GRUPO BANCO POPULAR

V Annual Conference Spanish Banks

Barcelona - September 2009

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Agenda

1. Banco Popular: One of the best managed banks in Europe

2. Asset quality: still tough cycle, but improving trends

3. Strengthening our above average capitalisation

4. Conclusions

Popular faces the current environment maintaining its distinguishing features

A successful business model :

✓ **Flexible, flat and customer oriented organization**

✓**Focus in retail commercial banking**

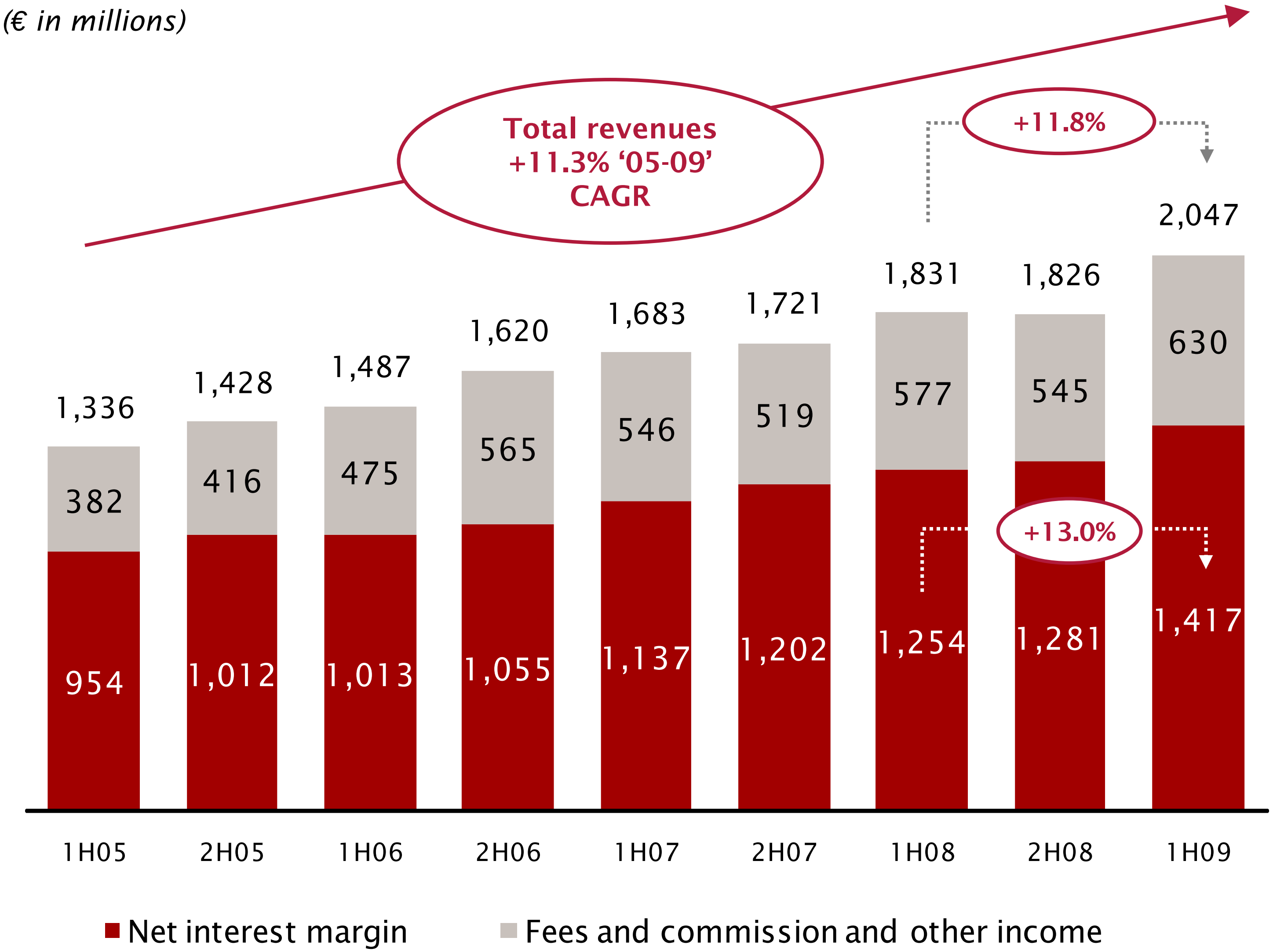
✓**Highest operating efficiency**

✓**Fortress Capital as a competitive advantage**

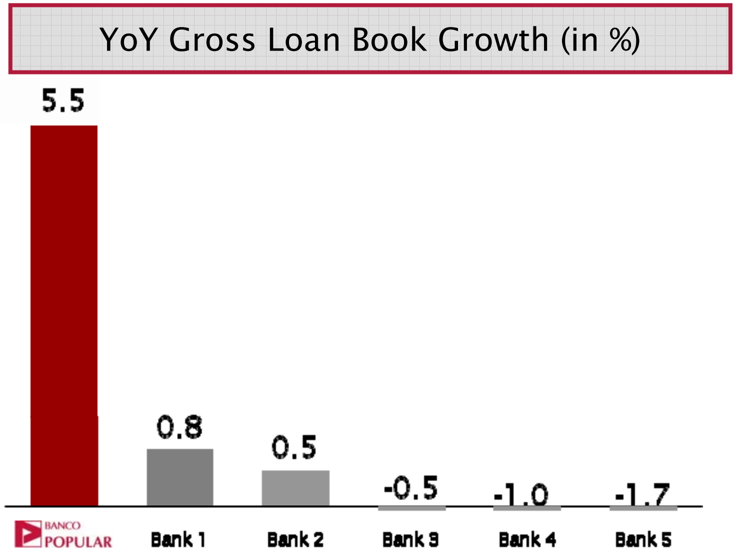
We keep our strong revenue generation despite the tough economic environment…

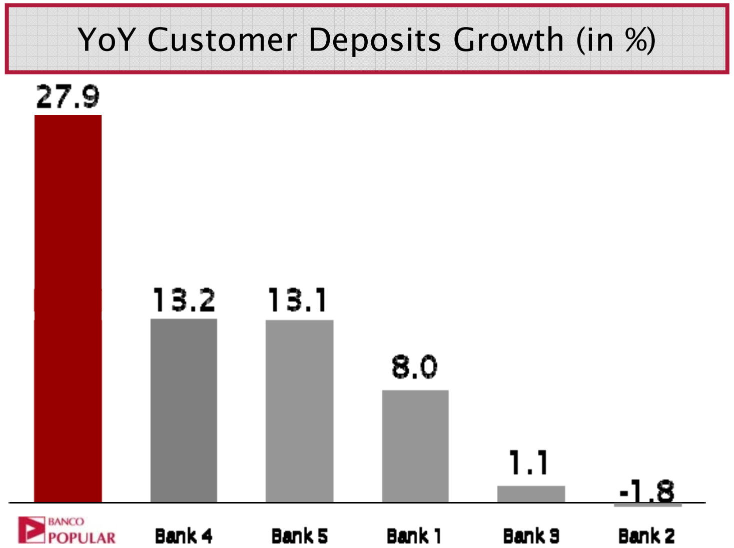
Net interest income and total revenues evolution

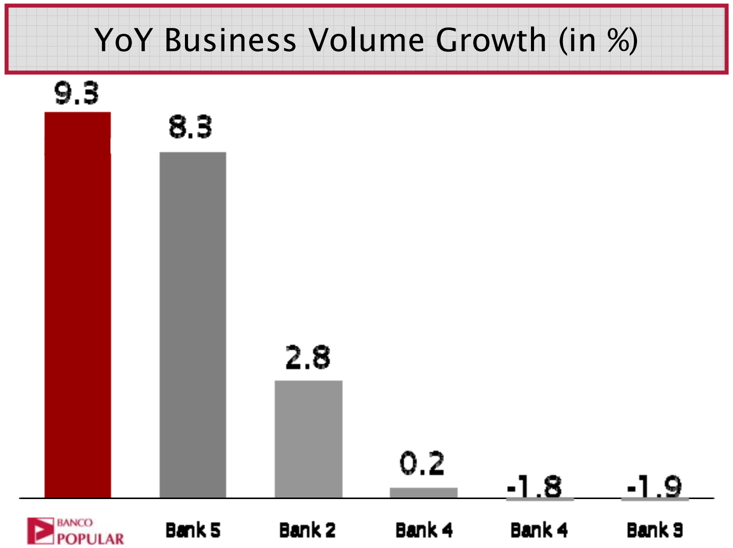
(€ in millions)



