

Frankfurt, June 5th 2009

Goldman Sachs European Financials Conference  
Mr. Roberto Higuera, CEO



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# Agenda

1. Strong Q1 09 results: Highlights
2. Back to basics? Banco Popular's recurrent strength features
3. Our challenges and actions to confront them
4. Looking ahead

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## 1. Strong Q109 results: Highlights

2. Back to basics? Banco Popular's recurrent strength features

3. Our challenges and actions to confront them

4. Looking ahead

## 1 Strong Q109 results: Highlights

- ✓ Exceptional growth – the largest in many years- in the three margins: clients, business and total
- ✓ Net Recurrent Profit of **€300.5 M, -0.6 %** compared to Q108
- ✓ Core capital ratio increases **17** basis points in Q109. The highest tangible equity amongst European and American banks
- ✓ Efficiency ratio reaches a new record: **28.34%**
- ✓ Outstanding growth of **19.1%** in pre-provision profit
- ✓ Priority of soundness over earnings: **€175 M** of precautionary provisions
- ✓ Recurrency of revenues: strong net interest income which grows by **16.4%**
- ✓ Reduction in operating expenses of **2.0%**

# Agenda

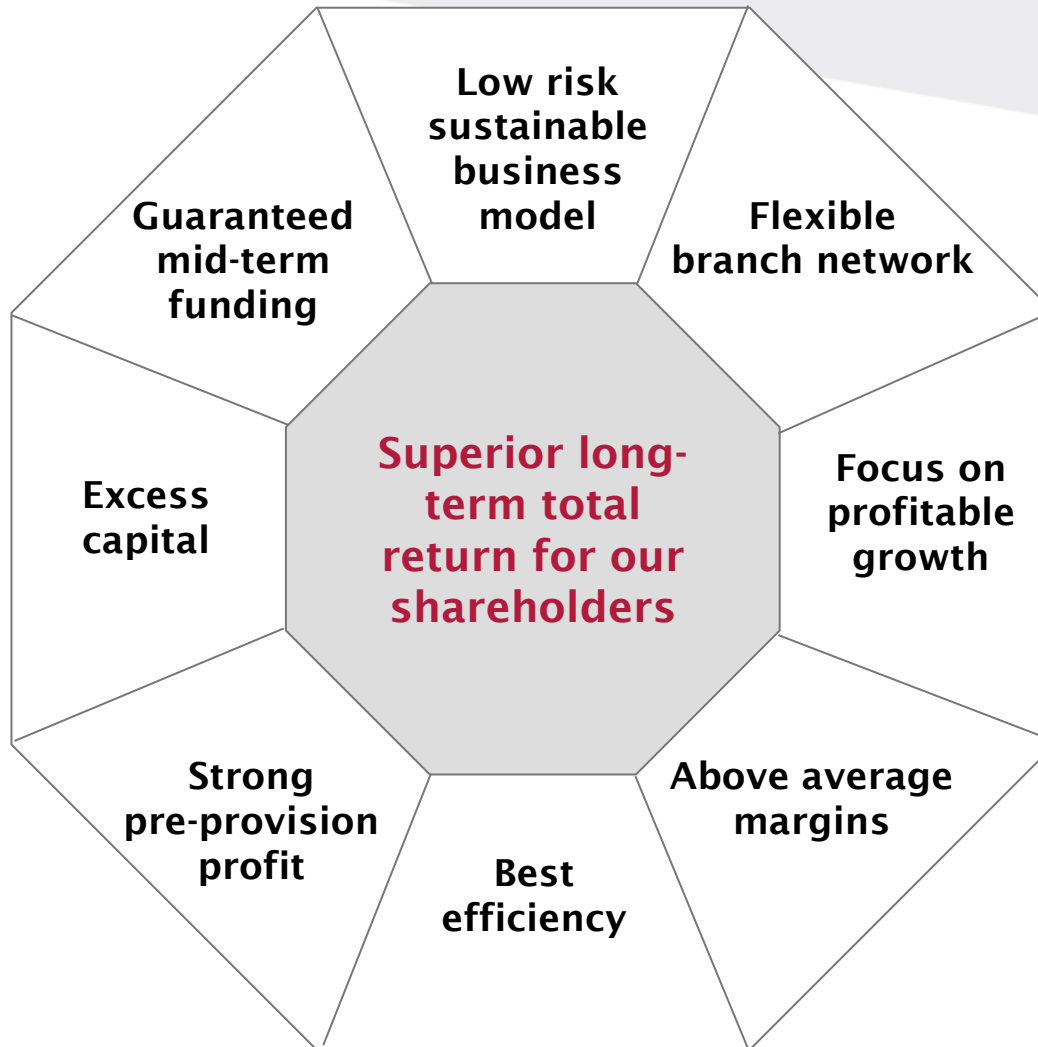
1. Strong Q1 09 results: Highlights

**2. Back to basics? Banco Popular's recurrent strength features**

3. Our challenges and actions to confront them

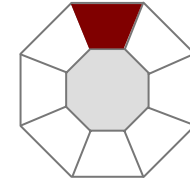
4. Looking ahead

**2 Back to Basics? Banco Popular maintains its historical and recurrent value drivers**

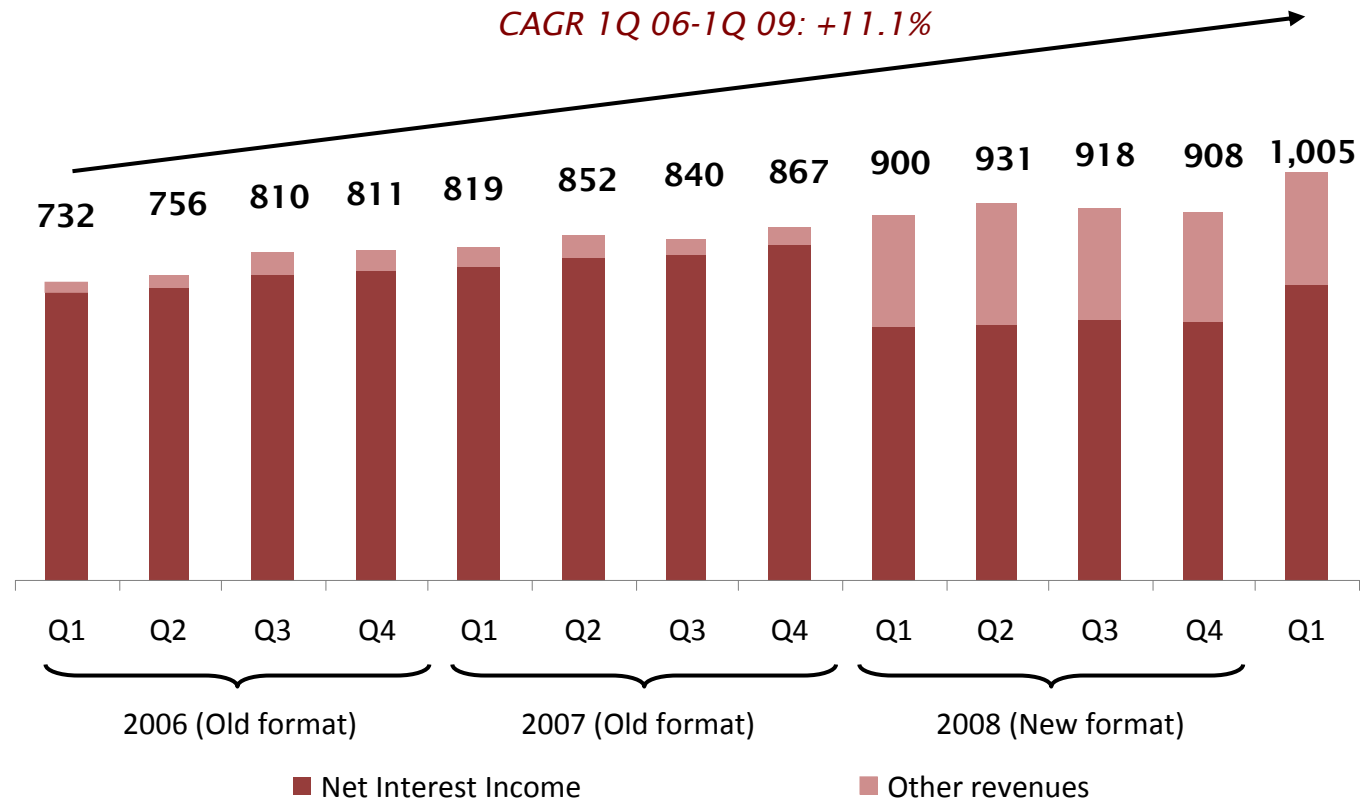


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**Banco Popular's resilient business model has proven sustainable growth, even in the current environment**

