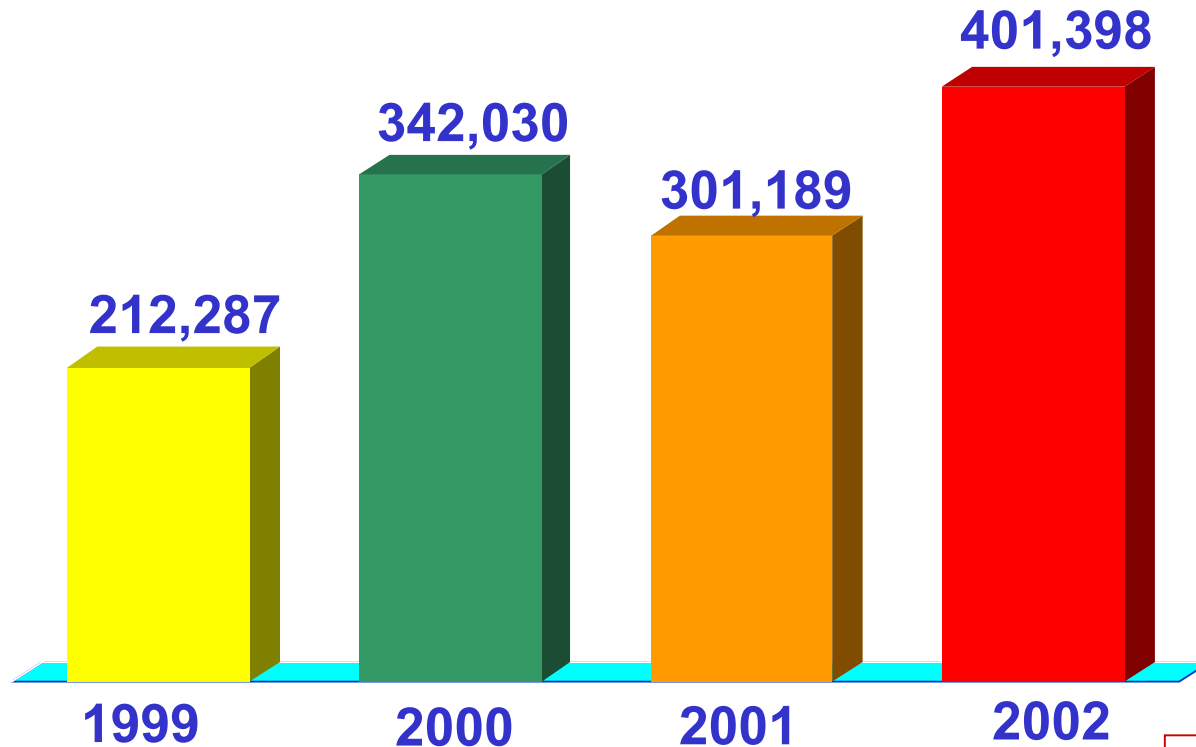
2002: MARKET SHARE GAIN

NON PERFORMING RISK (bps)



2002: CUSTOMER BASE EXPANSION

NET NEW CLIENTS



Total number of clients: 4,653,208

Individuals: 4,302,295

Corporate: 350,913



**y-o-y %
+9.42**

2002: STRONG REVENUES GROWTH

(Accumulated % change)

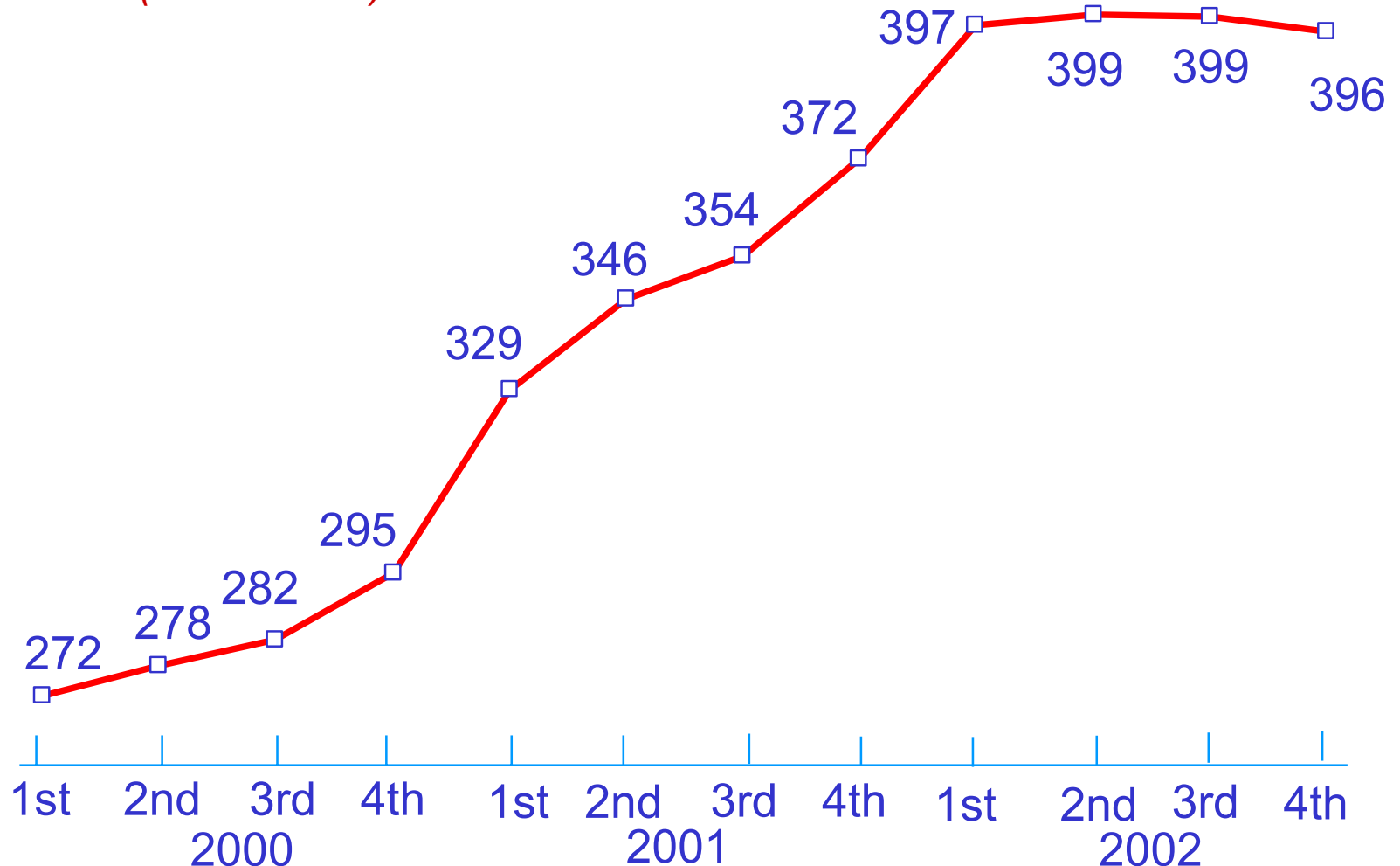
2002

	1st. quarter	1st. half	9 mos.	Year
Net interest revenue	20.6	17.9	16.1	13.5
Fees for services	(3.9)	(1.4)	0.7	0.9
Ordinary revenue	12.2	11.0	10.6	8.9
Operating costs	5.2	4.7	4.9	4.5
Operating income	18.6	16.7	15.9	13.1
Income before taxes	24.7	23.3	22.7	23.8
Net income attributable	11.3	11.4	11.6	12.1

2002: STRONG REVENUES GROWTH

NET INTEREST REVENUE (Quarter standalone)