…while taking advantage of existing market opportunities





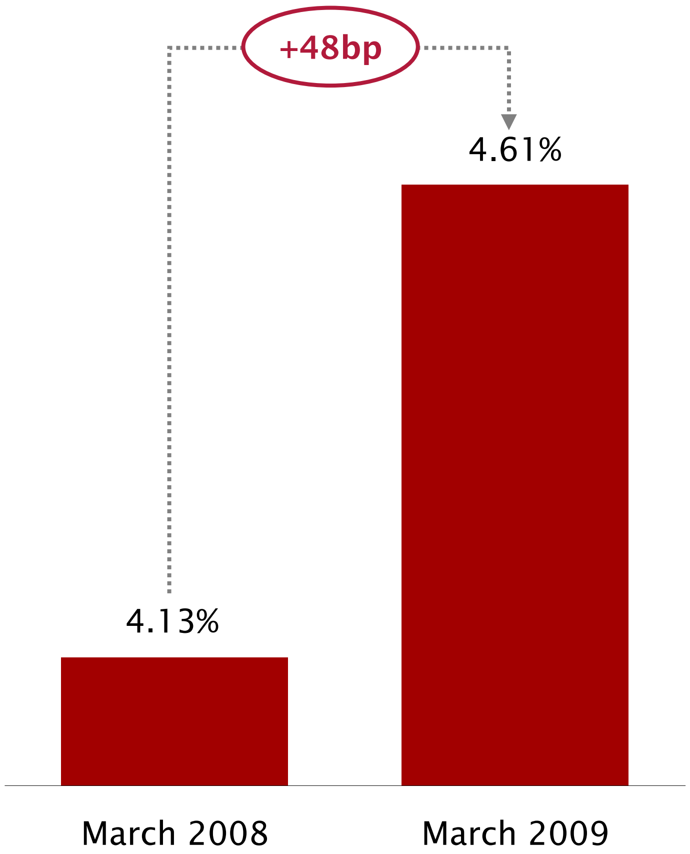


Source: Quarterly results as of 1H09 ;
Note: Comparable banks include BBVA Iberia, Sabadell, Santander Spain and

And gaining market share in both loans & deposits

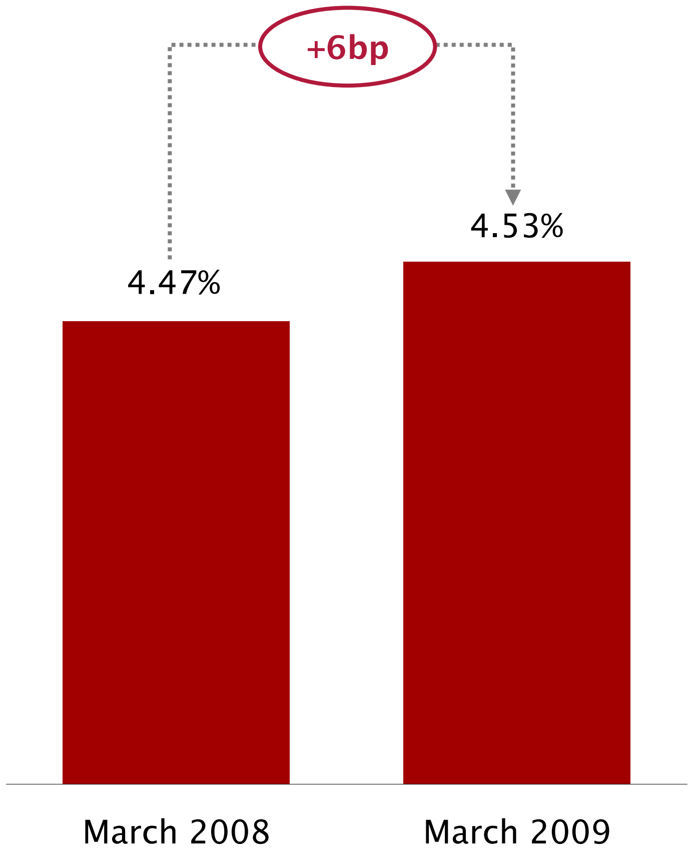
Customer deposit market share

(In %)



Customer loans market share

(In %)



