



# Banco Popular and Crédit Mutuel. Agreement to create a new bank

June 2010



## 1. Background

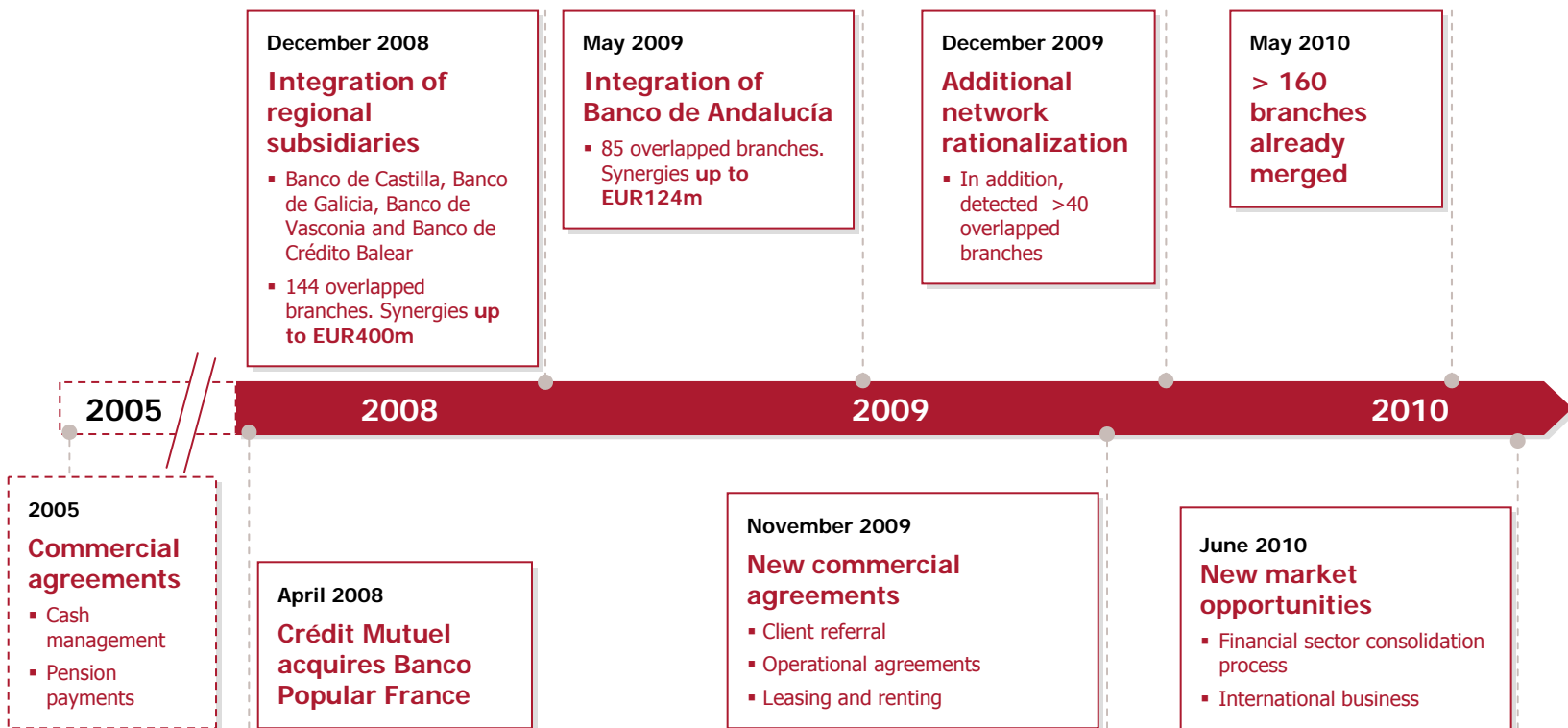
2. Transaction overview
3. Rationale of the transaction
4. Impact on Banco Popular
5. Attractive new franchise
6. Conclusions