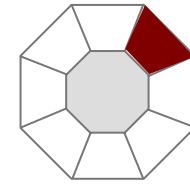


**Banco Popular's total revenues 1Q06-1Q09  
(€ M)**

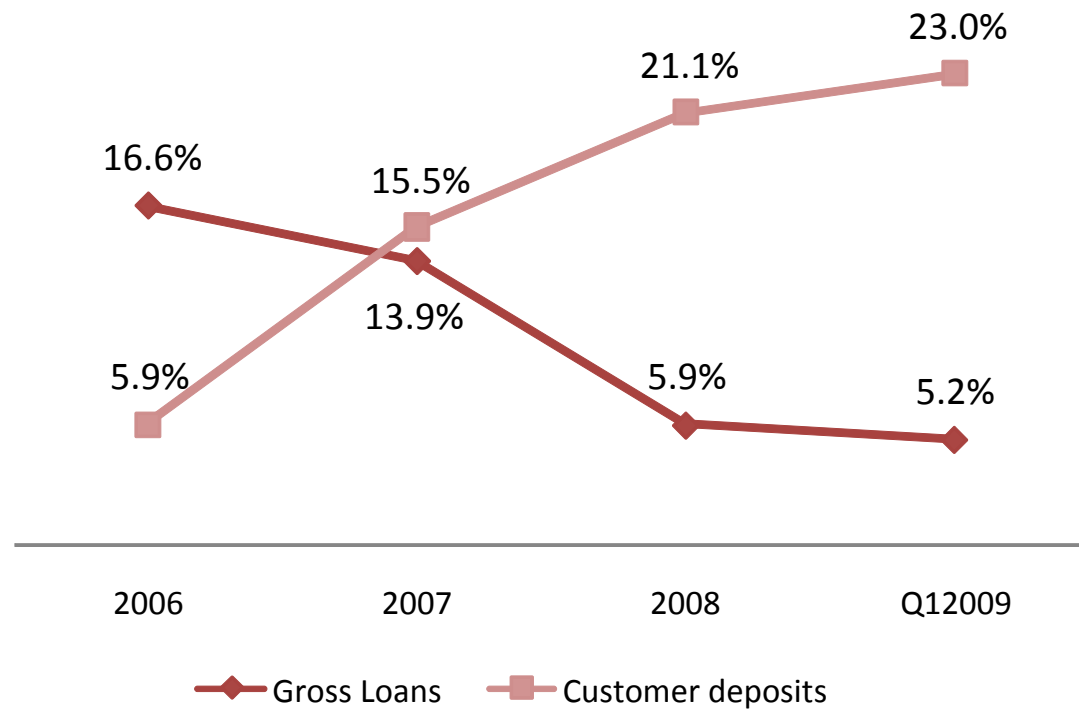


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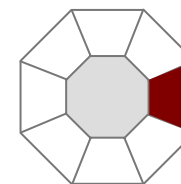
**Our flexible branch network model allows us to best adapt to the prevailing banking environment**



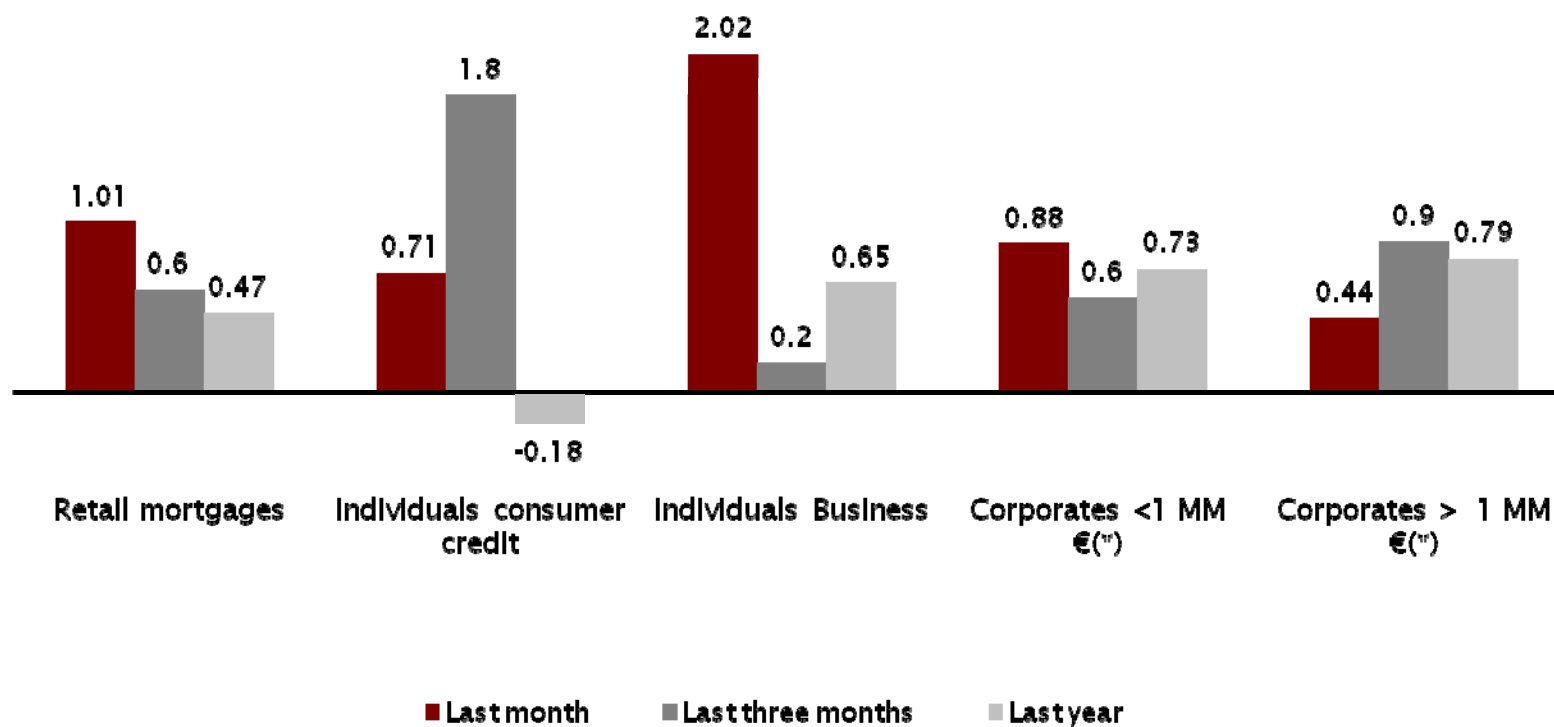
***YoY growth of Gross Loans and Customer Deposits***



2 We focus on profitable growth...



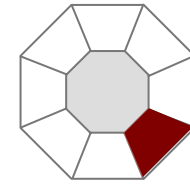
*Avg. interest rates spreads vs. Spanish banks in monthly completed transactions. APR (%)*