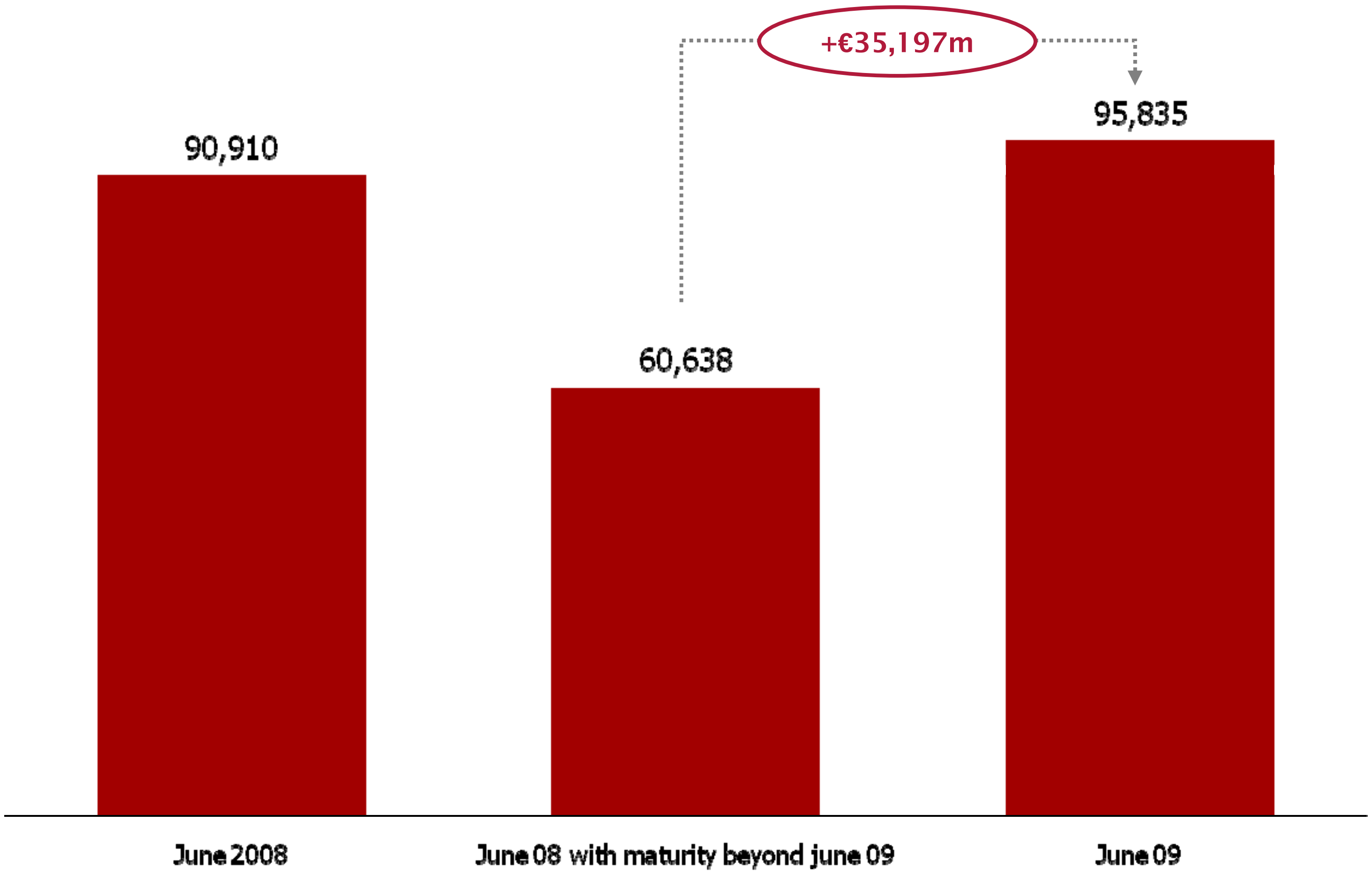
Source: Bank of Spain, T7 form

Reduction of Loans/Deposits ratio from 221.6% to 180.0% 2Q09 vs. 2Q08

With new production of 35.2 bn € YoY

Growth of lending portfolio and new production

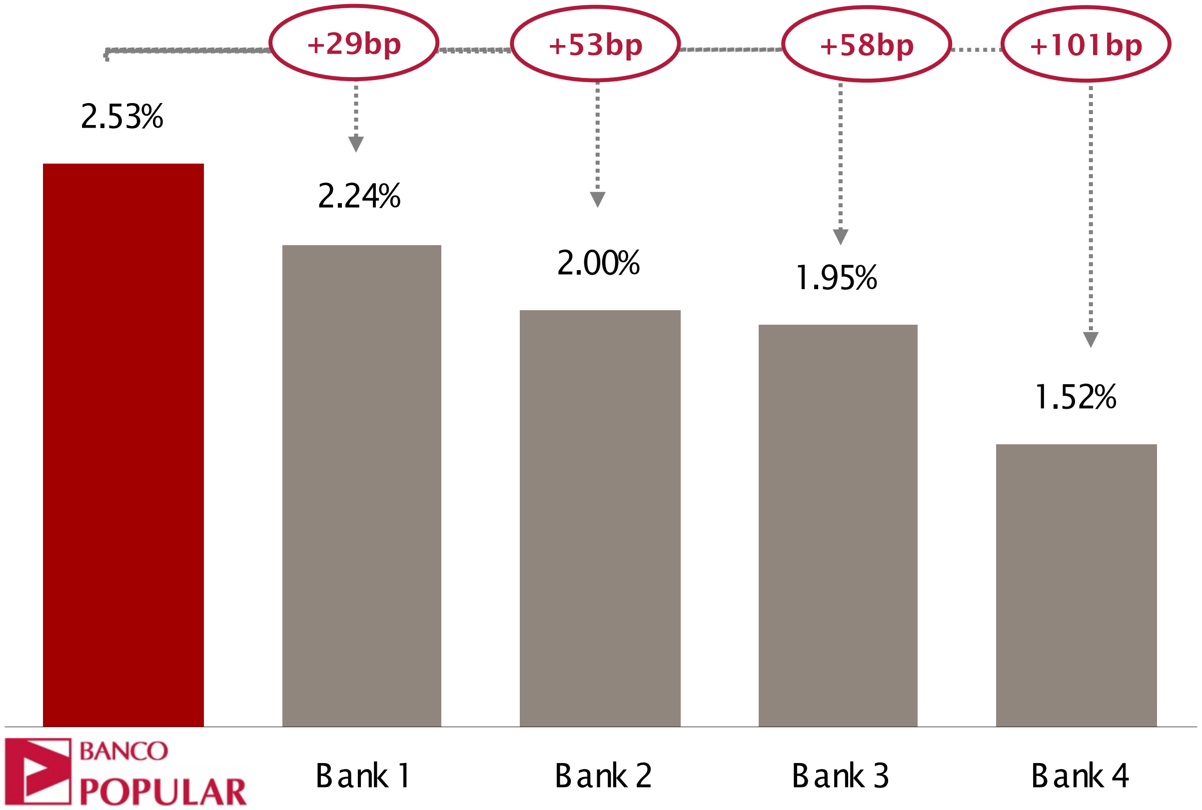
(€ in millions)



In managing margins we are best-in-class…

Net interest margin 1H09 results

(In %)

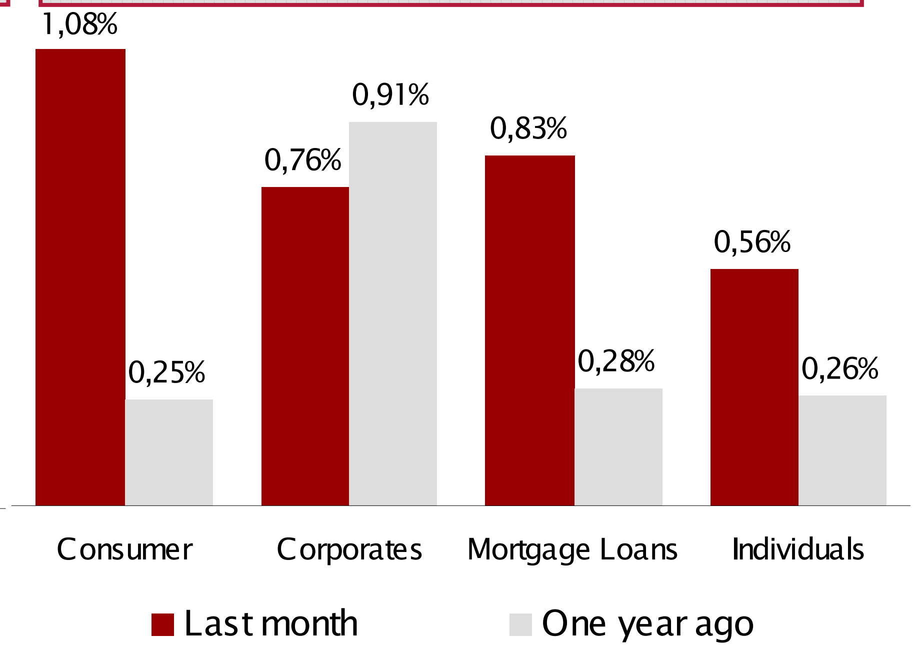


Source: Quarterly results as of 1H09
Note: Comparable banks include BBVA Iberia, Sabadell, Santander Spain and Bankinter

…through an active pricing management

YoY increase of spreads on front-book

Front-book spreads vs industry



Note: Data as of June 2009

Source: Banco de España

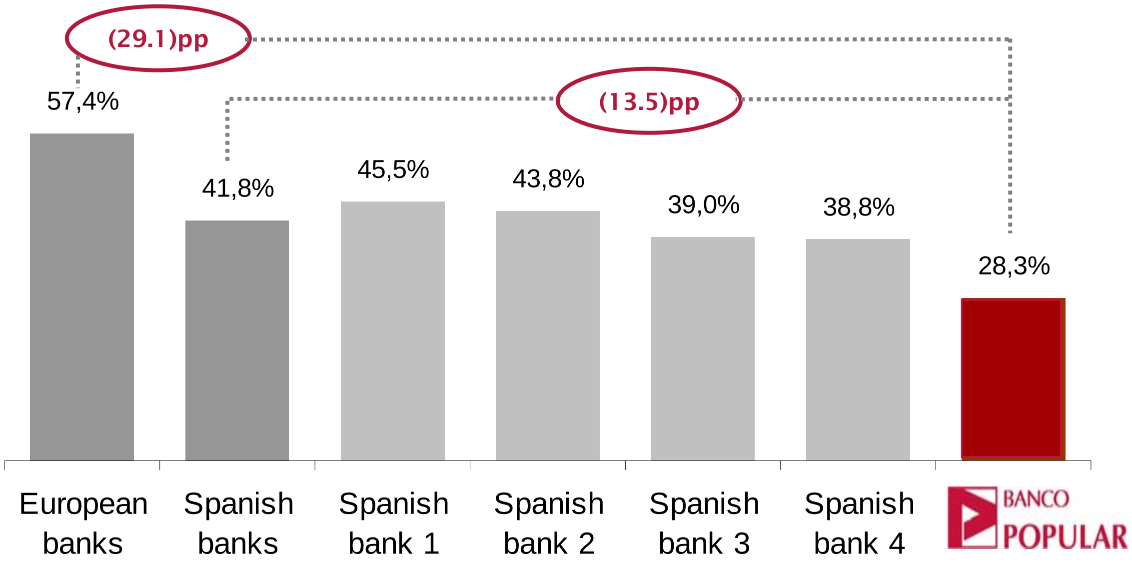
In addition, 51% of total loans have floors and an ALCO portfolio is being built

Improving our efficiency while reinforcing our position as the most efficient Bank in Europe

C/I ratio below 30%

Efficiency ratio evolution

Efficiency ratio comparison

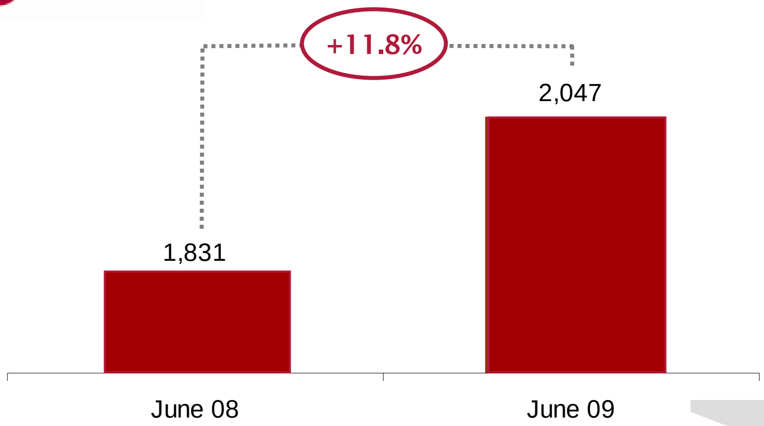


Source: Analysts' estimates. Data as of June 09

Leading us to a “record-high” pre-provision profit

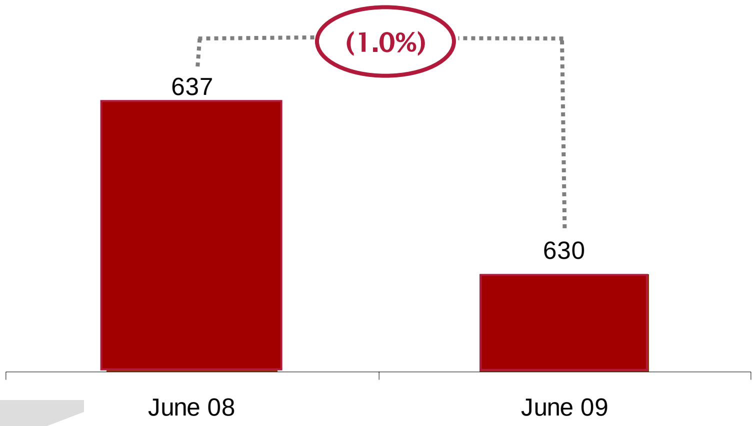
Total revenues

(€ in millions)