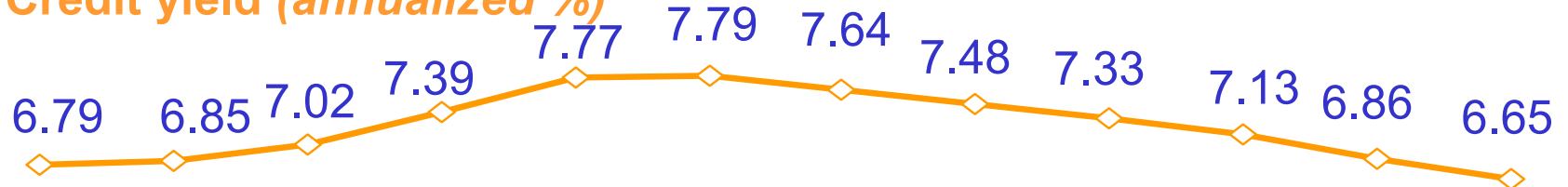
(Euro million)



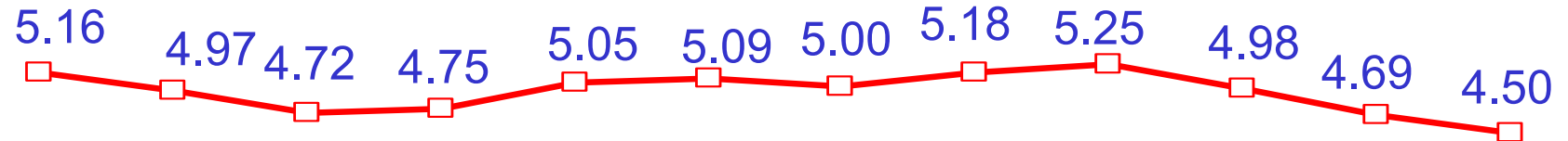
2002: STRONG REVENUES GROWTH

QUARTERLY CUSTOMER SPREAD

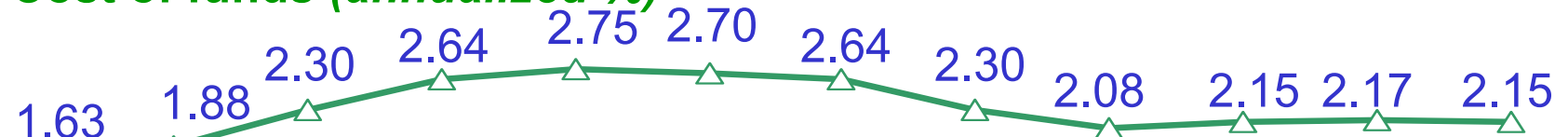
Credit yield (annualized %)



Customer spread (points)



Cost of funds (annualized %)

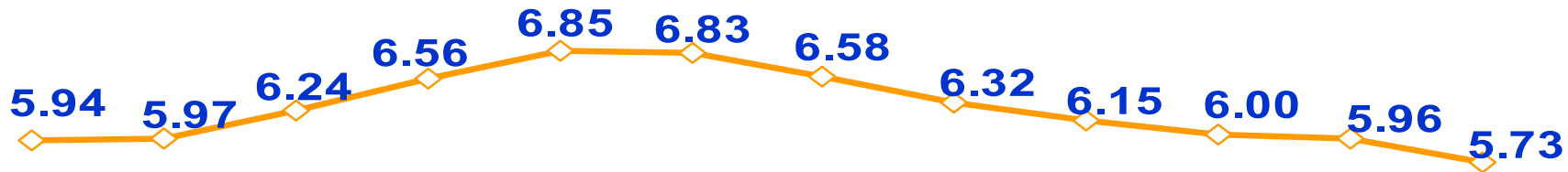


Year	Quarter	Credit yield (annualized %)	Customer spread (points)	Cost of funds (annualized %)
2000	1st	6.79	5.16	1.63
2000	2nd	6.85	4.97	1.88
2000	3rd	7.02	4.72	2.30
2000	4th	7.39	4.75	2.64
2001	1st	7.77	5.05	2.75
2001	2nd	7.79	5.09	2.70
2001	3rd	7.64	5.00	2.64
2001	4th	7.48	5.18	2.30
2002	1st	7.33	5.25	2.08
2002	2nd	7.13	4.98	2.15
2002	3rd	6.86	4.69	2.17
2002	4th	6.65	4.50	2.15

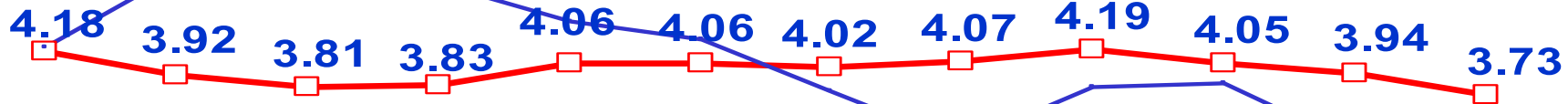
2002: STRONG REVENUES GROWTH

NET INTEREST MARGIN

Asset yield (annualized %)



Net Interest Margin



Cost of liabilities (annualized %)



