Merrill Lynch – 2009
Banking & Insurance CEO Conference
"Competing in the New Normal"

29th September 2009

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Agenda

1. A solid domestic banking franchise

2. Reportedly, one of the best managed banks in Europe

3. A sound balance sheet: asset quality improving, strong provision reserves and no liquidity issues

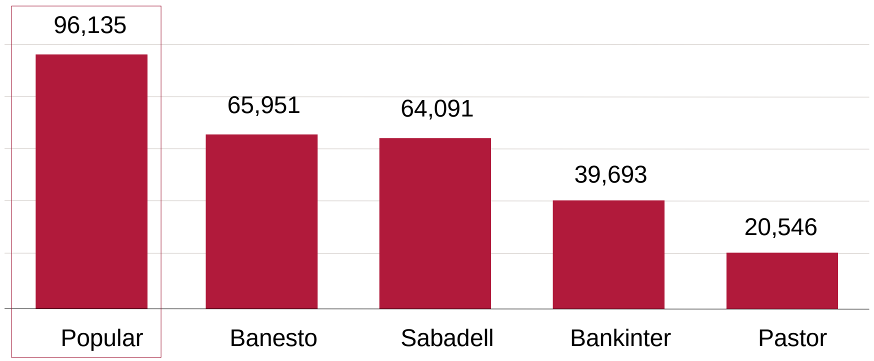
4. One of the best capitalized banks in Spain and in Europe

5. Closing remarks

Third largest banking franchise with nationwide distribution, a growing Florida presence and a significant Portuguese platform

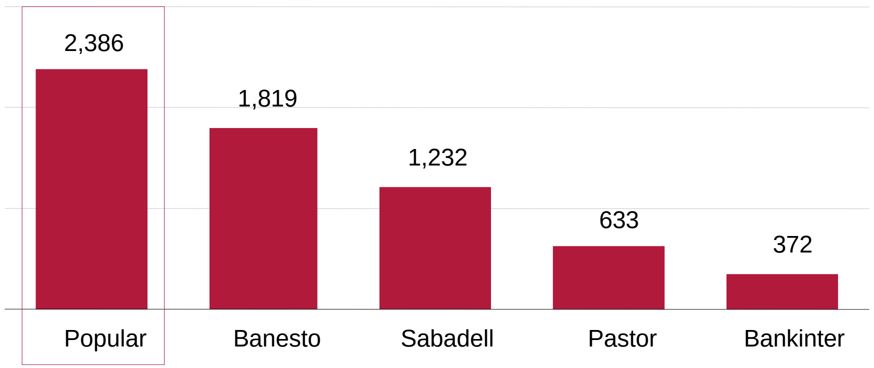
Spanish mid sized banks by customer loans (1H09)

(€ millions)



Spanish mid sized banks by branches (1H09)

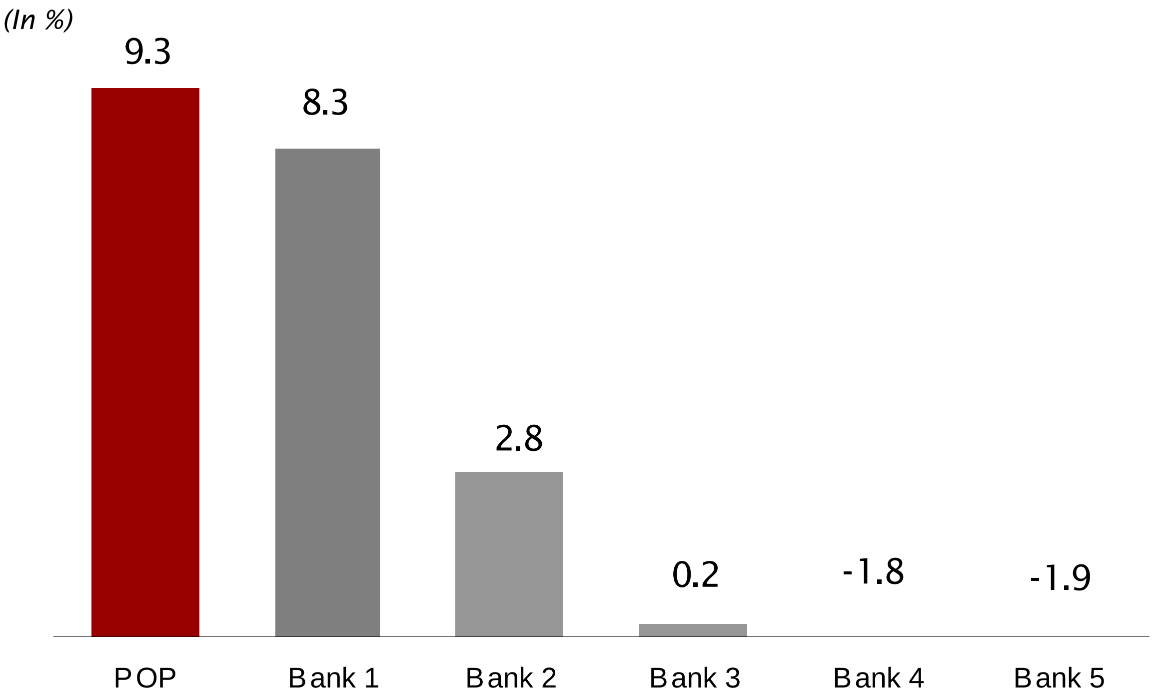
(€ millions)