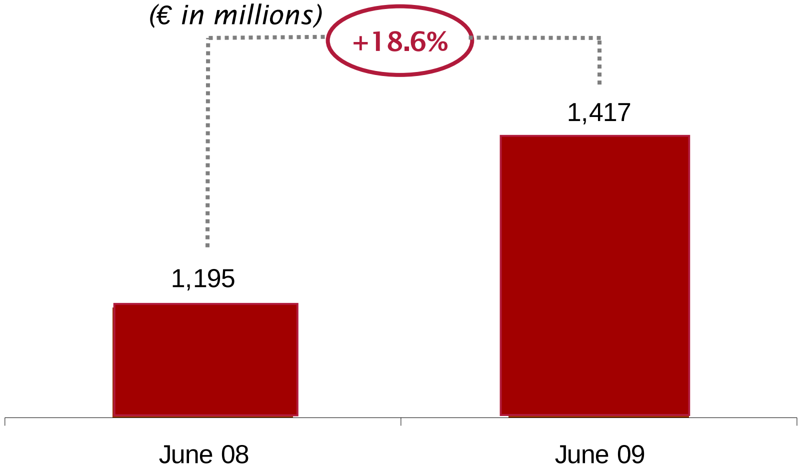
Operating costs (1)

(€ in millions)



Pre-provision profit

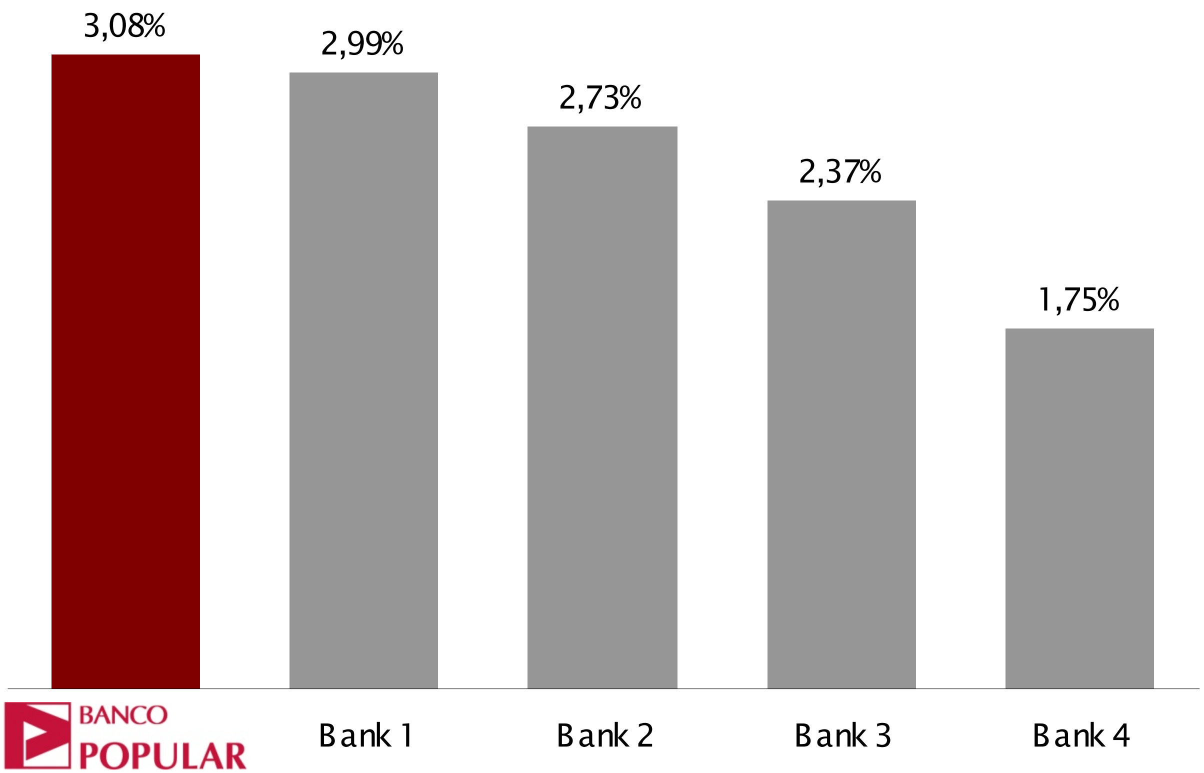
(€ in millions)



(1) Streamlining o branch network: 119 closed in 1H09, which represents 2.4% of Popular’s network and 34% of the bank’s branch reductions (Source: Bank of Spain)

...which is the highest among peers

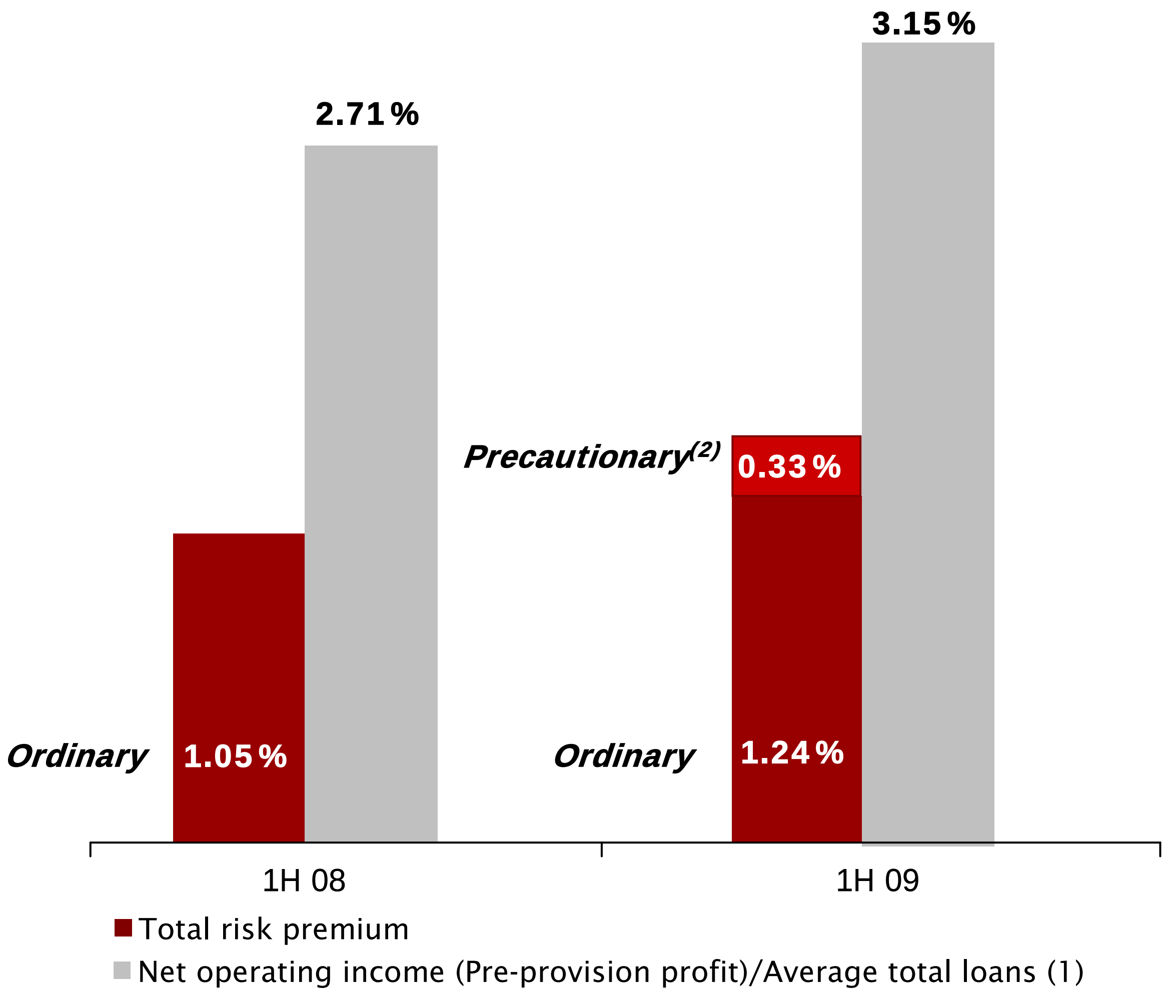
1H09 pre-provision profit / gross loans (%)



Source: Quarterly results as of 1H09
Note: Comparable banks include BBVA Iberia, Sabadell, Santander Spain and Bankinter