12 mos. Euribor

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

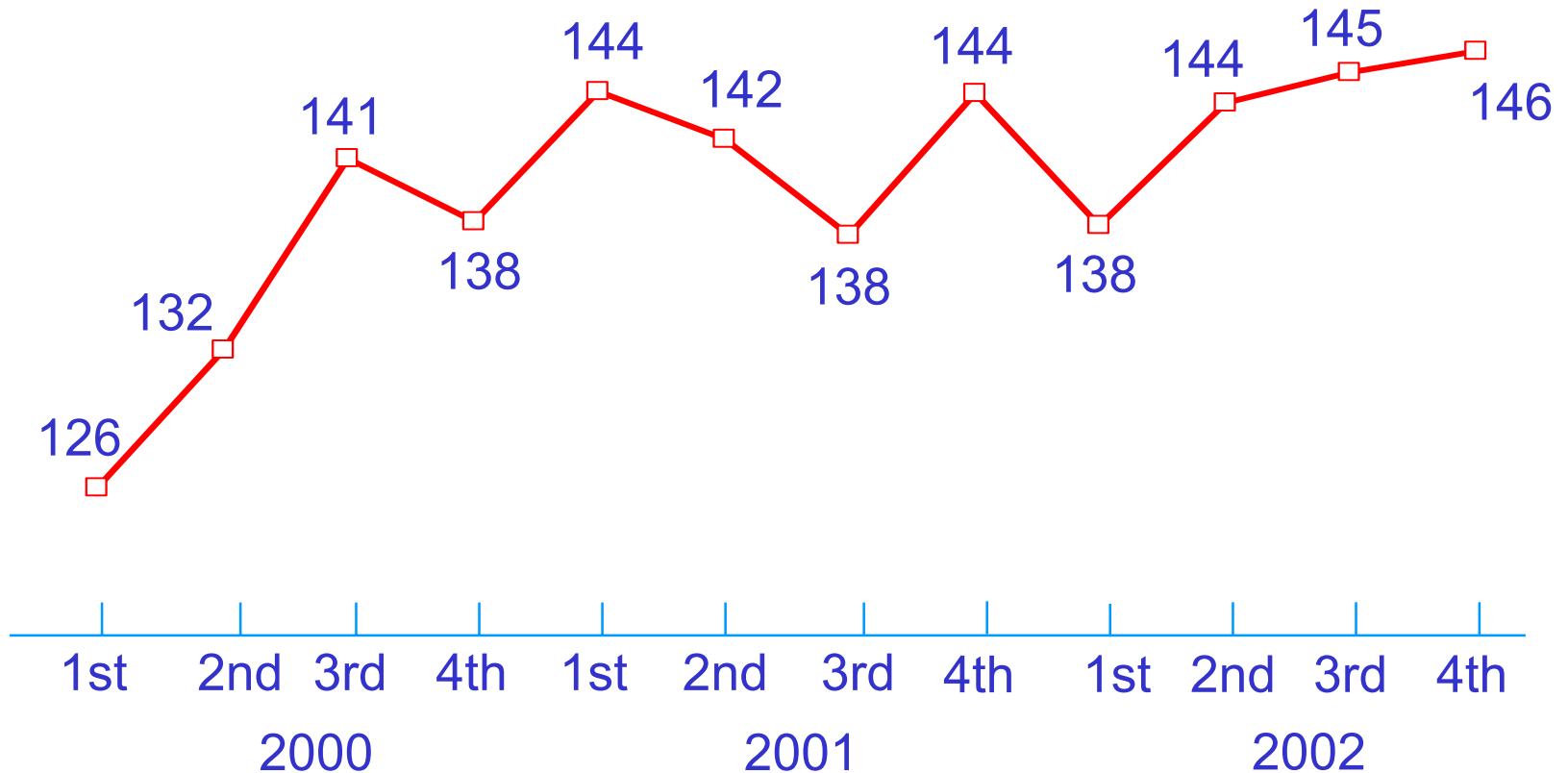
OFFSET SPREAD PRESSURE

EFFECT ON YIELDS AND COSTS

From Base To	Jun 01/ Sep 01	Sep 01/ Dec 01	Dec 01/ Mar 02	Mar 02/ Jun 02	Jun 02/ Sep 02	Sep 02/ Dec 02
Bill discounting	-0.04	-0.17	-0.23	-0.18	-0.07	-0.17
Mortgages	--	-0.17	-0.25	-0.21	-0.16	-0.17
Consumer	-0.22	-0.32	-0.15	-0.06	-0.13	-0.16
Overdrafts	-0.09	-0.12	-0.21	-0.07	-0.12	-0.13
Leasing	-0.04	-0.17	-0.22	-0.12	-0.12	-0.17
TOTAL	-0.07	-0.20	-0.22	-0.16	-0.15	-0.17
Demand Deposits	0.05	-0.17	--	0.05	--	-0.18
Time Deposits	-0.15	-0.38	-0.18	0.02	0.04	-0.14
Commercial Paper	-0.41	-0.56	-0.17	0.10	0.03	-0.28
TOTAL	-0.03	-0.29	-0.05	0.03	0.04	-0.20
Differential	-0.04	+0.09	-0.17	-0.19	-0.19	+0.03

2002: STRONG REVENUES GROWTH

FEES FOR SERVICES (Quarter standalone) (Euro million)

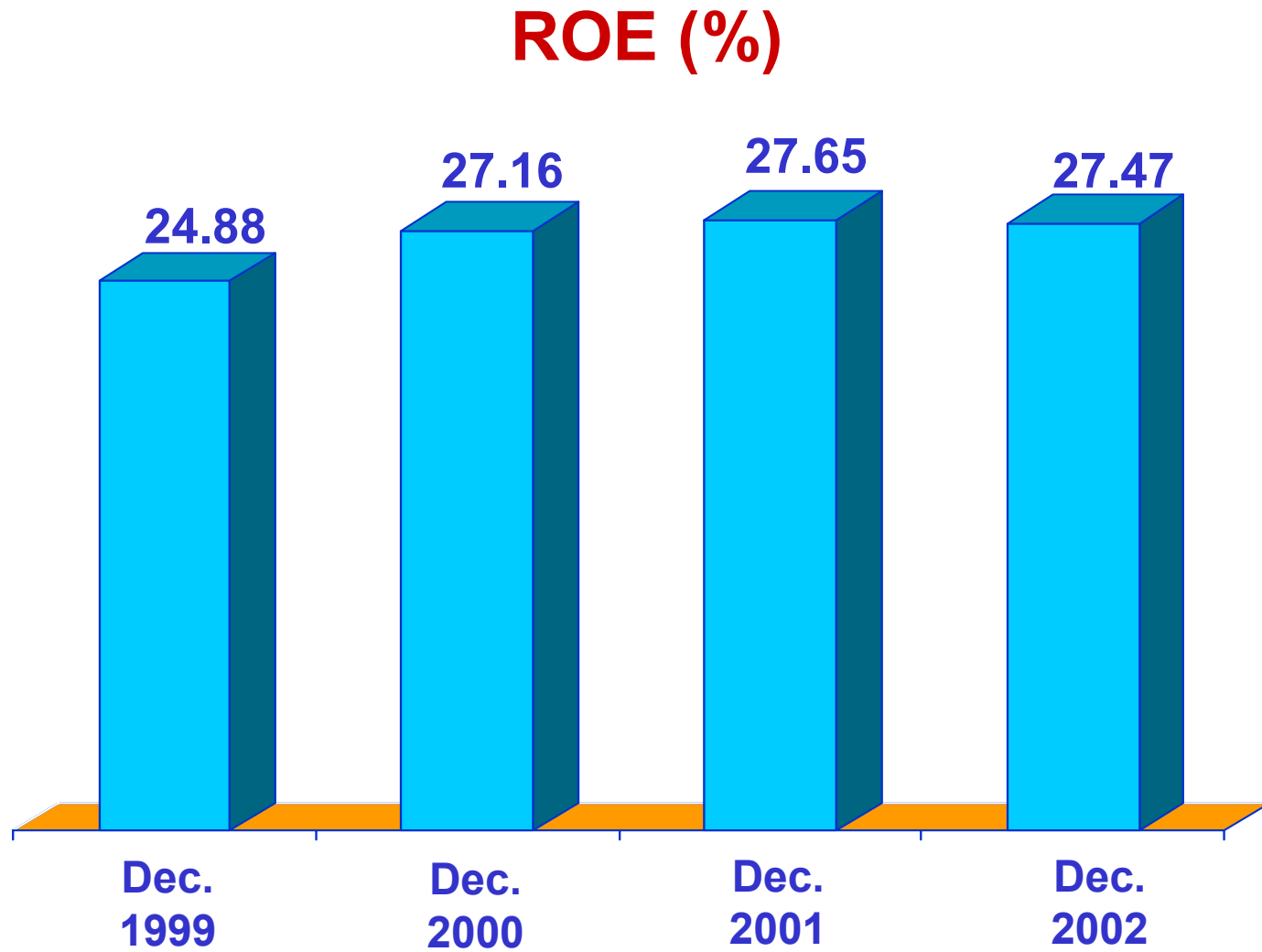


2002: STRONG REVENUES GROWTH

FEES FOR SERVICES

	Year-on-year % change				As % of total fees
	March 31	June 30	Sept. 30	Dec. 31	
Loan-related fees	(3.4)	(3.0)	(1.5)	(2.1)	12.8
Fees from guarantees	12.5	16.2	16.3	16.1	10.0
Collection & card-related	6.8	7.5	7.3	6.0	42.3
Customer financial asset mgt.	(2.7)	(3.9)	(3.9)	(3.0)	23.8
Mutual funds	(5.8)	(8.3)	(7.7)	(6.1)	15.5
Other AM	3.7	5.2	3.9	3.2	8.3
Account mgt. Fees	15.6	15.2	14.2	12.8	8.0
Other (inc. Inv. Banking)	(71.4)	(61.8)	(49.9)	(46.7)	3.1
TOTAL	(3.9)	(1.4)	0.7	0.9	100