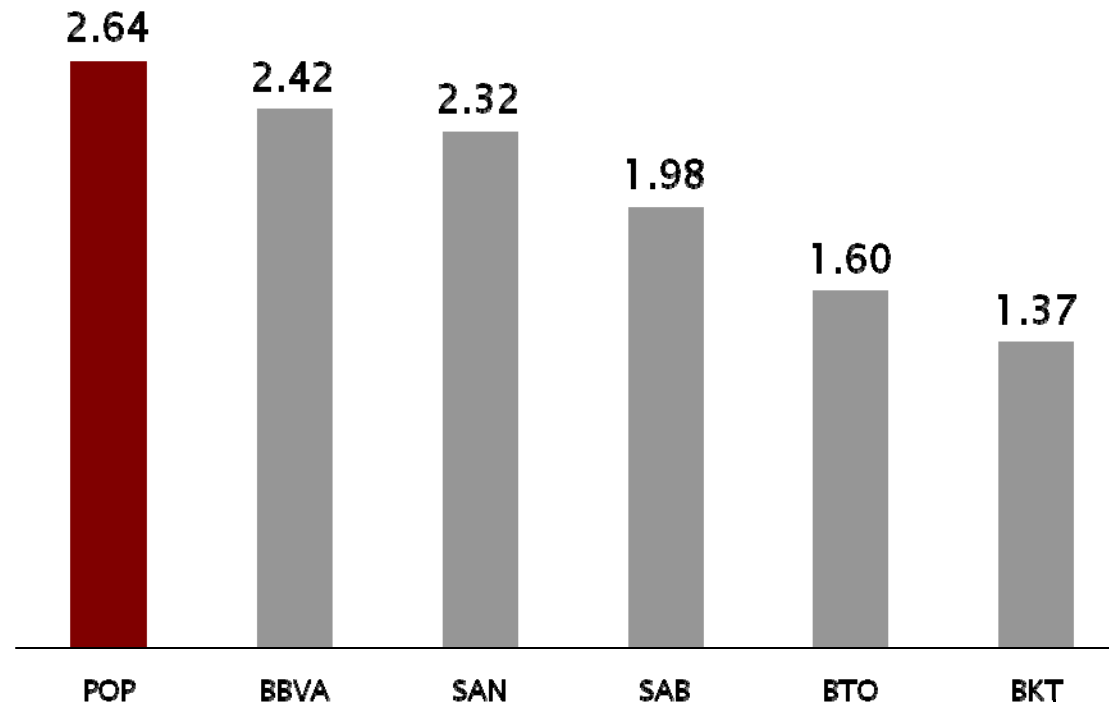
(\*) Completed transactions of more / less than € 1 M  
Source: Banco de España

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...which is reflected in our above-average net interest margin ratio...

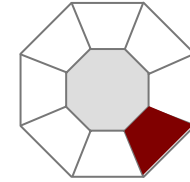


**Banco Popular's 1Q09 Net Interest Margin / ATA ratio vs. Spanish peers (%)**

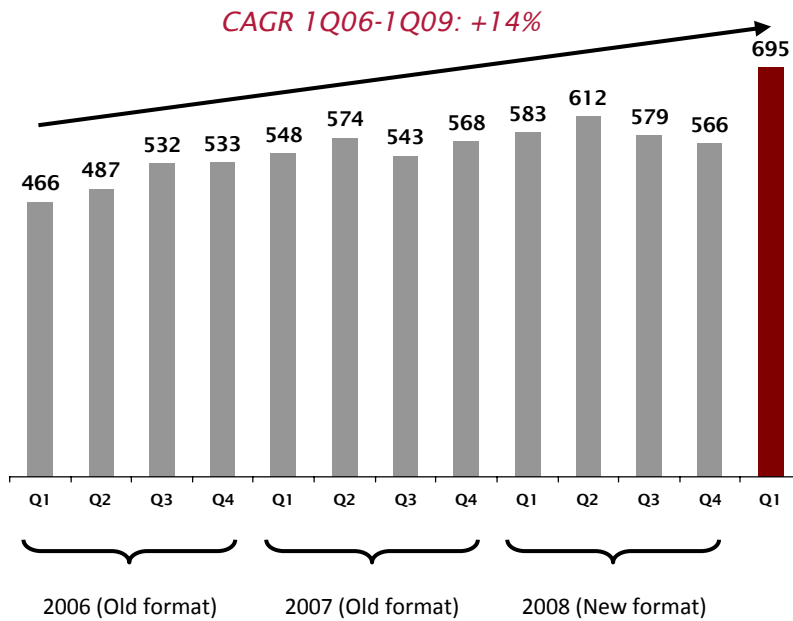


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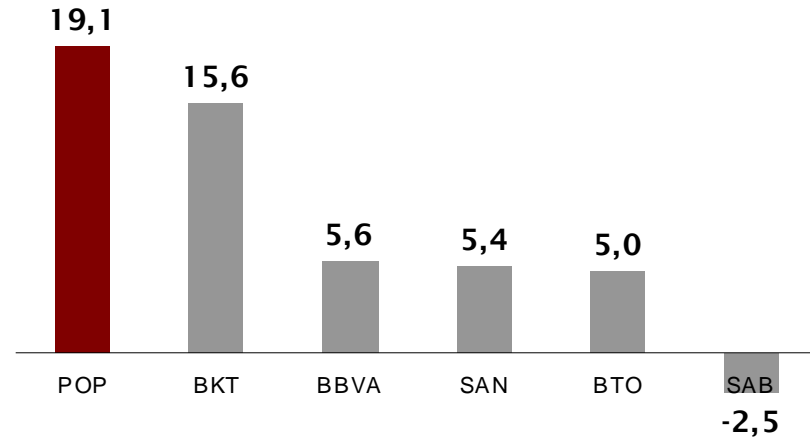
...and the growth of our net operating income is at record levels



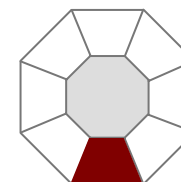
Net Operating Income 1Q06-1Q09 (€ M)



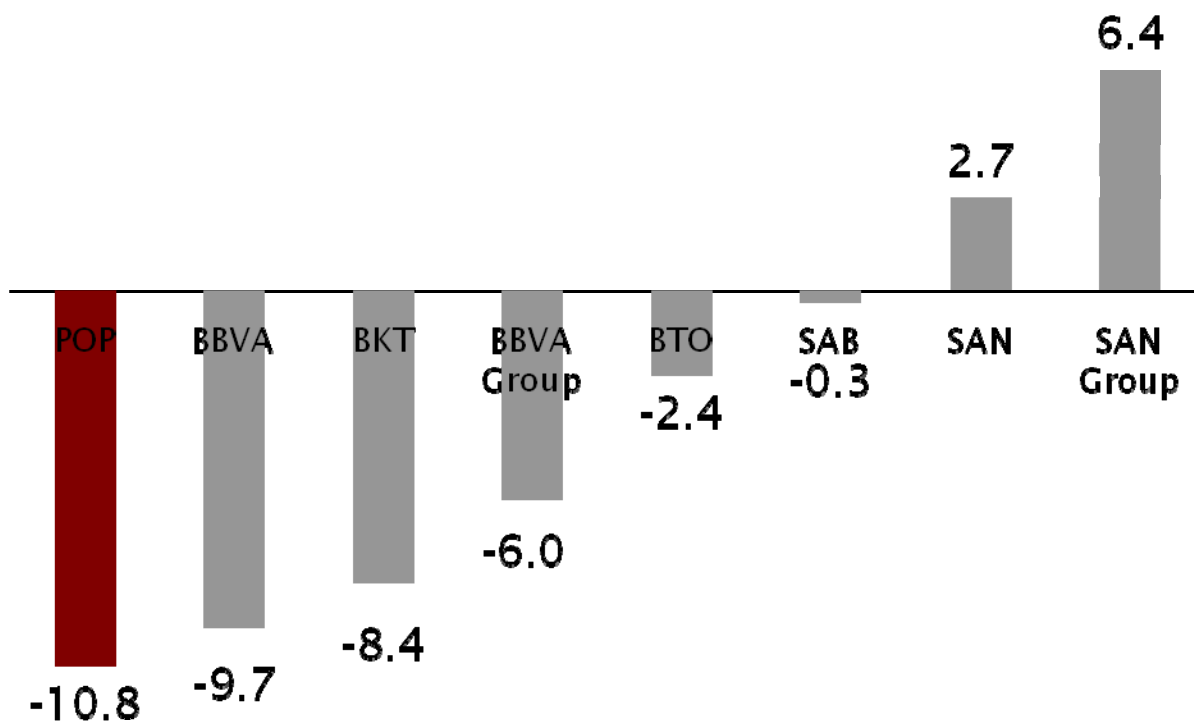
1Q 09 Net Operating Income growth (%)



2 We continue to effectively manage our cost base (1)...

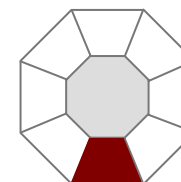


Benchmark of QoQ 1Q 09 growth of cost base (in %)