… and allows us to offset current risk through higher efficiency

Pre-provision profit margins vs. risk premium

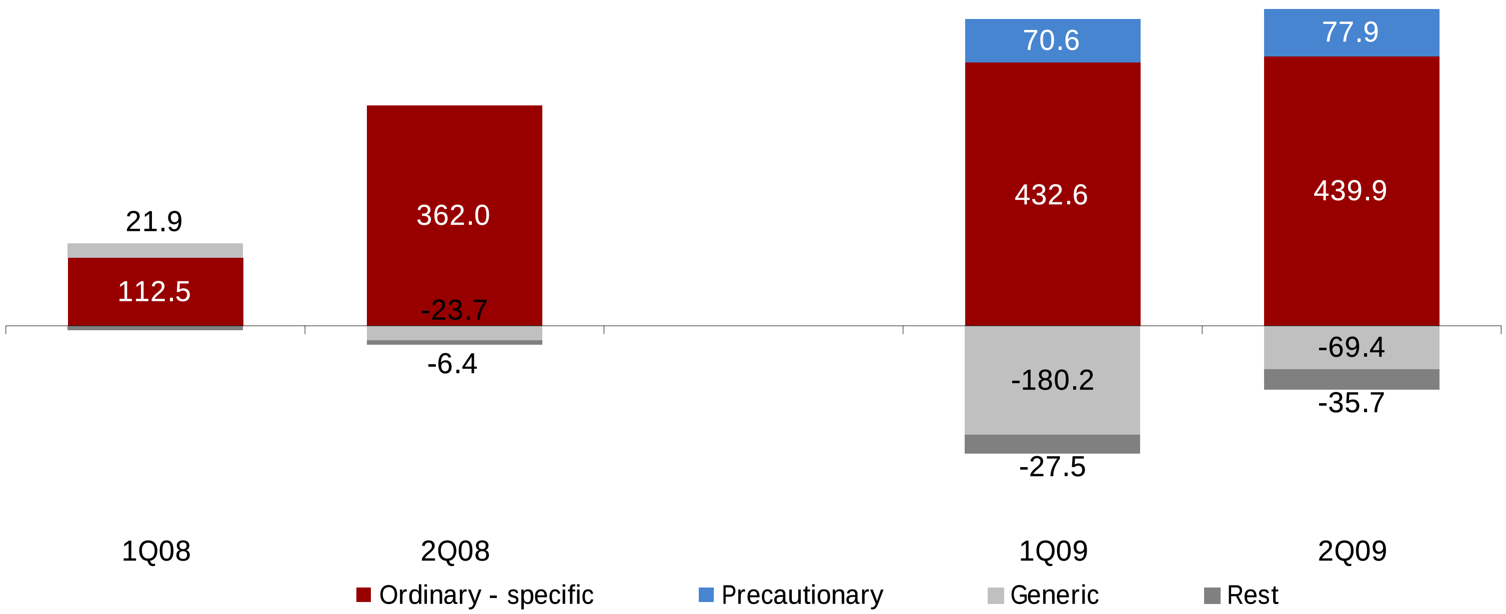


(1) Average net total loans

(2) Sector, no specific allocation

… even having taken a conservative provisioning approach releasing less generic provision

Evolution of P&L provisions by type

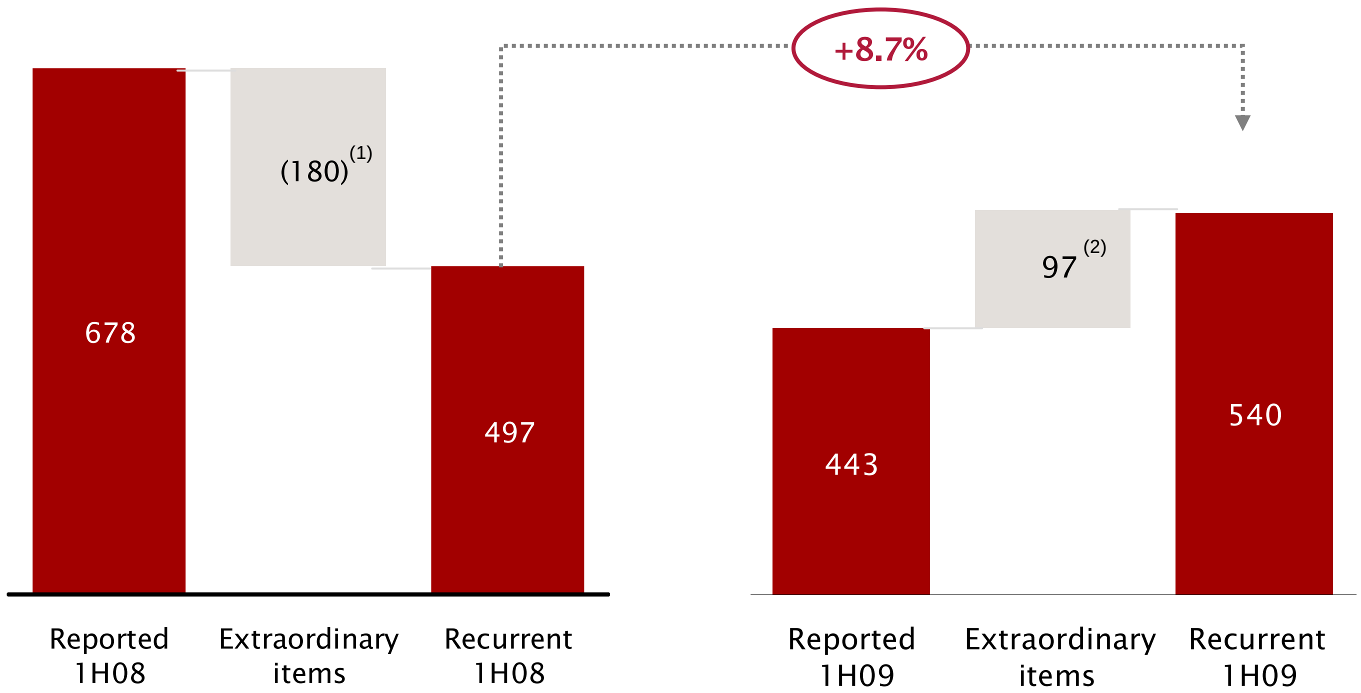


Reduction of release of generic provisions of 110 M € 2Q09 vs. 1Q09

Our strong recurrent business model ensures we can weather adverse economic scenarios

Recurrent net income reconciliation

(€ in millions)



(1)Includes: Sale of Banco Popular France (€40m); Real estate sale & lease back capital gains (€203m)
(2)Includes: Real estate sale and lease back capital gains (€225m), precautionary provisions (€148 m) and real estate (€214m)
Data after taxes

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Active risk management

Net entries of bad loans have decreased by 41% vs. first quarter 2009

Evolution of non-performing loans of less than 90 days decreasing

We have slowed down the release of generic provisions in this quarter (€70m vs. €180m prior quarter) maintaining a 2 year release buffer

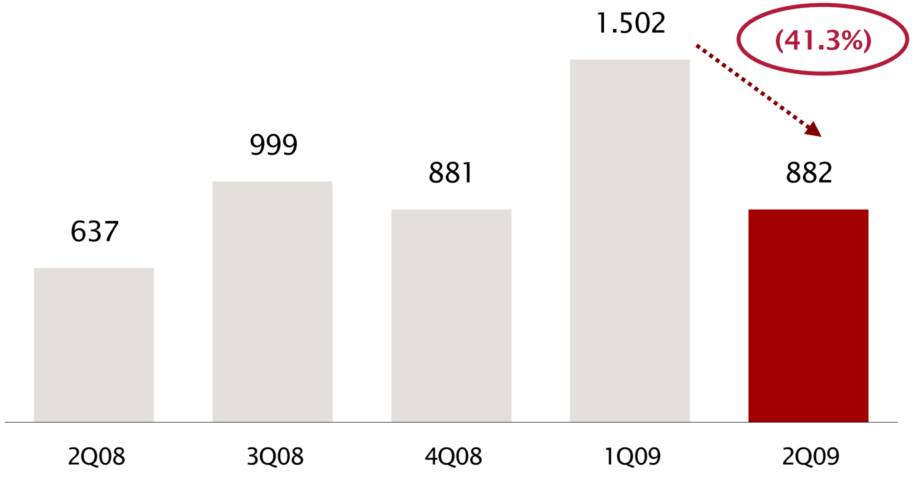
Asset quality: high collateralization and low affordability ratios