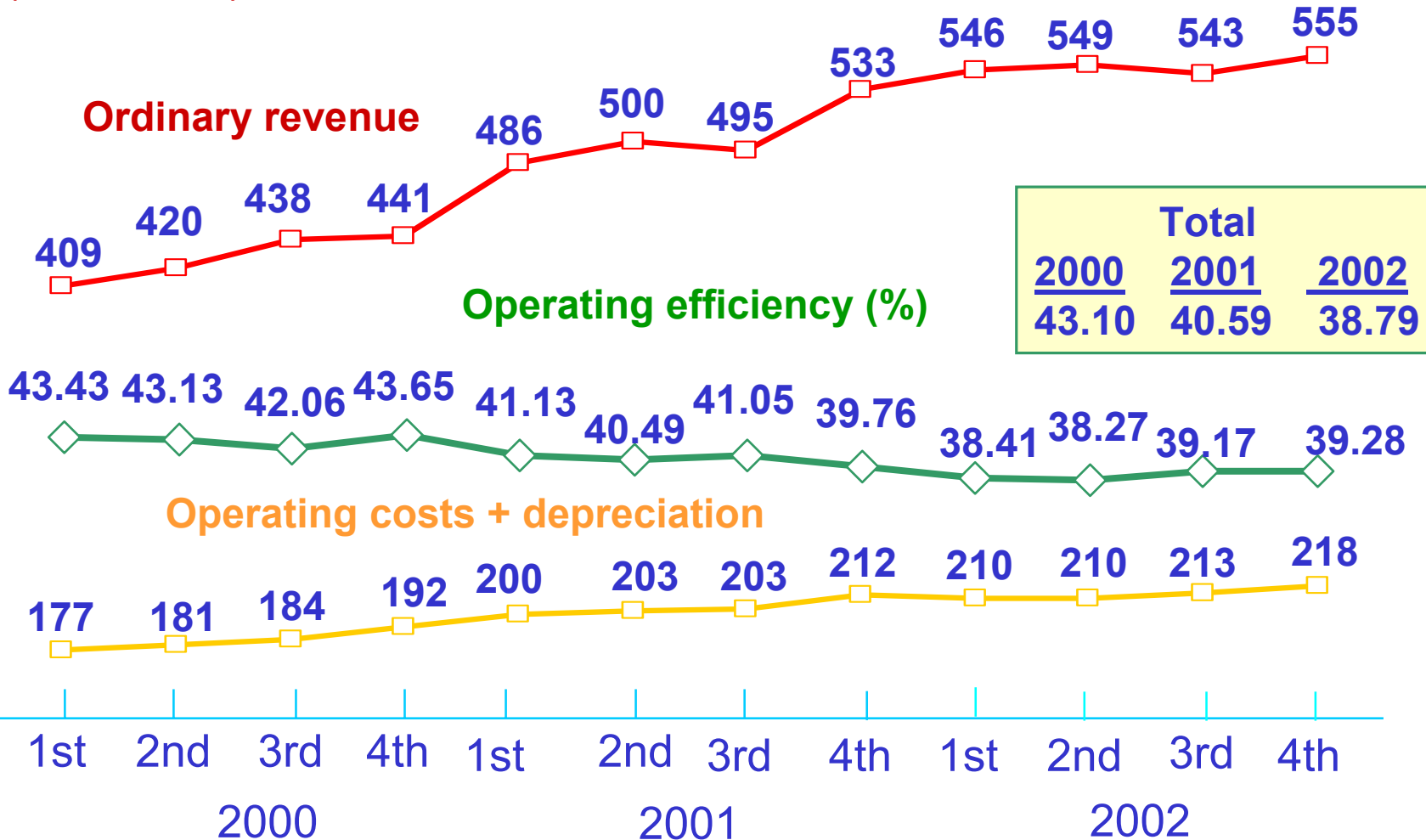
2002: BEST ROE



2002: BEST COST/INCOME RATIO

COST/INCOME RATIO

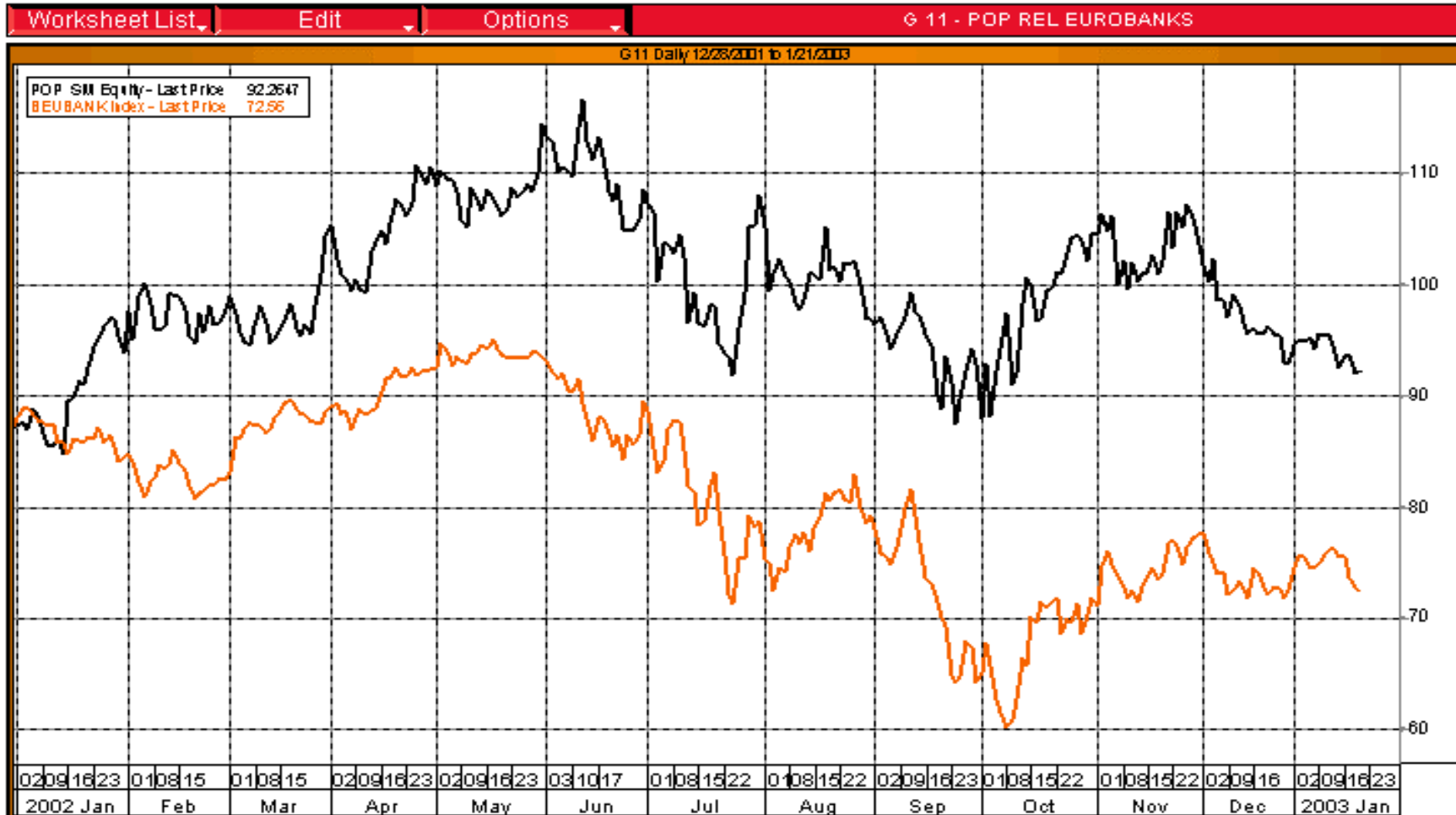
(Euro million)



2002: BEST PERFORMING STOCK

■ BANCO POPULAR
■ EUROBANKS Index

P203 Equity G



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 212 1000 U.S. 1 212 318 2000

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NETWORKS EXPANSION

DURING SLOWDOWN:

✦ New branches in 2002	➔	16
Opened branches		40
Closed	“	36
Acquired	“	12
✦ New ATMs in 2002	➔	186

NETWORKS EXPANSION

IN-HOUSE INTERNET CHANNEL

➤ Total clients: 942,613

Individuals: 730,596

Corporates: 212,017

	<u>2002</u>
Registered users	+39%
Active users	+42%
Yearly transaction number	+81%
Amounts transacted	+57%