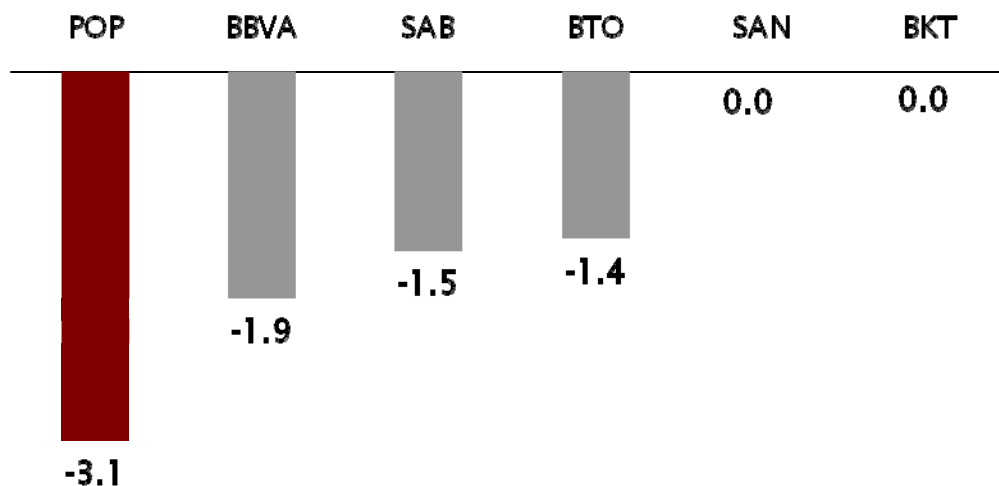


Note: Santander and BBVA data for Spain only  
Source: Quarterly results

2 We continue to effectively manage our cost base (2)...



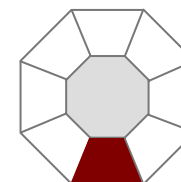
Net branch QoQ openings Q1 2009  
(in %)



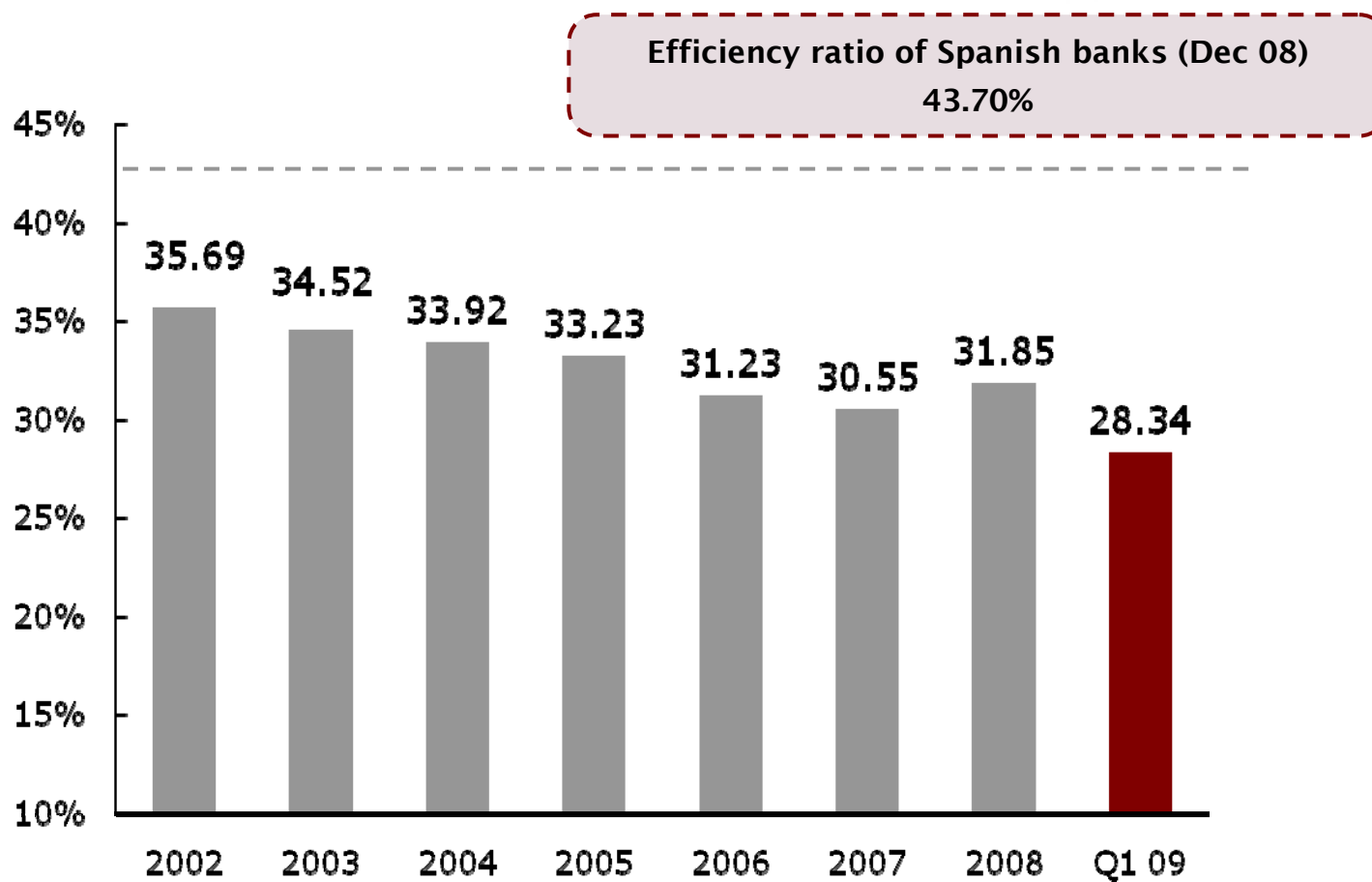
Recent integration of regional banks of the group is expected to generate incremental **cost synergies with NPV of up to €14 M** based on targeted branch closures: 160 in 2009 (70% completed YTD) and 140 in 2010

2

...improving our above-average efficiency ratio...