Strong teams dealing with and anticipating solutions for customers

Sharply reduced credit quality deterioration backed by internal indicators

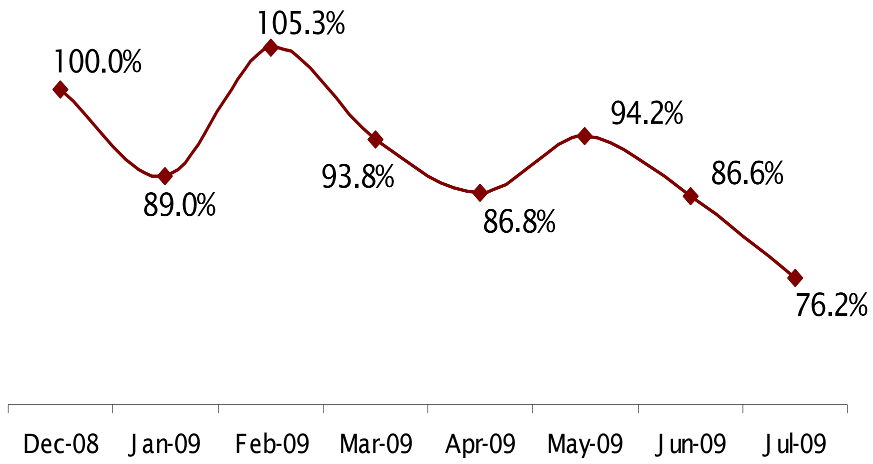
Evolution of NPL net Entries

(€ in millions)



620 M€ lower net entries than in 1Q09

Late/failed payment (30-90 days) Index (*)

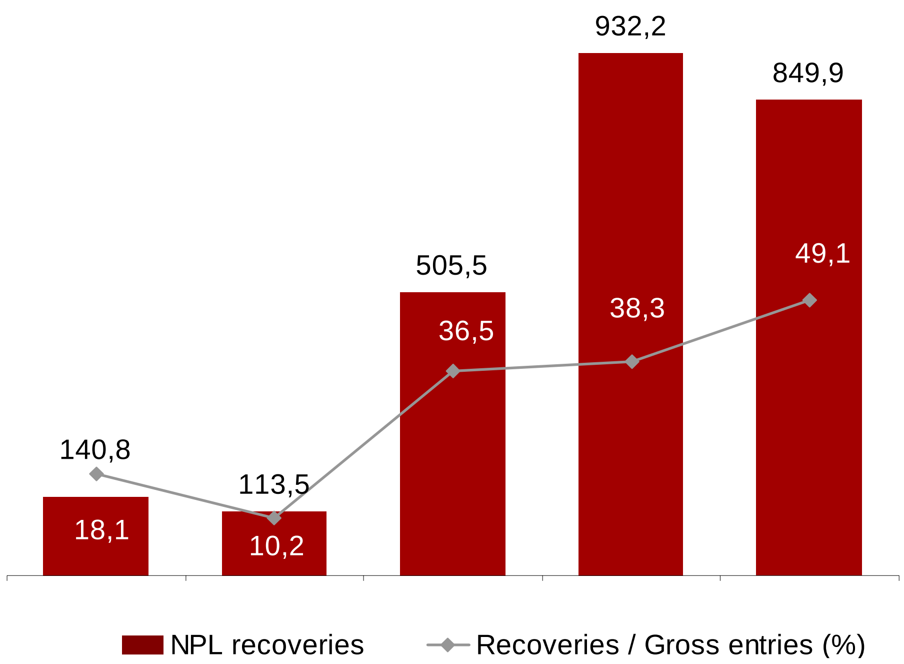


(*) Index shows evolution of € volume of Banco Popular's clients who have failed or defaulted payments (30-90 days) but are not non performing according to Bank of Spain regulation. Base of as December 2008. Data as of the beginning of each month.

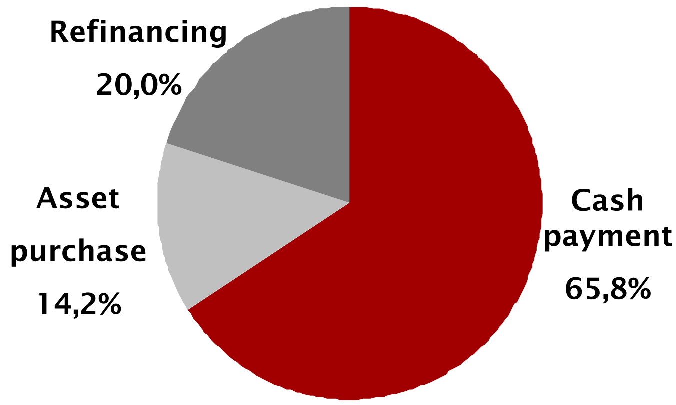
Sustained by higher recovery rates with a high quality

Evolution of NPL recoveries and recovery rates

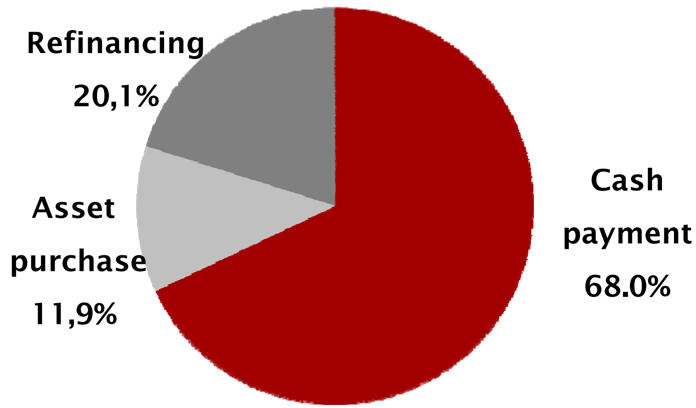
(€ in millions)



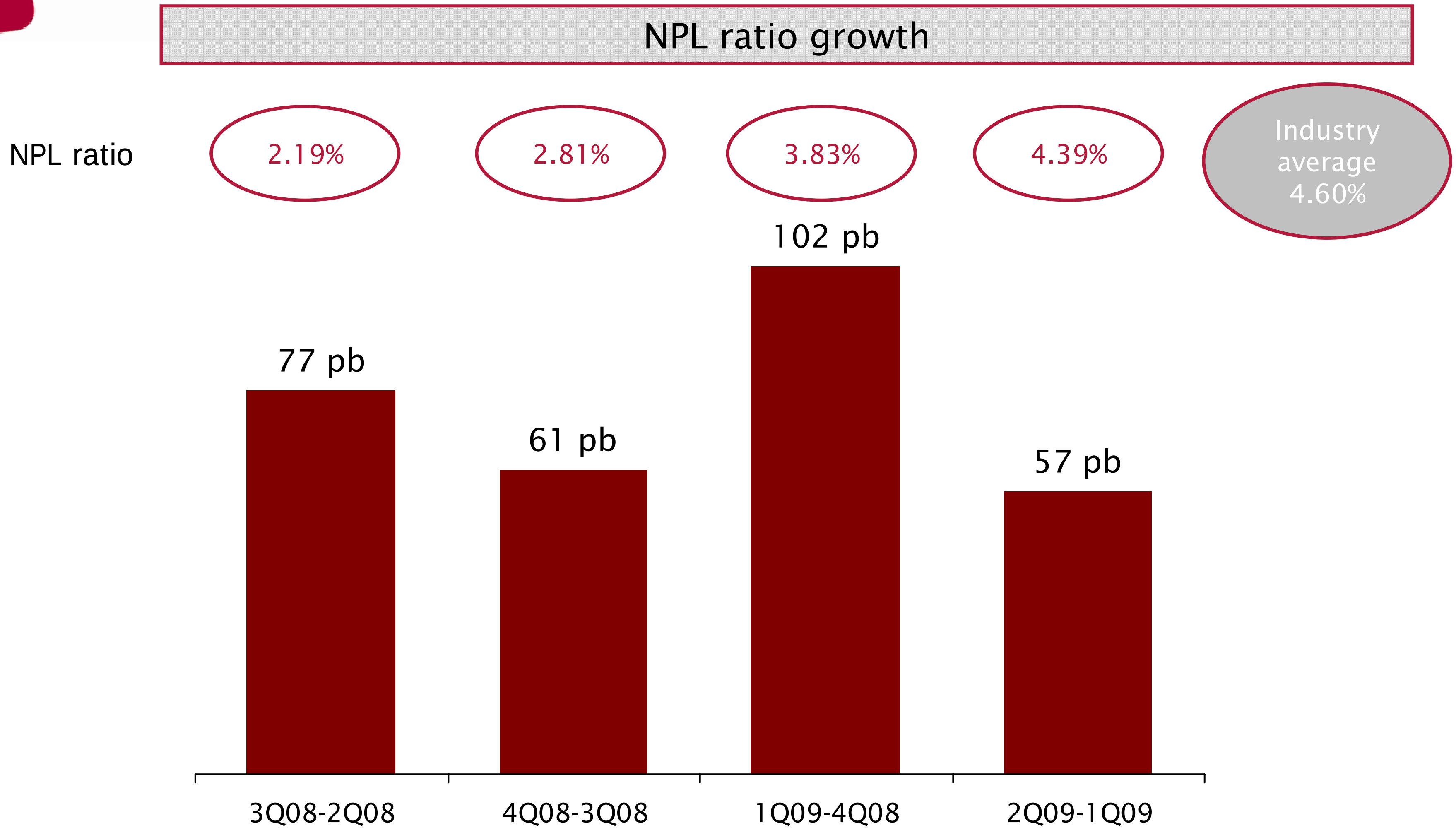
Recoveries 1Q 09



Recoveries 2Q 09



NPL ratio grows at a slower rate...