Annex

## 1. Background

In recent years, Banco Popular has been optimizing its commercial network and strengthening its ties with Crédit Mutuel

### Optimization of Banco Popular's commercial network



### Relationship between Banco Popular and Crédit Mutuel



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## 2. Transaction overview

### Banco Popular is creating a new bank with Crédit Mutuel ...

- **Banco Popular and Crédit Mutuel** have reached an agreement to create a bank in Spain, **controlled and owned** by both companies **jointly** (50%/50% of capital and voting rights)
- Crédit Mutuel will take a 50% stake in the new bank for EUR312m, **valuing the new bank at EUR625m**, and benefiting from Popular's know how and commercial leadership
- **Banco Popular will contribute 123 branches** (503 employees) strategically located throughout Spain, **EUR2bn of loans and EUR1.7bn of AUM** (of which **EUR1.2bn deposits**)
- **Banco Popular will generate EUR367m of pre-tax capital gains**, which will reinforce its capital and balance sheet

### ... and establishing a new strategic alliance

- Banco Popular and Crédit Mutuel have established a long-term strategic alliance to collaborate in **commercial and IT banking projects**
- Crédit Mutuel has expressed its intention to reach a **significant stake (5%) of Banco Popular** over the next few months



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### 3. Rationale of the transaction

## Banco Popular concludes the network rationalization process initiated in 2008 ...

- With this transaction, Banco Popular successfully **completes the merger and rationalization of its regional banks**, optimizing the bank's structure and the commercial network

## ... while taking advantage of new business opportunities arising from current consolidation of the Spanish market

- Creating a highly capitalized bank which will benefit from additional **business opportunities that arise from the consolidation** of Spanish market currently underway, both organically and inorganically, if financially attractive
- **Combining best commercial & IT banking practices** of both groups to explore new business opportunities
- Developing an **International Business Platform** from the current customer base of both banks, which will allow Banco Popular to **win French and German customers**

### 3. Rationale of the transaction

## ... and creating value for shareholders

- Transaction and multiples (PER10E 17x; 2.4xP/BV10E) **highlight Banco Popular's superior business model** and high quality franchise
- **Maximizes and anticipates the value of the synergies** from the merger of the regional subsidiaries
- Further reinforces Popular's strong **capital base and balance sheet**
- Shareholders will benefit from a stake in a **new bank with a clear growth potential**