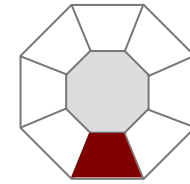


### Evolution of Banco Popular's efficiency ratio (in %)

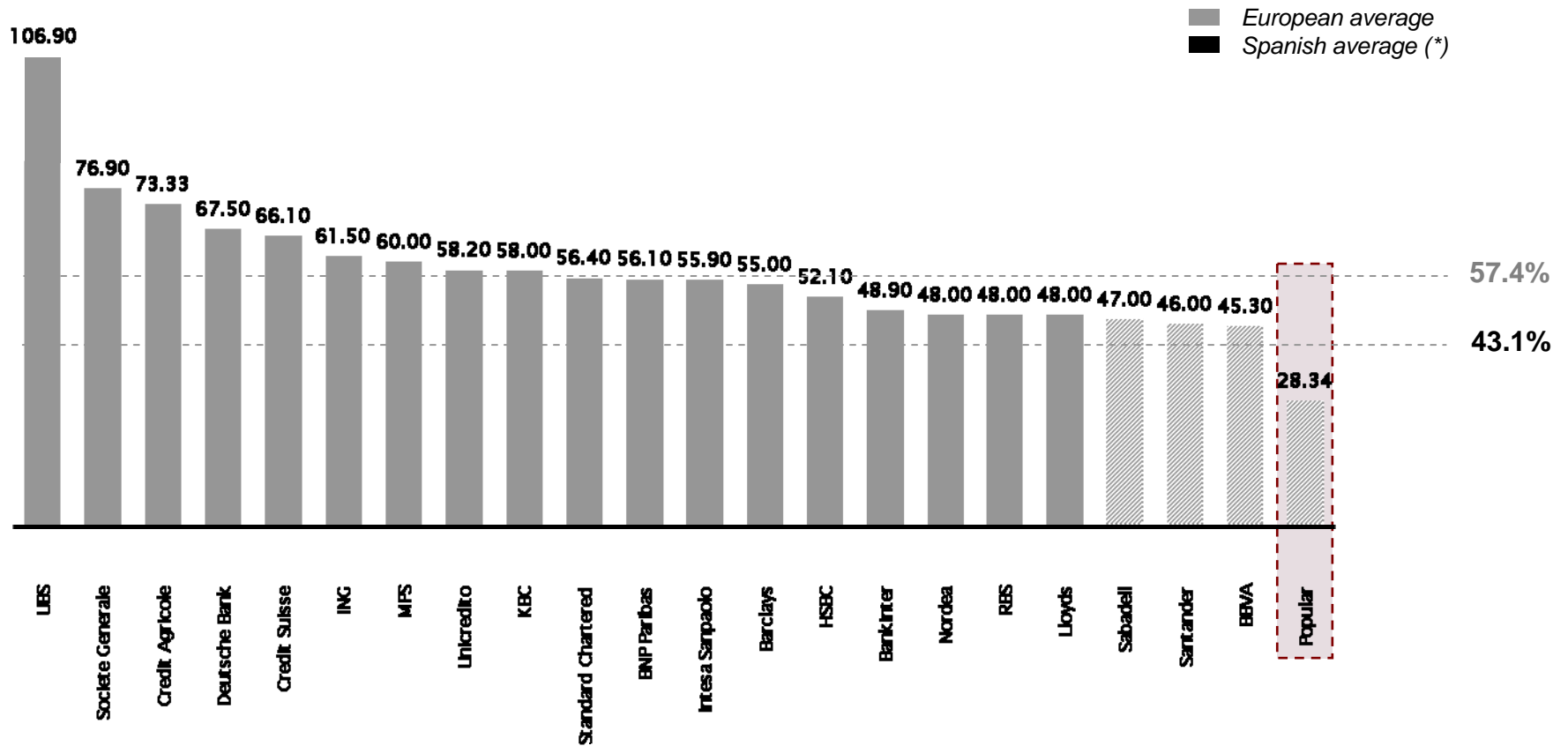


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...whilst we remain the most efficient bank in Europe

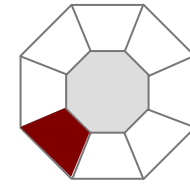


**Banco Popular's efficiency ratio vs. European peers (in %)**

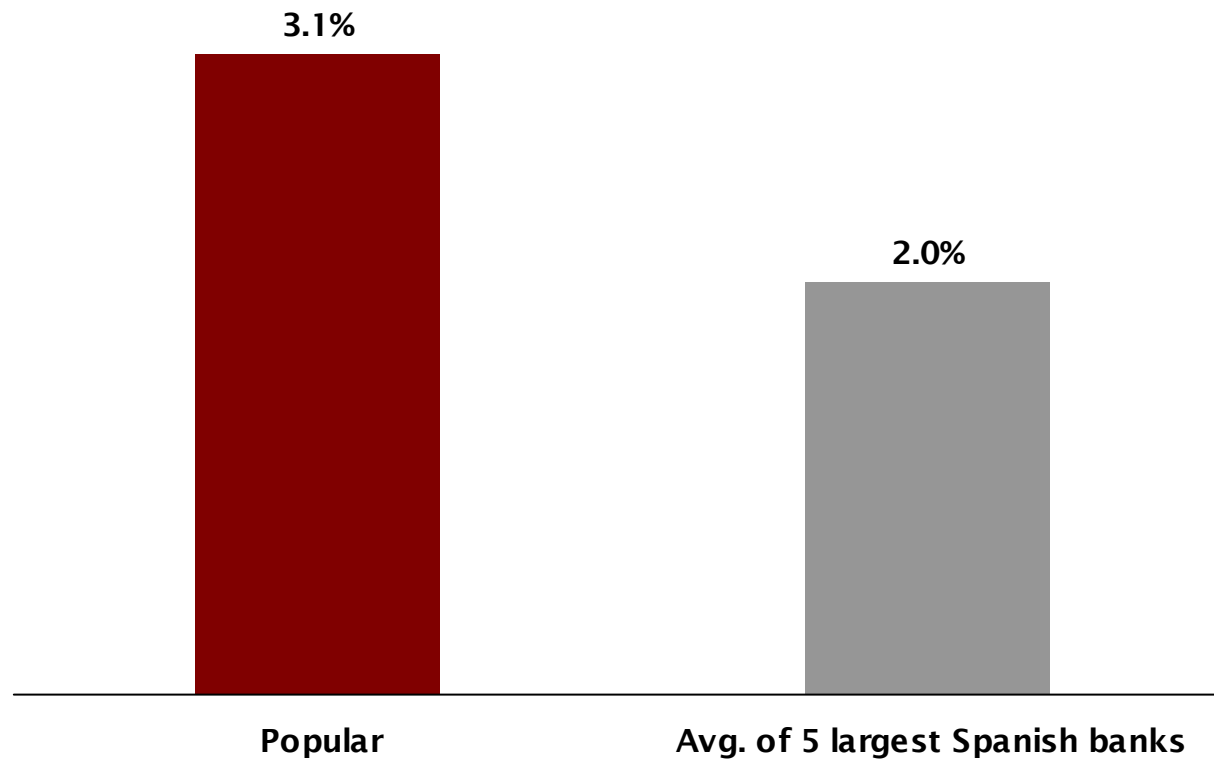


\* w/o depreciation for Spanish banks  
Source: Analysts' estimates. Latest available data

**2** Our pre-provision profit is among the highest in the sector...

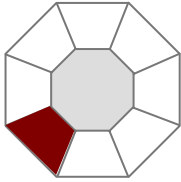


***Net Operating Income (Pre-provision profit) / Gross Total Loans (%)***

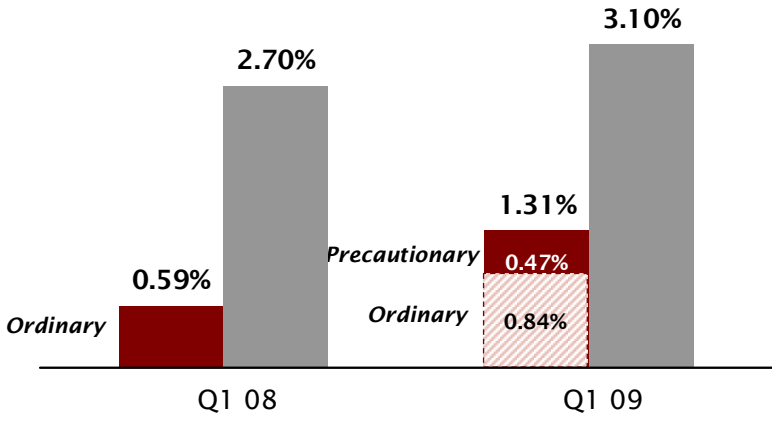


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...and provides a cushion to absorb potential future worsening of credit quality

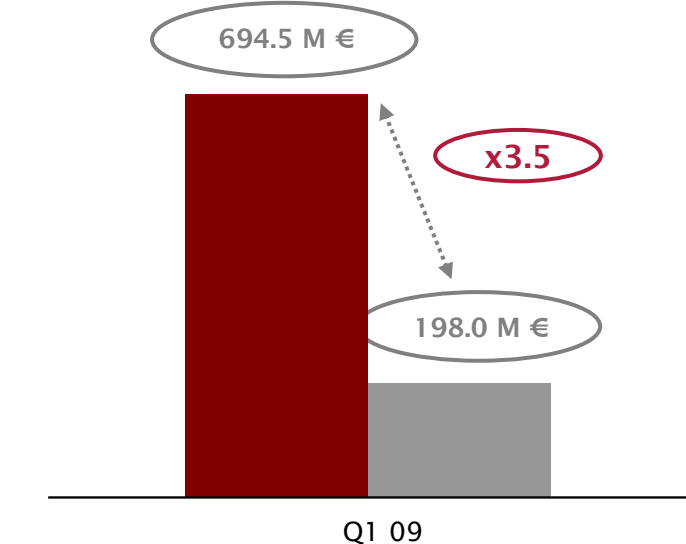


*Pre-provision profit vs. risk premium*



- Total risk premium
- Net Operating Income (Pre-provision profit) / Average total loans

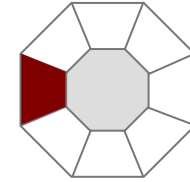
*Pre-provision profit vs. NPL provisions*