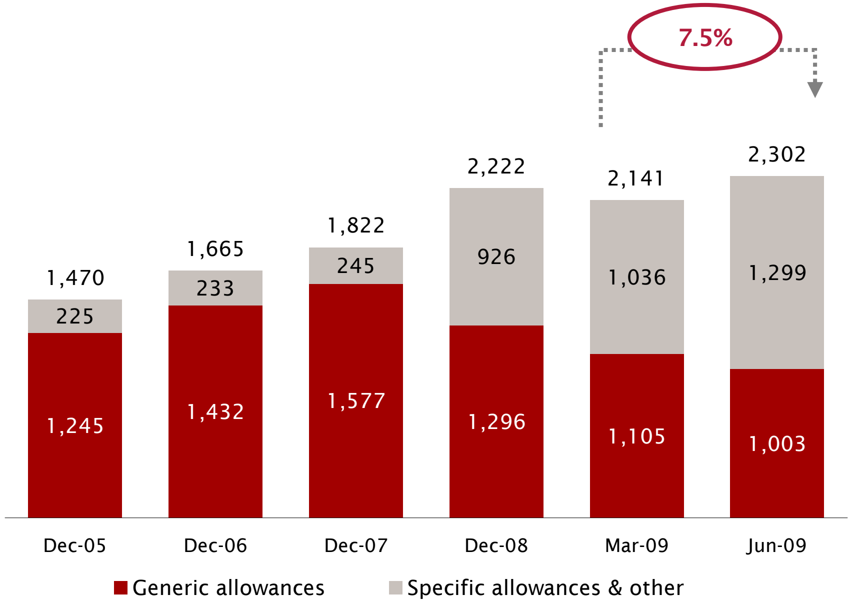


(1) Average of banks and savings banks as of May 2009. Other resident sectors. Source: Banco de España

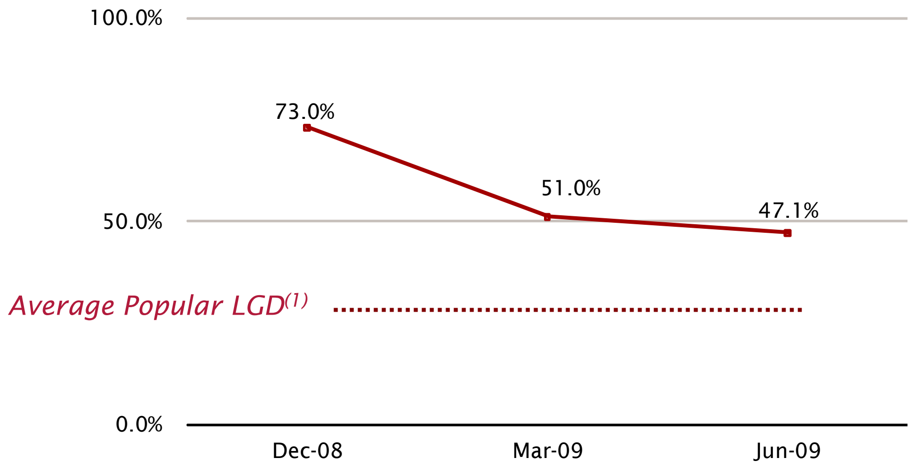
… while we continue to increase provisions with coverage well above expected loss

Loan loss allowances

(€ in millions)



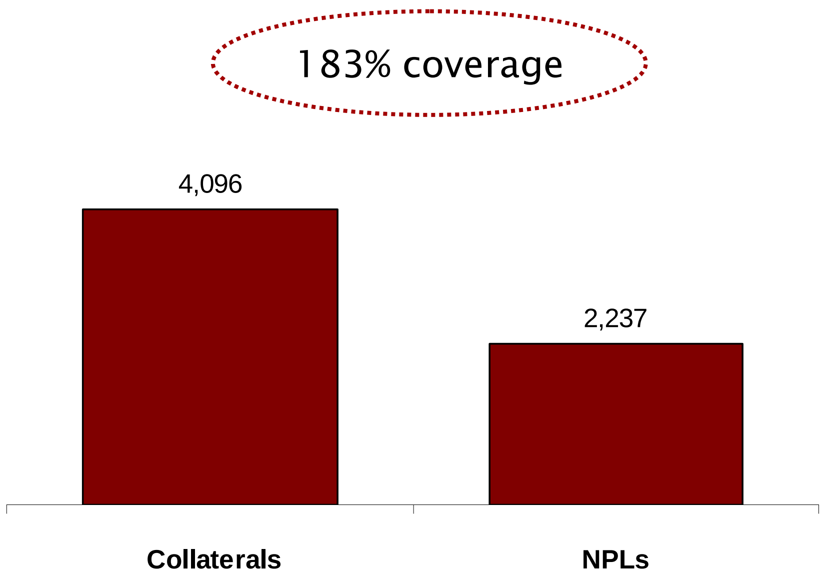
Coverage ratio evolution



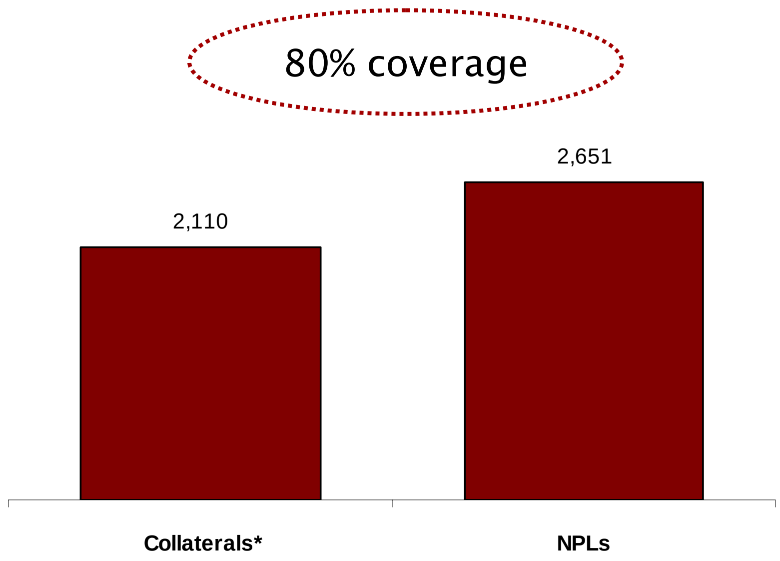
LGD defaults: Loss Given Default. Includes internal IRB models for SME and mortgages and regulatory LGD for the rest of the portfolio.