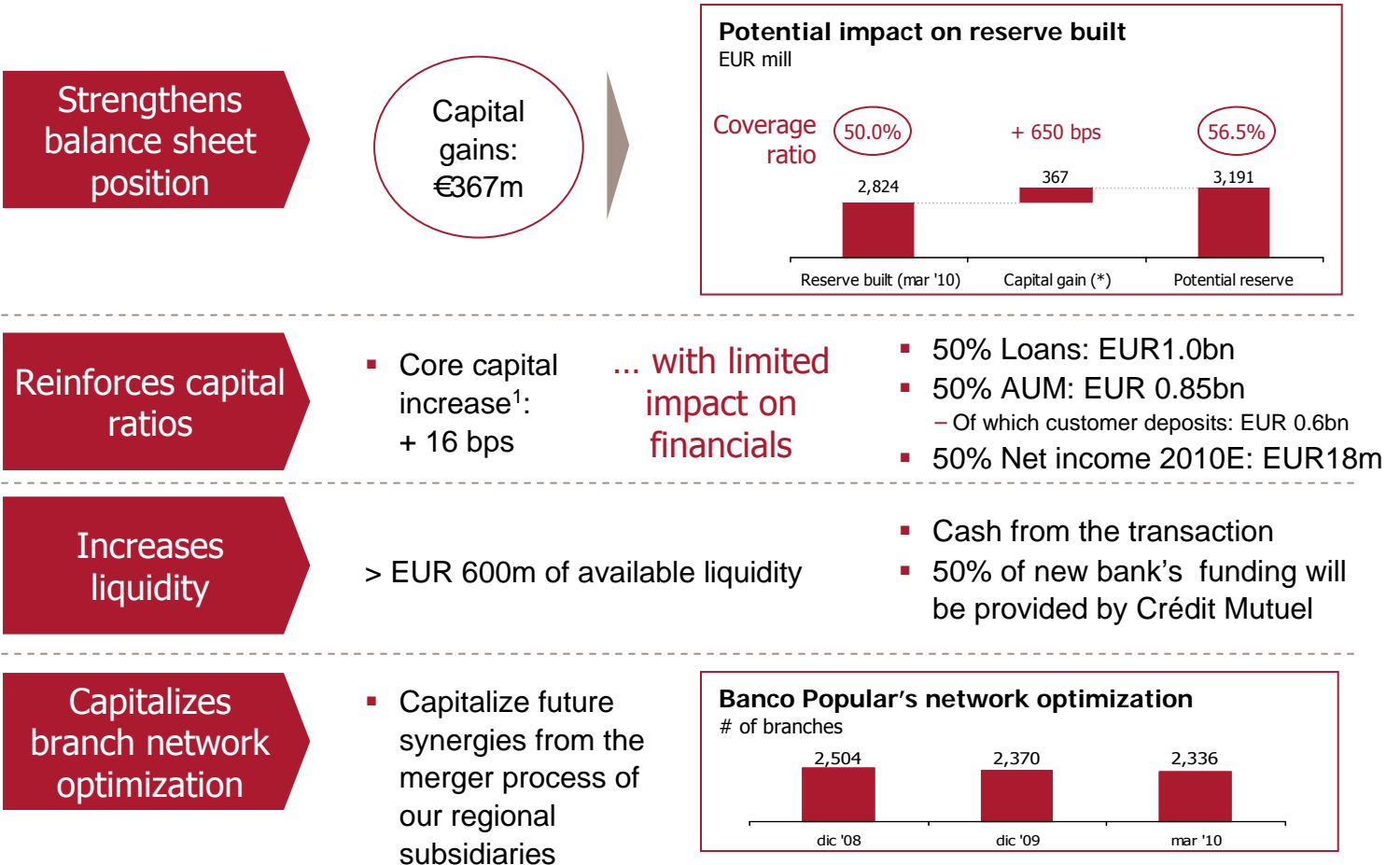


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#### 4. Impact on Banco Popular

## Transaction values our superior business model while reinforcing our balance sheet



<sup>1</sup> Assuming retained earnings at 30% tax rate



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## 5. Attractive new franchise

### New franchise key strengths

- 1 Strong financial position
- 2 The 123 branches are positioned in highly attractive areas
- 3 Optimum structure to benefit from business opportunities arising from current consolidation of the Spanish market, serving German and French customers and sharing advantages of two retail specialists
- 4 An up and running, profitable business

## 5. Attractive new franchise

### 1 Strong financial position: the new jointly owned bank

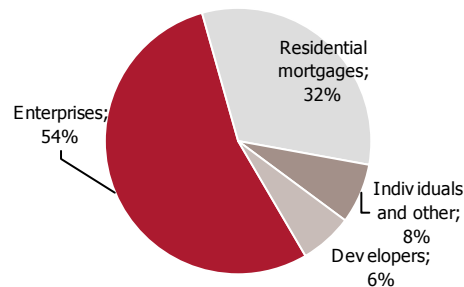
Strong  
Capital ratios

Focused on  
retail  
business

Low risk  
profile

- > 13% core capital
- Total assets: EUR 2.1bn
- Loans: EUR 2.0bn
- Net profit 2010e: EUR 36m
- Equity 2010e: EUR 258 m  
(100% valued at EUR 625 m)
- AUM: EUR 1.7bn
  - Of which deposits:  
EUR 1.2bn;
- ROE 14%; ROA 1.7%
- Cost/ Income: 37%