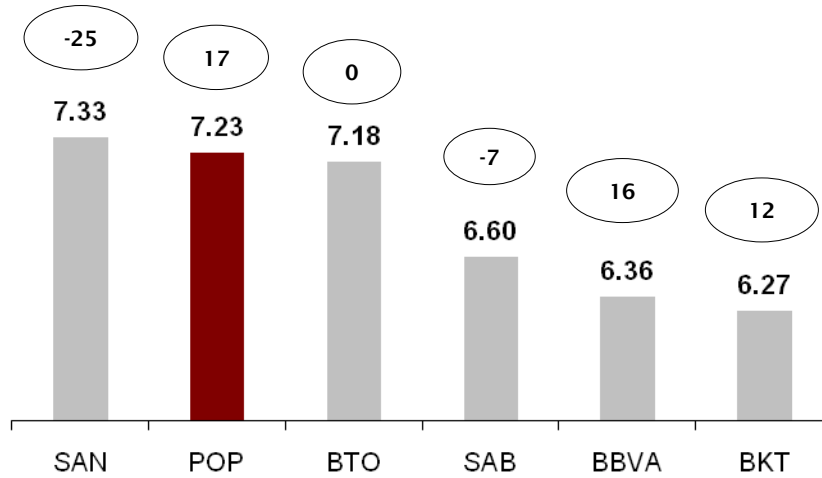
- Net Operating Income (Pre-provision profit)
- Ordinary NPL provisions excl precautionary provisions

2

**Banco Popular has the highest solvency among Spanish banks and the highest growth in core capital in Q109**



**Benchmark of 1Q 09  
core capital ratio  
(in %)**



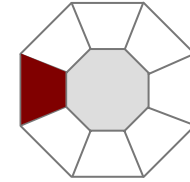
○ Growth on Q408

**Banco Popular's  
1Q 09 capital  
ratios**

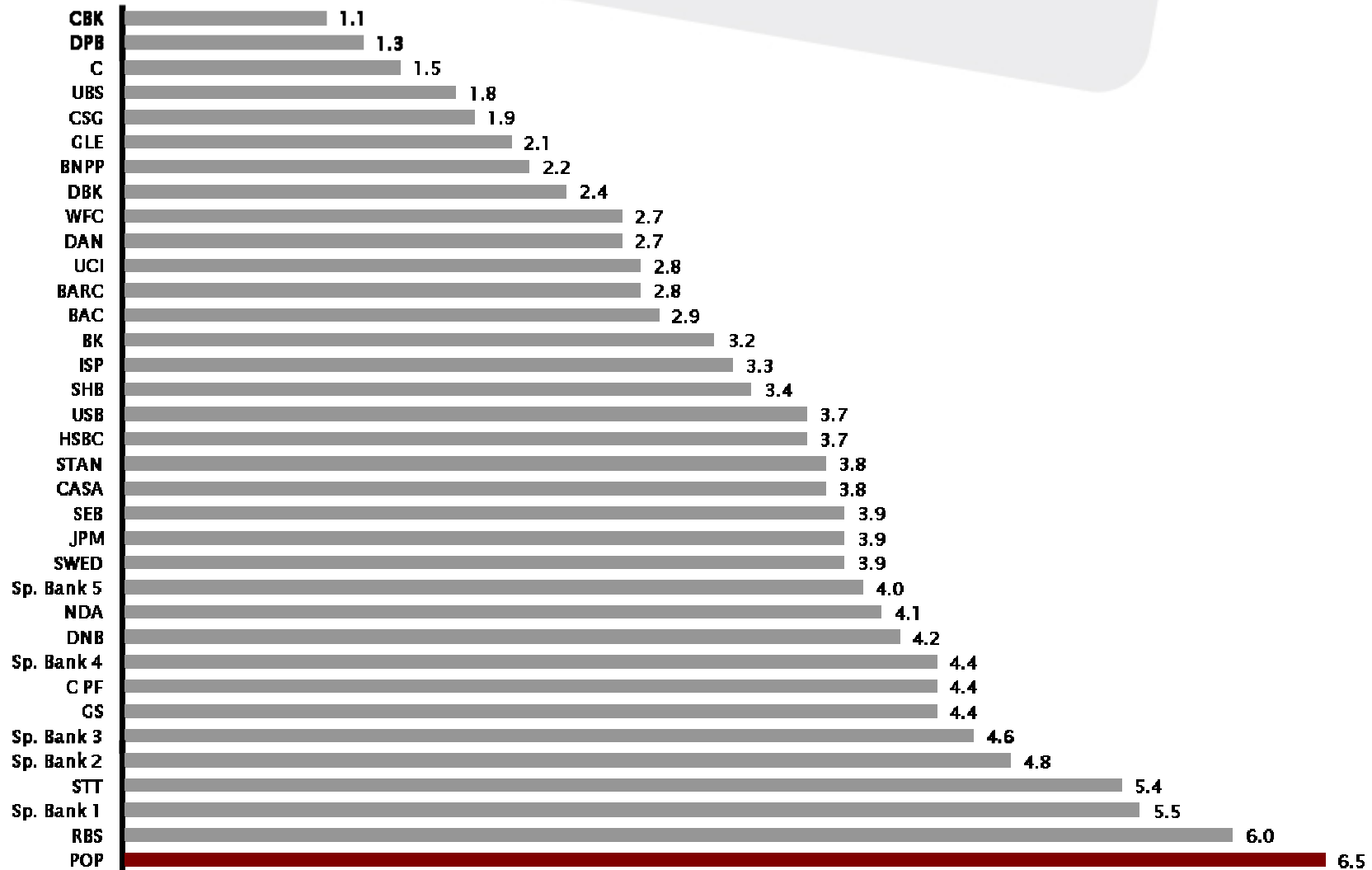
	Mar 08	Dec 08	Mar 09
<b>Total Core Capital ratio</b>	6,60%	7,06%	7,23%
<b>Tier I ratio</b>	8,02%	8,04%	8,47%
<b>TIER 2 ratio</b>	1,73%	0,98% <sup>(1)</sup>	0,78%
<b>BIS ratio</b>	9,75%	9,02% <sup>(1)</sup>	9,25%

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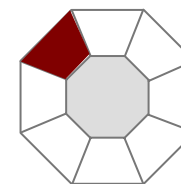
**Banco Popular leads the European and American ranking of banks in terms of tangible equity / tangible total assets**



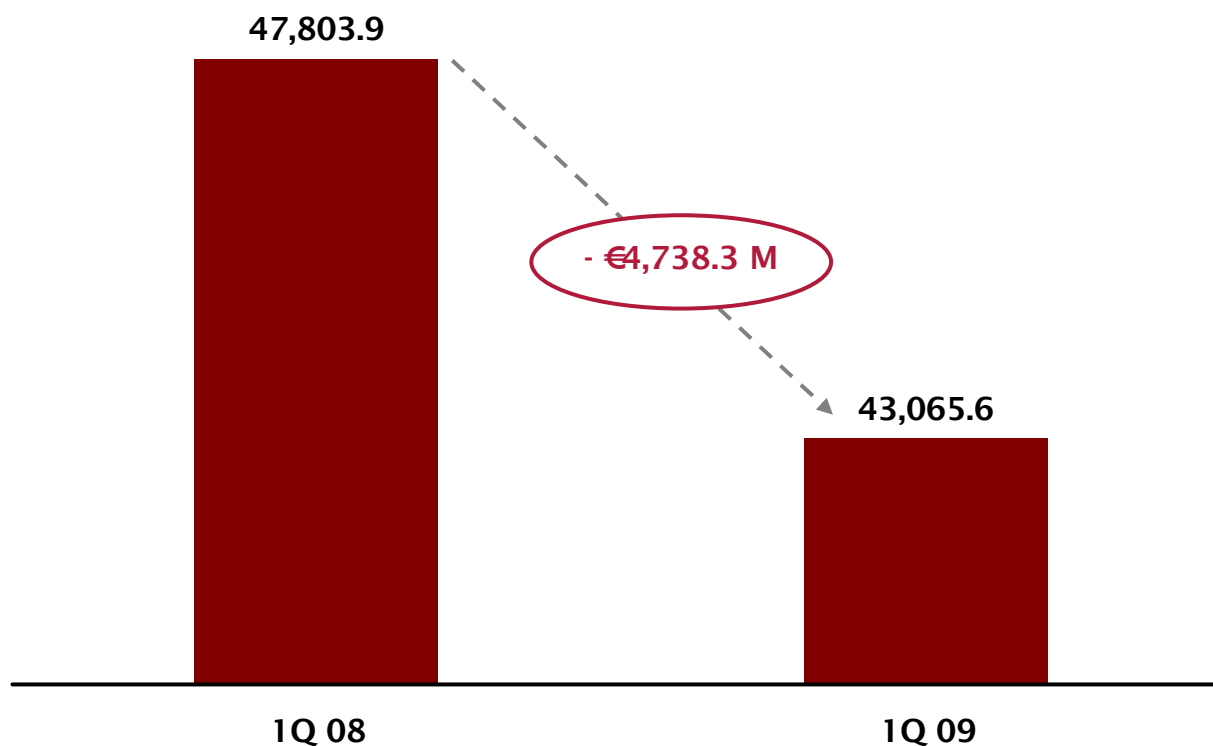
*Tangible equity / Tangible total assets (%)*