	2001	2002
% transactions on total bank	6.2	8.6

STRATEGY FOR 2003

- 1 Working for 2004 & beyond**
- 2 Managing end of
macroeconomic slowdown**

2003: WORKING FOR 2004 & BEYOND

➔ **Acquisition of BNC**

➔ **New Consumer Credit**

BNC ACQUISITION

MERITS OF THE ACQUISITION

- **BNC is an excellent base from which to develop Banco Popular's banking model**
- **Immediate impact is favorable without material dilution in EPS, even assuming 100% full-rights-issue financing**
- **Medium-term business and management perspectives are very favorable**

BNC ACQUISITION

BNC's PROFILE

- Good asset quality
- Strong B/S growth
- Focused on growth areas
- Adequate size
- Improvable financial ratios
- Specialised in real estate developer & mortgage financing
- Financial group of companies

BNC ACQUISITION

BNC's PROFILE - Asset Quality

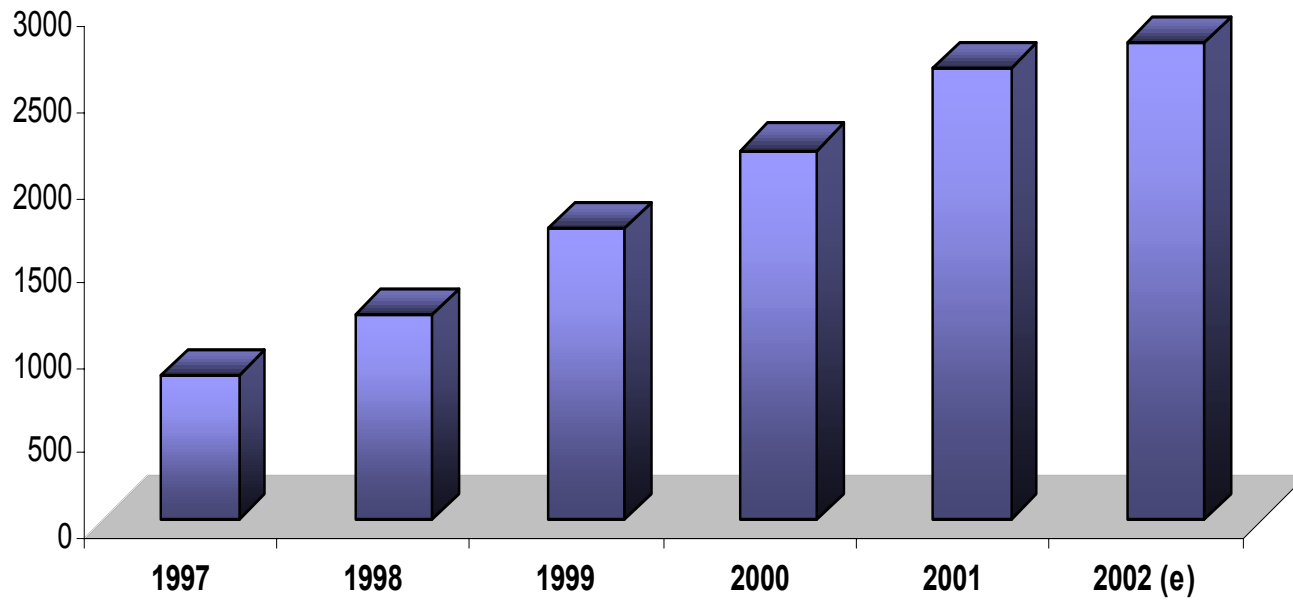
- Retail banking: 81% of assets are loans to clients
- Lower NPL rate than Portuguese average, i.e. 1.2%
- High coverage of NPLs: 136% of past-due amounts
- High degree of collateral value: 66% of loans, of which 81% covered with property and 19% with deposits
- Risk dispersal: 38% of book in loans of less than €500 m., 71% in loans of less than €2.5 m.
- Mortgage loan objective: residential

BNC ACQUISITION

BNC's PROFILE - Growth

(Euros in thousands)

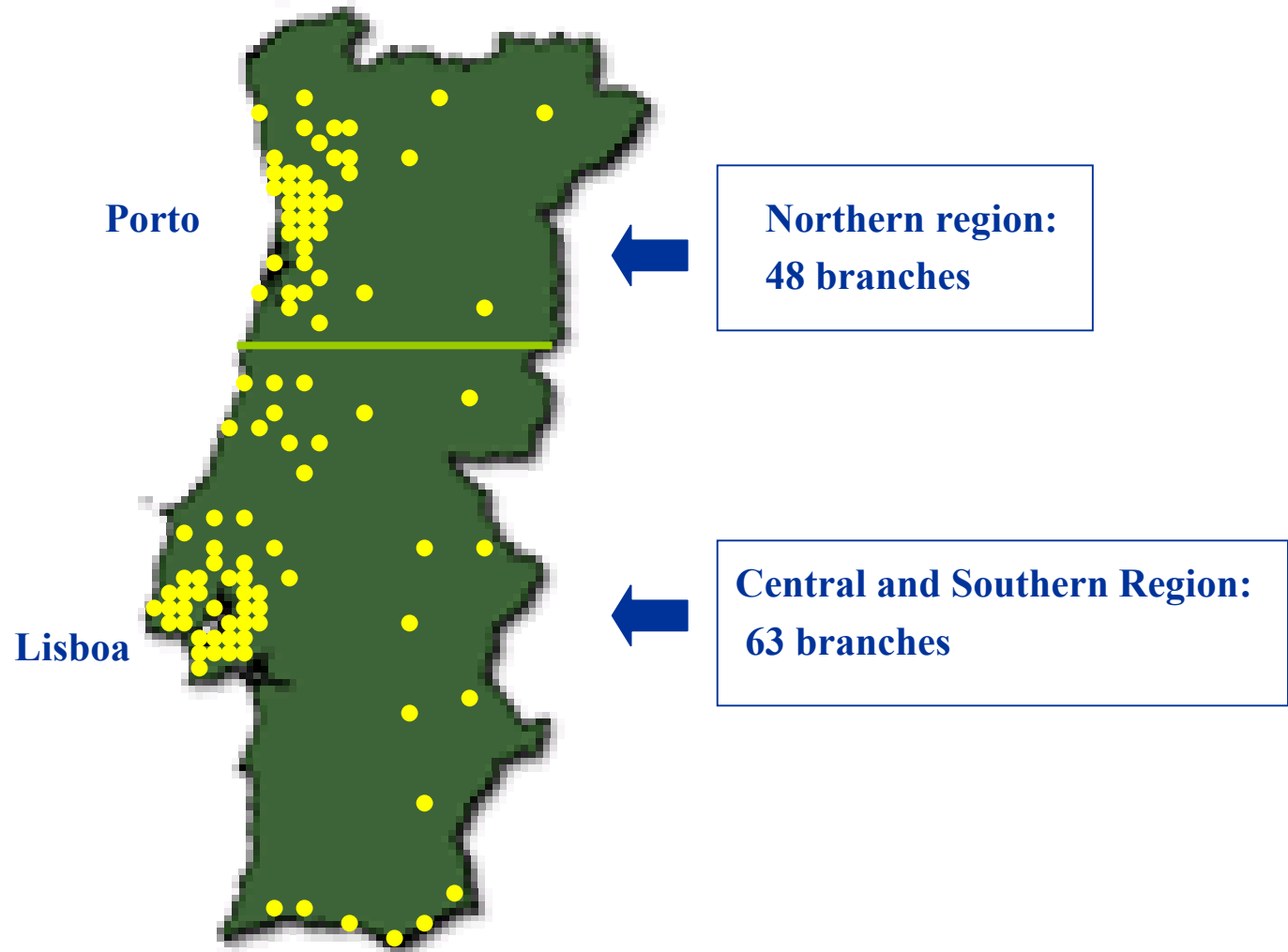
LOANS TO CLIENTS



(e) Estimated (without securitization)