… and thus, our global coverage is well above the reported

With collateral



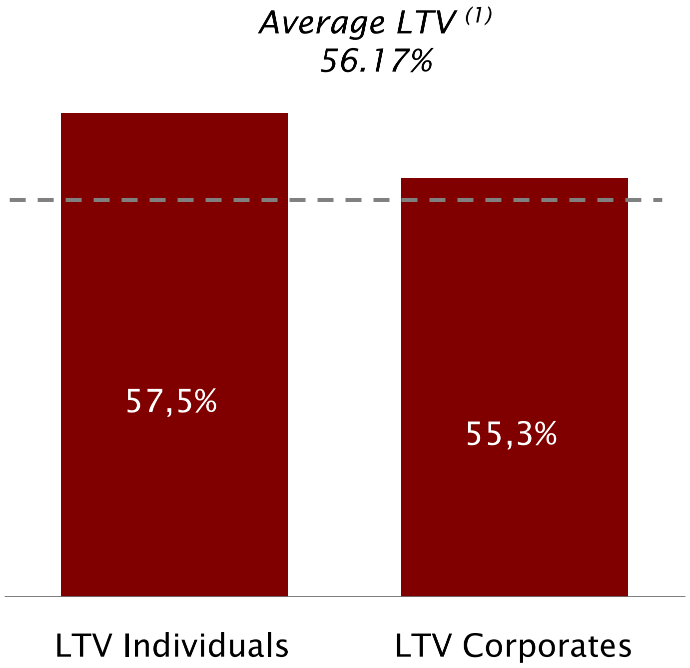
Without collateral



** Including total generic provisions*

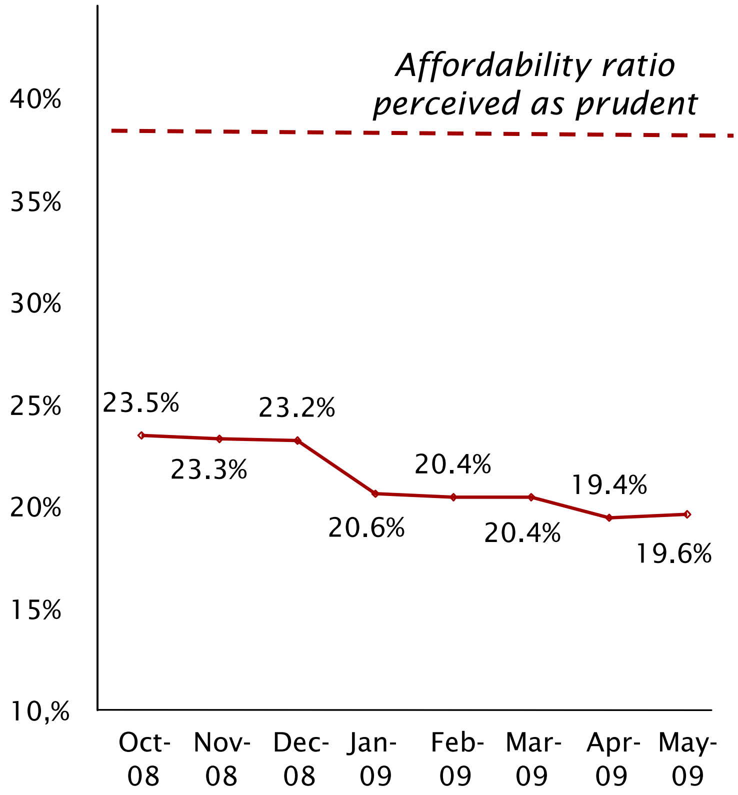
As we run a high quality mortgage book

Total mortgage portfolio



COLLATERALIZATION		
Individuals	**Corporates**	**Total**
82%	58%	66%

Average affordability ratio (2)



(1) LTV: Loan-to-value
(2) Affordability ratio of new loans = mortgage payment / disposable income

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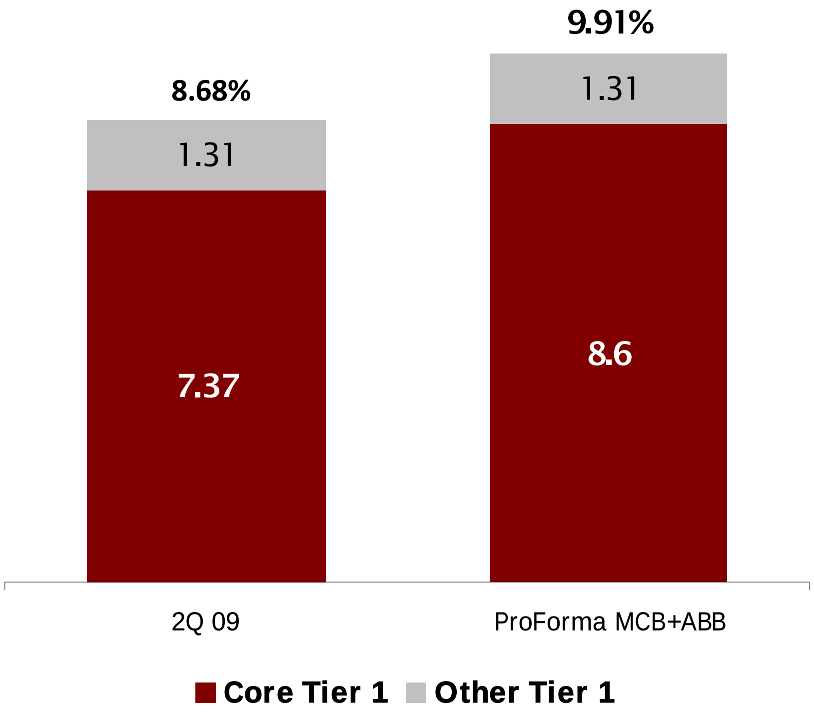
We increase our already strong capital ratios

Rationale of the deal

- ✓ Continue organic growth and take advantage of market opportunities
- ✓ Strengthen balance sheet in light of current adverse market environment
- ✓ Anticipate to the new European equity standards
- ✓ Surpass the new capital benchmark/differentiate from peers

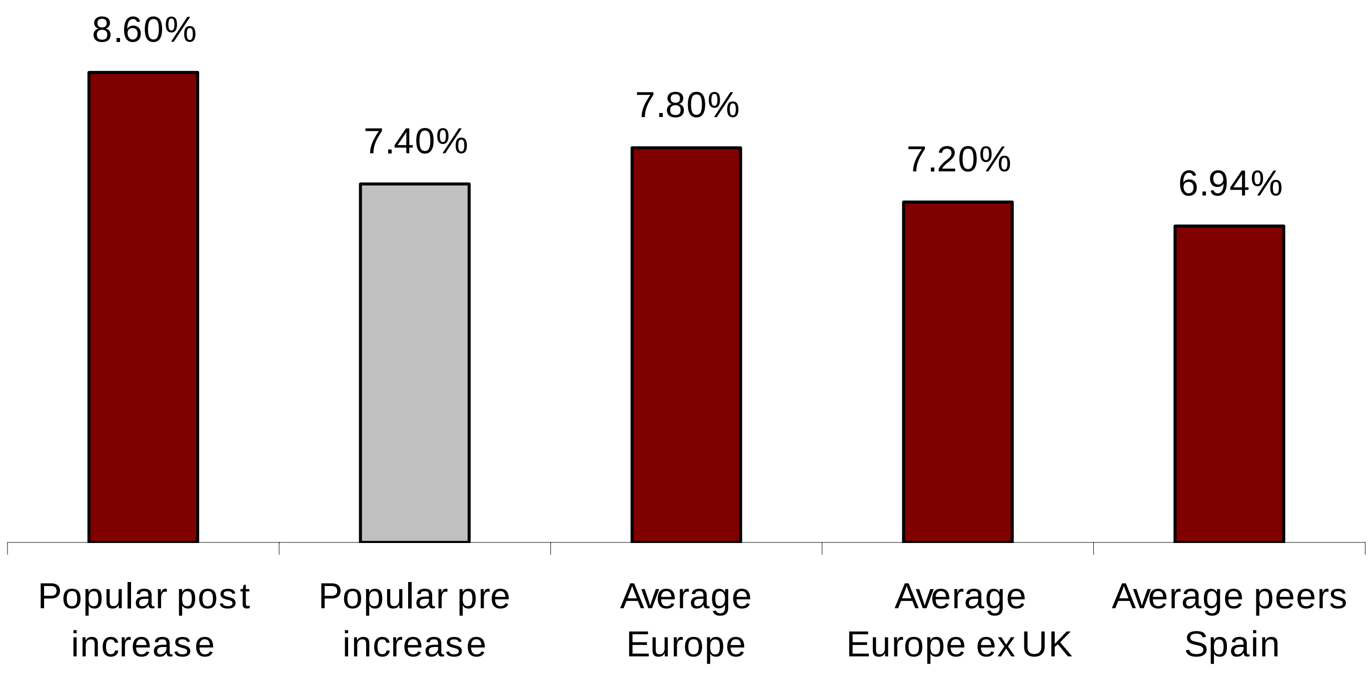
Transaction Capital Impact



Note: Assumes 500 M€ ABB and 600 M€ MCB issues

By 3Q09 we expect to be the best capitalized bank in Spain and probably in Europe

Core Tier 1 ratios of Spanish & European banks (1H09)



Source: Company data.
Note: Does not include MCB issued by Sabadell post 1H09 results

Transaction Overview

500 – 700 M€ MCB

- Mandatory convertible bond ("MCB") to retail investors for 500 M€ up to 700 M€
- Conversion price to be highest of: (i) Banco Popular's book value per share as of June 30th, 2009 (5.68 €) and (ii) 110% of highest of Volume Weighted Average Price (VWAP) of 5 working days post-disbursement and 15 working days pre-disbursement
- 7% nominal yield during 1st year and Euribor (3 months) + 400 bp until maturity
- Conversion to be mandatory upon maturity (Oct. 2013) and voluntary for investor annually

+

Up to 500 M€ ABB

- Issuance of ordinary shares (on a non pre-emptive basis) to Spanish and international institutional investors via a backstopped accelerated book-building ("ABB") of up to 500 M€
- Book closed at EUR 7.00/Sh. New shares issued 71.4m
- The transaction was more than 3x oversubscribed with the large majority of the demand coming from international investors

Additional capital of 1.0 – 1.2 Bn€

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Conclusions

Demonstrated operating excellence	✓ Focus on what we do best: our core business SMEs and individuals ✓ Best in class margins ✓ Best efficiency levels in Europe at 28% ✓ 1H09 Pre-provision profit of 1.4 bn € (+19% YoY); highest among peers
Asset quality visible and under control	✓ Active risk management ✓ Lowering NPL entries and high recovery ratio ✓ Expected losses below provisions
Taking advantage of market opportunities	✓ Strengthening our above average capital base to weather the storm and take advantage of market opportunities

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