**Loan distribution<sup>(1)</sup>**  
% on total



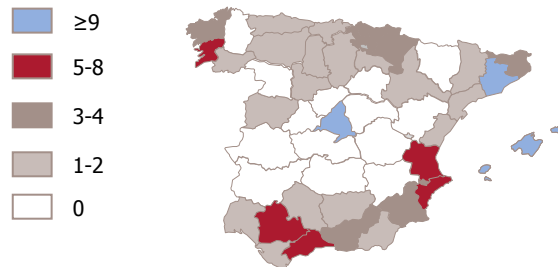
(1) Loan distribution in the 123 branches as of December 2009, including corporate loans that will not be transferred to the new bank  
Note: data as of December 2009

## 5. Attractive new franchise

### 2 The 123 formerly overlapped branches are positioned in highly attractive markets

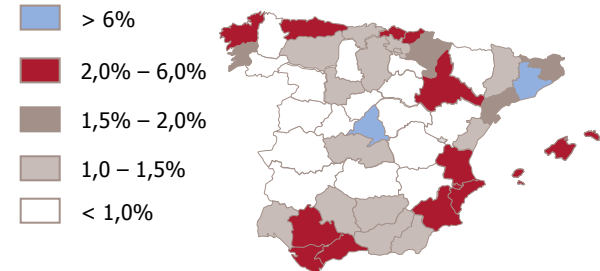
#### Network Positioning

Number of branches



#### Contribution to GDP

% on total, 2009 Estimated



Source: Instituto nacional de estadística

Region	# of branches
North of Spain	24
Andalucía	22
Islas Baleares	21
Comunidad Valenciana	17
Cataluña	15
Madrid	12
Other	12

## 5. Attractive new franchise

- 3 Optimum structure for benefiting from business opportunities arising from current consolidation of the Spanish market, serving German and French customers and sharing advantages of two retail specialists
  - **Flexible and agile structure** to adapt the bank to new opportunities which could arise from the consolidation process of the financial sector
  - Leveraged on both groups' strengths: **relationship management in BPE** and **operational capabilities in CM**
  
- 4 **An up and running, profitable business**
  - Profiting from Banco Popular's best in class efficiency and sharing **the bank central services and IT platform**
  - **Supported by two strong groups**, specialists in retail banking, with a complementary customer base and with a long term strategic agreement
  - Experienced **workforce** and **customer proximity**



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## 6. Conclusions

### We are optimizing our BPE network rationalization process

- Creating a new bank with Crédit Mutuel, **Banco Popular concludes the network rationalization process** initiated in 2008 ...
- ... while adapting the bank to **exploit further market opportunities** (both organically and inorganically)

### ... and creating value to shareholders

- Transaction strengthens our **balance sheet, liquidity and capital position,**
- ... **maximizes and anticipates** the value of the synergies from the merger of the regional subsidiaries,
- ... reveals the **current superior value of Banco Popular franchise** (PER10E 17x; 2.4xP/BV10E), that has been well above peers in terms of profitability for decades
- The alliance signed with Crédit Mutuel is a vote of confidence for Popular's business model



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## About CM5-CIC and Banque Fédérative du Crédit Mutuel

- One of the **main French retail banking groups** with a network of more than 4,000 branches, the **CM5- CIC group is composed of the Federations** of Credit Mutuel Centre Est Europe, Sud-Est, Ile de France, Savoie-Mont Blanc and Midi-Atlantique (since January 1st, 2009), as well as of their common “Caisse fédérale” and of the Banque Fédérative du Crédit Mutuel
- **Controlled by the group CM5-CIC, BFCM is a holding company that controls Targo Bank in Germany and CIC Iberbanco and Cofidis in France, Belgium, Spain and Portugal**
- The group CM5-CIC has one of the **strongest balance sheets in France in terms of solvency and liquidity**. As of December 31, 2009, the group had 50,831 employees, 15.5 million customers, approximately € 403 billion in assets under management, € 225 billion of outstanding credits, with a 2009 net result of € 1.4 billion and € 23.5 billion of equity (10.3% TIER 1)



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