BNC ACQUISITION

BNC's PROFILE - Geographical distribution



BNC ACQUISITION

BNC's PROFILE - Size parameters

As of September 2002
(amounts in euro thousands)

	BNC	Popular	As a % of Popular
Total assets	3,400	40,456	8.40 %
Loans to clients	2,600	31,937	8.14 %
Customer funds	2,640	24,009	11.00 %
Loan market share	2 %	5.16 %	38.76 %
No. of employees	1,015	12,570	8.07 %
No. of branches	111	2,171	5.11 %
Total equity	229	2,309	9.92 %

BNC ACQUISITION

BNC's PROFILE - Financial ratios

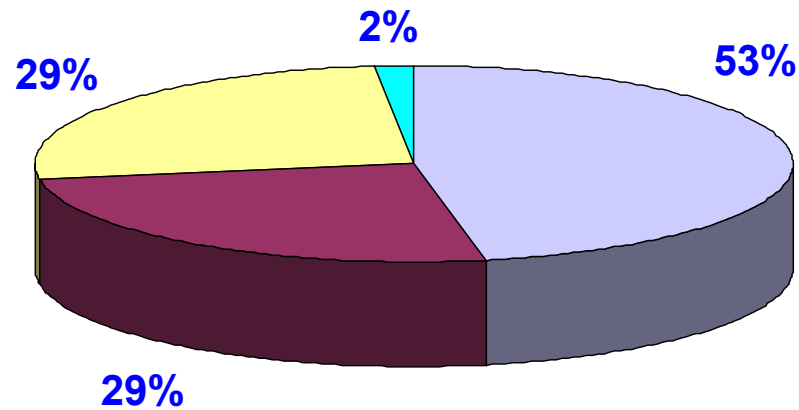
As of 30.09.2002

	BNC	SECTOR	Popular
ROA	0.93 %	0.65 %	1.75 %
ROE	12.59 %	11.38 %	27.35 %
Cost / Income	54.70 %	57.10 %	38.61 %
Fees / cost	35.21 %		64.82 %
Net interest margin	2.42 %		4.06 %

BNC ACQUISITION

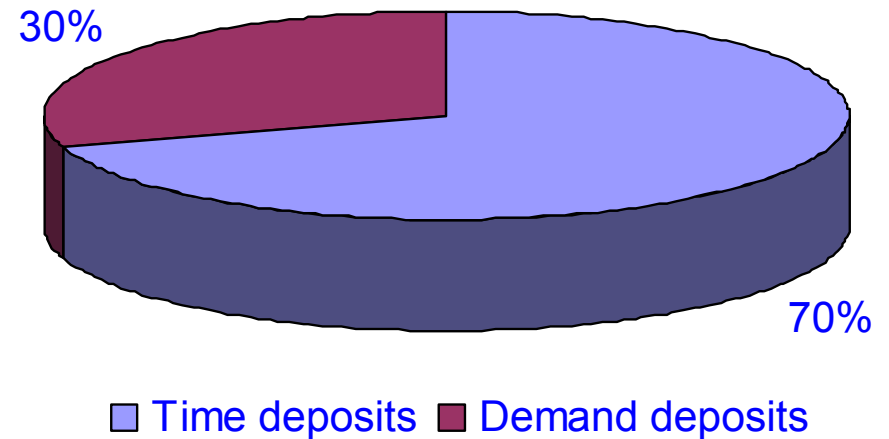
BNC's PROFILE - Loan distribution

LOANS TO CLIENTS



- Real Estate Developers
- SME
- Retail mortgages
- Other retail loans

CUSTOMER DEPOSITS



- Time deposits
- Demand deposits

BNC ACQUISITION

ECONOMIC AGREEMENT

Acquisition cost of BNC

Shareholders	Americo Amorim Group	Minorities
% Control	75 %	25 %
Consideration offered approx (*)	Equivalent to 4.5% of Popular's resulting common shares outstanding	Same equivalent in cash terms
Execution through	Agreement	Tender offer

(*) To be finalized at a later date

BNC ACQUISITION

IMMEDIATE IMPACT

As of 30.09.2002

Balance Sheet (euro million)	POPULAR	COMBINED	IMPACT (%)
Total assets	40,456	43,853	8.4%
Total liabilities	29,722	32,386	9.0%
Loans (gross)	32,513	35,111	8.0%
NPL	335	378	13.0%
Allowances for NPLs	643	697	8.4%

BNC ACQUISITION

IMMEDIATE IMPACT

As of 30.09.2002

P&L (euro million)	POPULAR	COMBINED	IMPACT (%)
Net interest income	1,195	1,256	5.1%
Total revenues	1,638	1,713	4.6%
Operating costs	582	619	6.4%
Operating profit	980	1.014	3.5%
Attributable earnings	473	494	4.5%

BNC ACQUISITION

IMMEDIATE IMPACT

As of 30.09.2002

Ratios	POPULAR	COMBINED	DIFFERENCE
Cost / income	35.52%	36.15%	0.63
NPLs	0.89%	0.94%	0.05
Coverage	192.0%	184.2%	-7.80
ROA	1.75%	1.69%	-0.06

BNC ACQUISITION

GOALS OF BNC ACQUISITION

STARTING POINT

- ▶ Create shareholder value medium and long term
- ▶ Apply BPE's banking model
- ▶ Not to increase BPE's risk profile

BNC ACQUISITION

GOALS OF BNC ACQUISITION

VALUE CREATION

- ▶ Increase EPS in the medium term
- ▶ Strengthen Popular's growth prospects in the long term

BNC ACQUISITION

GOALS OF BNC ACQUISITION

RATIONALE FOR EARNINGS ENHANCEMENT

- ▶ Portuguese banking clients traits understood by Popular
- ▶ Lack of a bank with a model similar to Popular
- ▶ BNC's network is sufficient to tackle the SME market in Portugal
- ▶ BNC's staff is already proficient in dealing with corporate clients
- ▶ BNC's ratios can be improved applying Popular's model; lowering cost to income

BNC ACQUISITION

GOALS OF BNC ACQUISITION

LONG TERM GROWTH RATIONALE

- ▶ BNC's loan market share is only 2%
- ▶ BNC's SME market share is even lower
- ▶ Popular aspires to an SME market share to that already enjoyed in Spain

BNC ACQUISITION

MEDIUM TERM DEVELOPMENT - Hypothetical scenarios

5 year average growth rate (in %)

	Neutral	Pessimistic	Optimistic
Loans to clients	16.0	11.9	21.4
Commission Revenue	15.0	12.0	18.0
Customer deposits	12.8	9.8	18.0
Wholesale funding	N.R.	N.R.	N.R.
Net interest margin improvement (in bpts. per year)	10	6	14

N.R.: non renewal at maturity

BNC ACQUISITION

MEDIUM TERM DEVELOPMENT - Balance sheet structure in 5 years (Percent)

	2002	Neutral	Pessimistic	Optimistic
Mortgage loans	67.8	43.1	49.1	38.0
SME loans	30.2	49.7	47.1	49.6
Other consum. lending	2.0	7.2	3.8	12.4
Total loans	100	100	100	100
Checking accounts	23.8	23.8	21.8	24.4
Saving accounts	4.8	5.2	5.5	5.1
Time deposits	65.2	63.4	69.1	62.4
Interbank funding	Lender	7.6	3.6	8.1
Marketable securities	6.2	0	0	0
Total funding	100	100	100	100

BNC ACQUISITION

MEDIUM TERM DEVELOPMENT - Profit and loss

5 year average growth rate (in %)