2 We are narrowing our commercial gap...



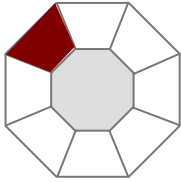
Evolution of the commercial gap (€ M)



Banco Popular has one of the highest Deposits/Total Assets ratios (45.2% in Q109) among European banks

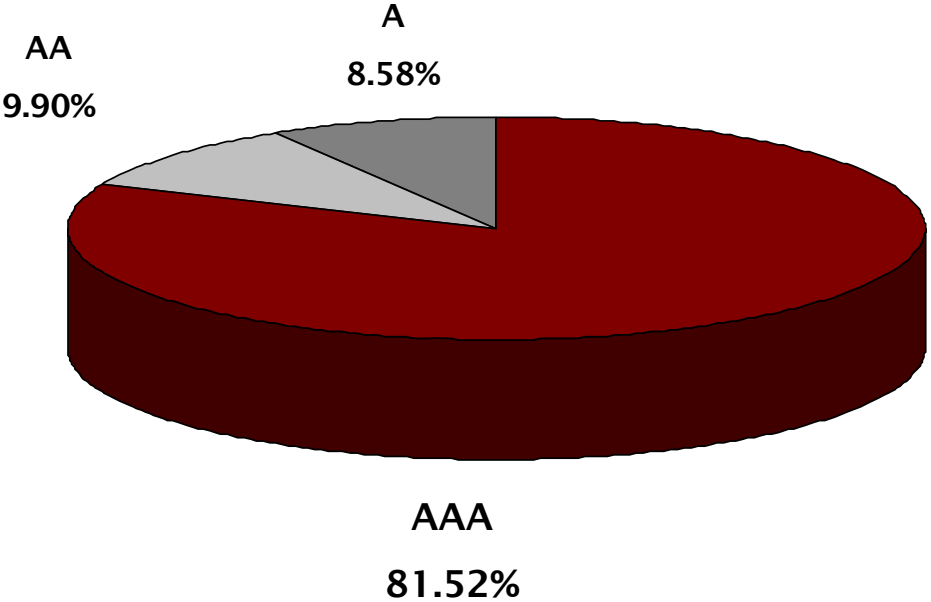
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...and have a second line of liquidity which covers all wholesale maturities in an extreme scenario of non-renewal



*Strong second line of liquidity \**

*Breakdown of total liquid assets by rating*



**Banco Popular has a second line of liquidity of €14,321 M, after deduction of €500 M discounted at the ECB**

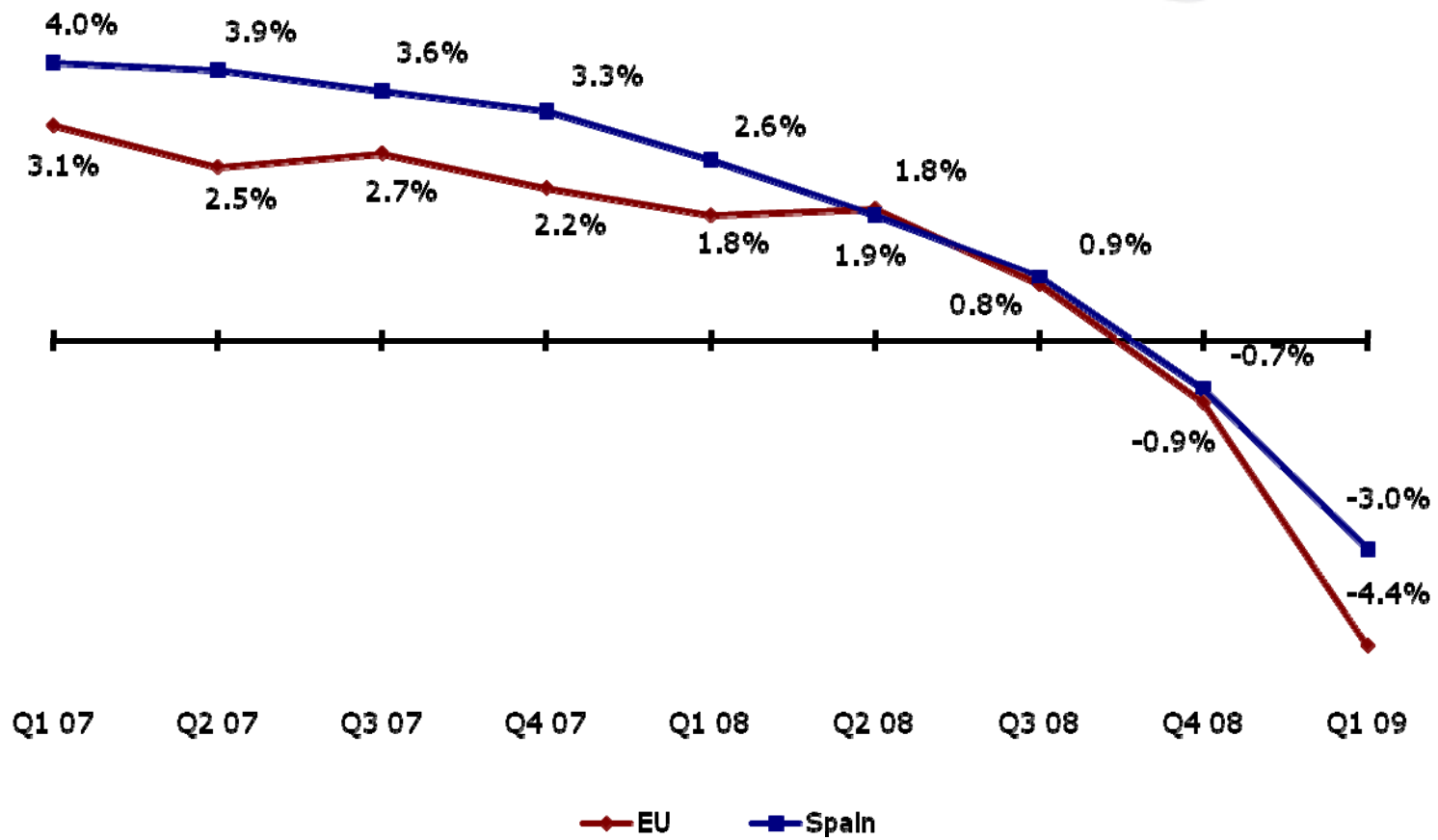
\* ECB eligible assets

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### 3 A worsening macroeconomic scenario in Spain...