	Neutral	Pessimistic	Optimistic
Net interest income	16.6	11.6	22.8
Commission income	15.0	12.0	18.0
Total revenues	16.3	11.7	21.9
Operating expenses	9.2	8.5	11.7
Operating profit	23.7	15.4	31.6
Net income	27.0	18.8	34.5

BNC ACQUISITION

MEDIUM TERM DEVELOPMENT - Ratios in 5 years

(Percent)

	Neutral	Pessimistic	Optimistic
Cost/Income	41.6	49.4	36.8
ROE	18.3	14.5	22.4
ROA	1.5	1.3	1.7
NPL rate	1.3	1.5	1.0
NPL coverage	145.8	131.8	168.7

NEW CONSUMER CREDIT

CARDS BUSINESS

NEW REVOLVING CARD "HOP"

■ LAUNCHED 11 MONTHS AGO

Initial target 2002: 50,000 cards

■ CURRENT VOLUMES:

Number of cards: 132,643

Total credit limits: 435.4 million euros

Total lending: 125.9 million euros

Target lending o/outstanding: 40%

2003: MANAGING END MACROECONOMIC SLOWDOWN

GOALS



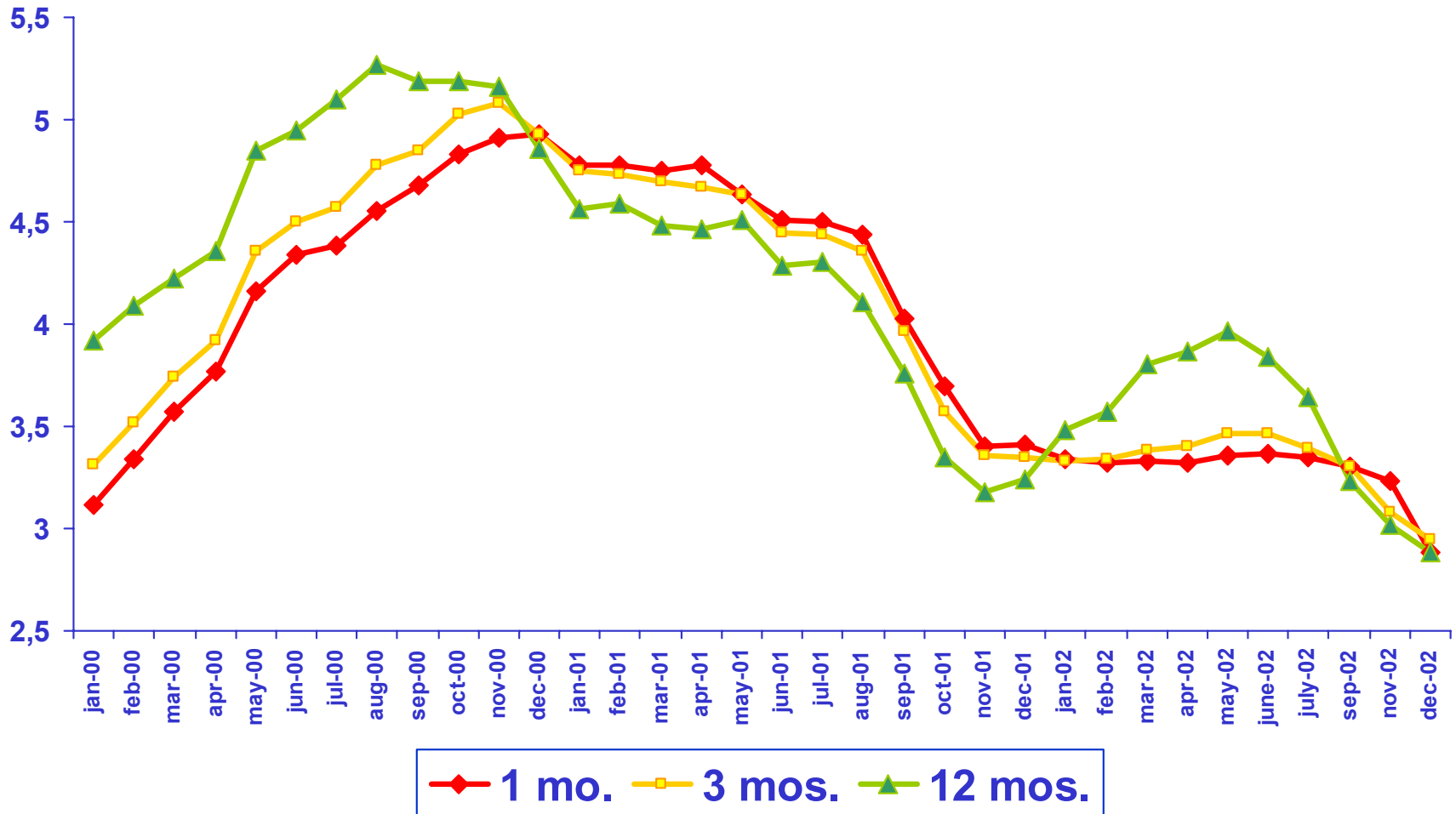
Offset pressure on spread



Gain market share

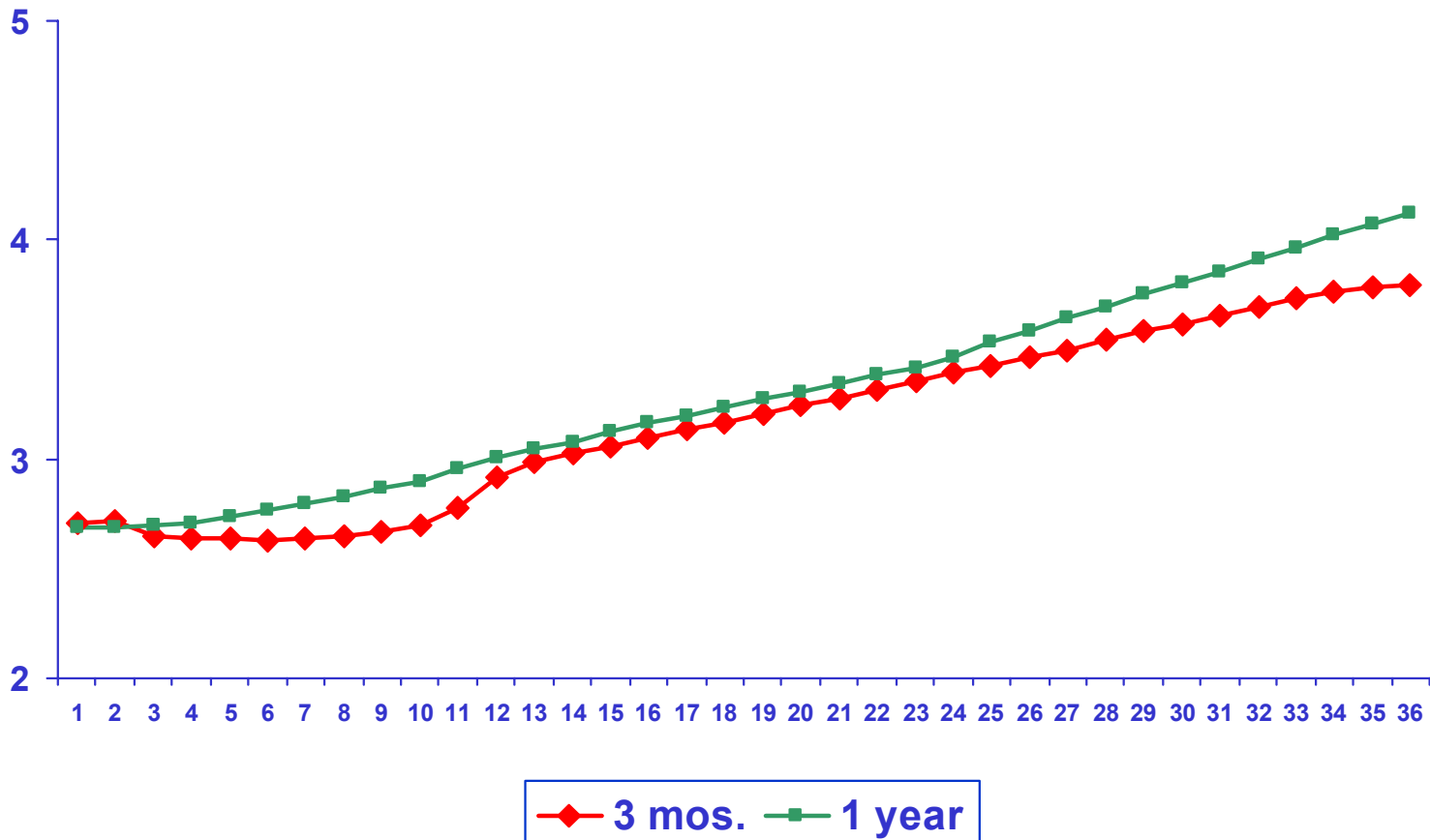
OFFSET PRESSURE ON SPREAD

AVE. RATE TRANSACTED



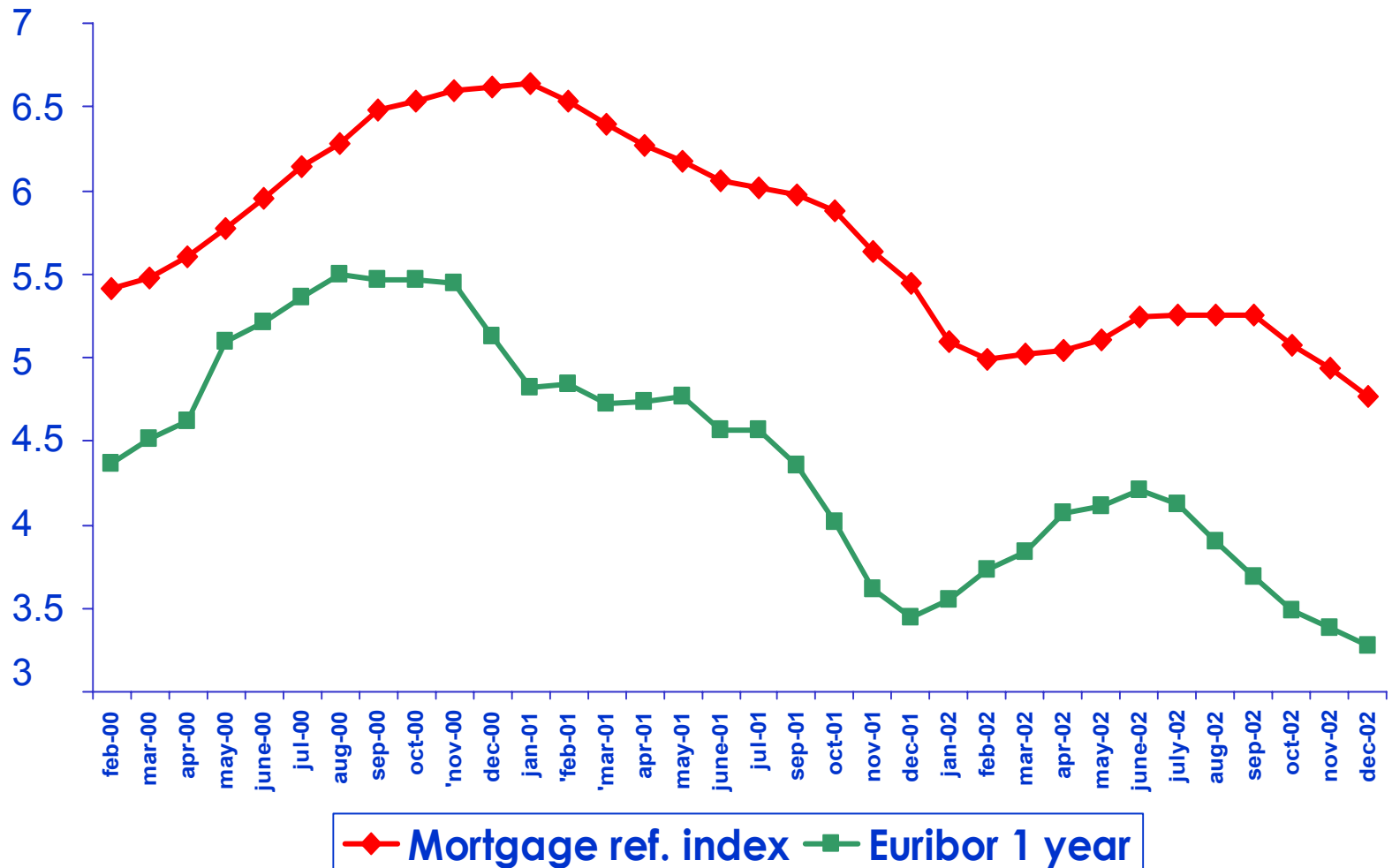
OFFSET PRESSURE ON SPREAD

CURVES OF IMPLICIT INTEREST RATES



OFFSET PRESSURE ON SPREAD

MORTGAGE REFERENCE INDEX



OFFSET PRESSURE ON SPREAD

(December 31, 2002)

Duration

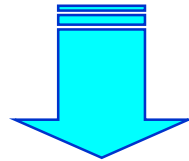
Holding Period 365

	Amount MM Euros	Interest Rate %	NPV MM Euros	Duration Days	NPV MM Euros	Duration Days
SENSITIVE ASSETS	36,886.9	5.21	37,632.7	203.16	36,403.1	130.32
MONETARY MARKET	6,519.5	3.22	6,563.4	48.03	6,561.5	47.45