Evolution of the YoY GDP growth



**3****...which is not expected to improve in the short-term...****IMF macroeconomic forecasts**

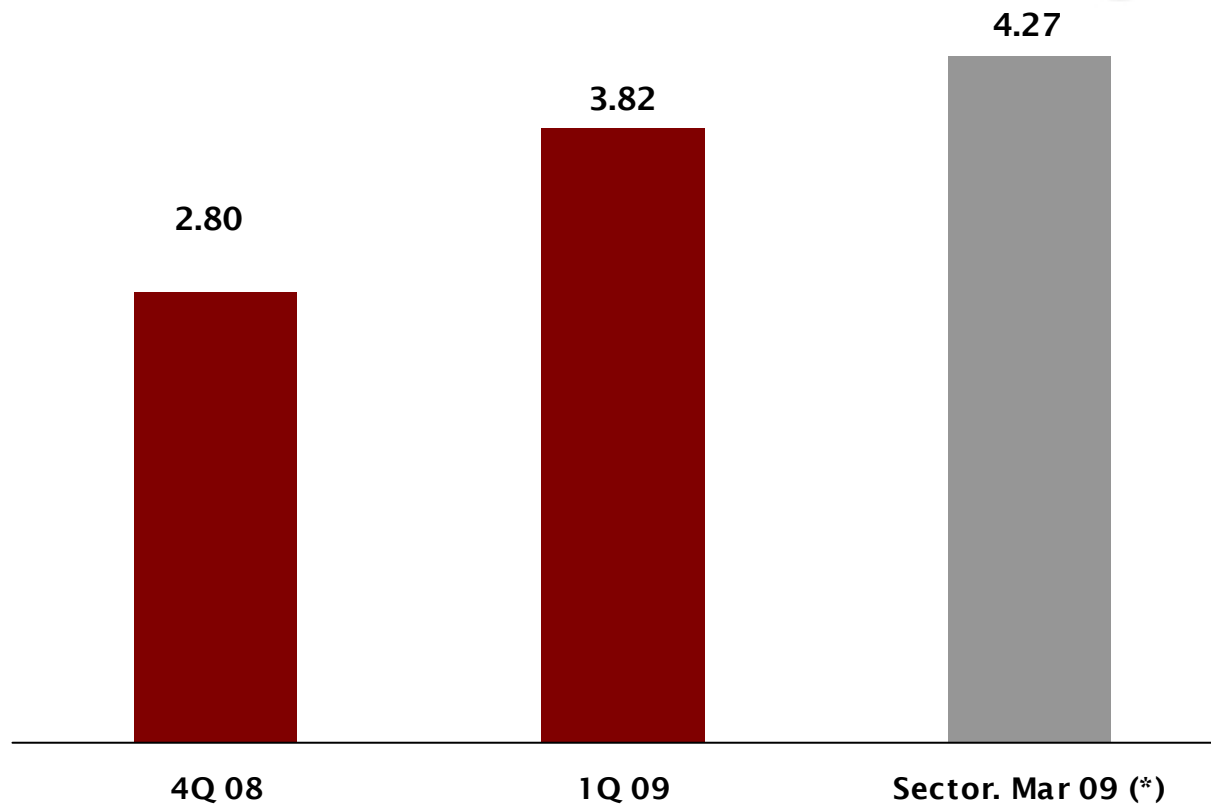
<b>SPAIN</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
GDP	-3.0%	-0.7%	2.0%	3.1%	3.3%
Inflation	2.6%	2.0%	2.1%	2.2%	2.4%
Unemployment	16.1%				

<b>EUROZONE</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
GDP	-4.2%	-0.4%	2.8%	2.2%	2.2%
Inflation	1.9%	1.8%	1.8%	1.9%	1.9%
Unemployment	9.3%				

**3** ...and is leading to an increase in NPLs

*NPL ratio of Banco Popular vs. sector (%)*



<sup>(\*)</sup> Source: Banco de España.

**3** Although we have a real coverage ratio well above the reported data...

<b>Euro millions</b>	<b>Non performing loans</b>	<b>Value collateral<sup>(1)</sup></b>	<b>Specific provisions</b>	<b>Generic provisions</b>
With mortgage collateral	1,781	3,157	238	
Without mortgage collateral	2,419	308	794	
<b>Total</b>	<b>4,200</b>	<b>3,465</b>	<b>1,032</b>	<b>1,105</b>
<b>Partial coverage ratio</b>		<b>82.5%</b>	<b>24.6%</b>	<b>26.3%</b>
<b>Reported coverage ratio</b>				<b>50.9%</b>
<b>Global coverage ratio</b>				<b>133.4%</b>

<sup>(1)</sup> Appraisal value in the case of real estate collaterals and effective value in the remaining cases

3

**...we are increasing our risk management efforts throughout the bank...**

**1. All risk management business units have been strengthened:**

- Retail risks: headcount x 2.5
- With latest IT and risk management methodologies
- Debt restructuring: Central office and own tools in all regional units and banking subsidiaries
- Global specialised offices: Integration of management, methodology, operational risks, business continuity, market risks, internal validation and risk management audits

**2. Strengthening management and surveillance of risks**

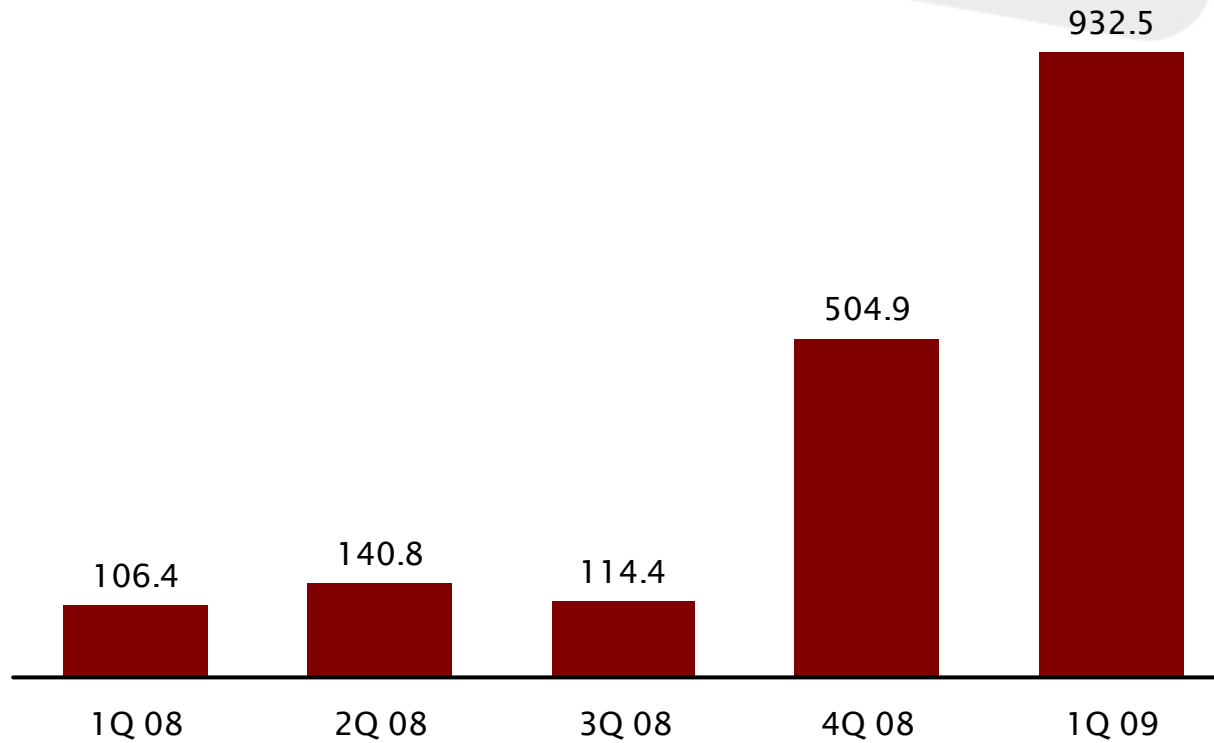
- Creation of specialised teams in each territorial unit for management and surveillance of clients
- Surveillance committee comprised of members of Senior Management who set norms and directives
- Creation of new centralised unit of Analysis and Surveillance

**3. Anticipating management of potential future risks**

- Detection of clients with need to restructure its risks
- Offer clients solutions according to the Group's risk management principles
- Joint coordination with other lending entities who share same risks
- Use of model based on internal ratings for setting the required capital for lending risks.

**3** ...which are showing increasingly positive results

*Evolution of quarterly NPL recoveries*  
(€ M)



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## 4 Looking Ahead: Back to Basics

### Structural strengths against cyclical headwinds:

- ✓ Strong recurrent revenues from a stable and satisfied customer base
- ✓ Best efficiency in Europe
- ✓ And a strong capital base

### *Higher historical total returns for shareholders*



## 4 Looking Ahead: Back to Basics

- ✓ Preparing the bank to benefit from next economic cycle
- ✓ Maintain above-average margins
- ✓ Maintain/increase cost containment measures: recent integration of regional banks results in up to €514 M expected cost synergies
- ✓ Focus on credit quality and recoveries
- ✓ Keep pre-provision profit at historical levels
- ✓ Capital strength as a hallmark

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