LOANS	29,773.2	5.66	30,423.1	168.01	29,764.9	148.43
SECURITIES	594.2	4.53	646.2	3,433.61	76.7	192.82
SENSITIVE LIABILITES	26,984.7	2.95	27,150.5	90.17	26,661.6	75.54
MONETARY MARKET	12,338.4	3.21	12,399.3	65.64	12,266.6	53.36
CUSTOMER DEPOSITS	12,197.7	2.63	12,291.5	122.92	11,939.7	103.71
SECURITIES	2,448.6	3.21	2,459.7	50.15	2,455.3	49.36
EQUITY	2,837.1		10,482.2	495.83		

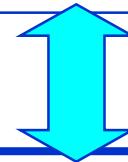
OFFSET PRESSURE ON SPREAD

SENSITIVITY TO INTEREST RATES

For an 100 bps. Interest-Rate Move



Total Revenue Sensitivity* \pm Euros 22.6 million



\pm 1.03 % Total Revenues

* $(PV_a * (1 - DUR_a)) - (PV_l * (1 - DUR_l))$

GAIN MARKET SHARE

2003 TARGETS

ADD 400,000 NEW CLIENTS

SIGN UP 50,000 SMEs

GROWTH OF LOANS & DISCOUNTS 13-15%

GROWTH OF DEPOSITS 10-12%

GAIN MARKET SHARE

AFFINITY GROUPS

(Euro million)

	No. of clients	On- & off-B/S AUM	Loans
SME Affinities	61,122	985	3,246
Change	25%	21%	61%
Individuals-Affinity	405,222	4,431	3,101
Change	9%	13%	25%

GAIN MARKET SHARE

PERSONAL BANKING *

- ➔ Goal in 2003 is to add €1.5 bn. on- and off-balance sheet AUM from 100,000 clients.
- ➔ Goal in 2004-05 is to add further €4 bn.
- ➔ Assets gathered through offer of:
 - exclusive products
 - personalised service
 - 400-500 financial advisors in network

* Customer size target above €60,000 investable assets

BANCO POPULAR ESPAÑOL

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