Source: Company data

Focused on retail commercial banking with strong footprint on SMEs and individuals. No exposure to structured credit; no significant equity investments

YoY Business Volume* Growth 2Q09



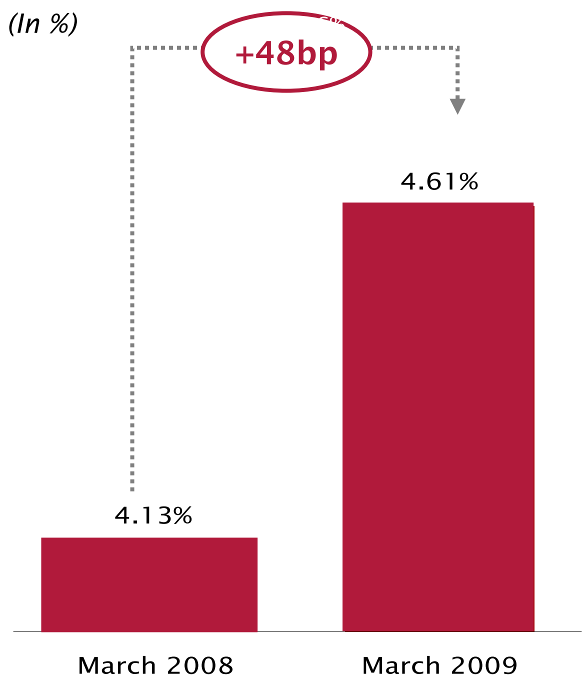
· *Business Volume : Client Loans+ Client deposits + AuM.*

· *Note: peer group SAN Spain, BBVA Iberia, Sabadell, Banesto and Bankinter*

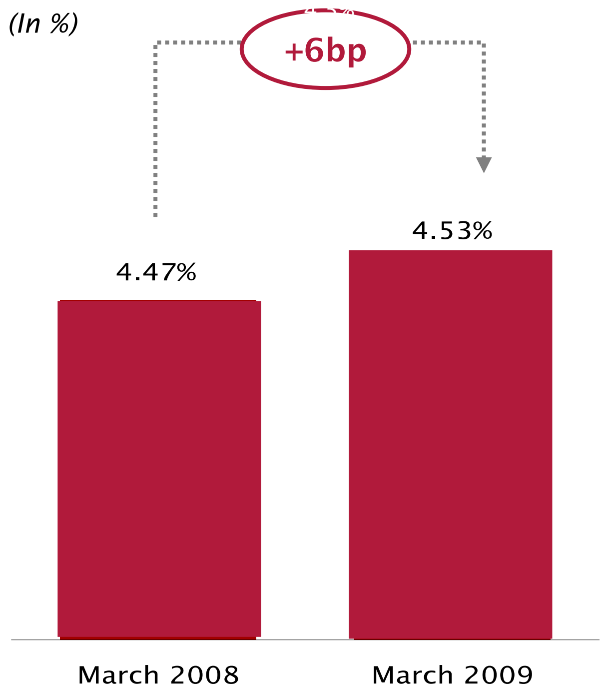
We are strengthening our franchise above peers.

And keep increasing our market shares in Spain

Customer deposits market share



Customer loans market share*



Source: Bank of Spain, T7 form

**66% of the loan portfolio is collateralized*

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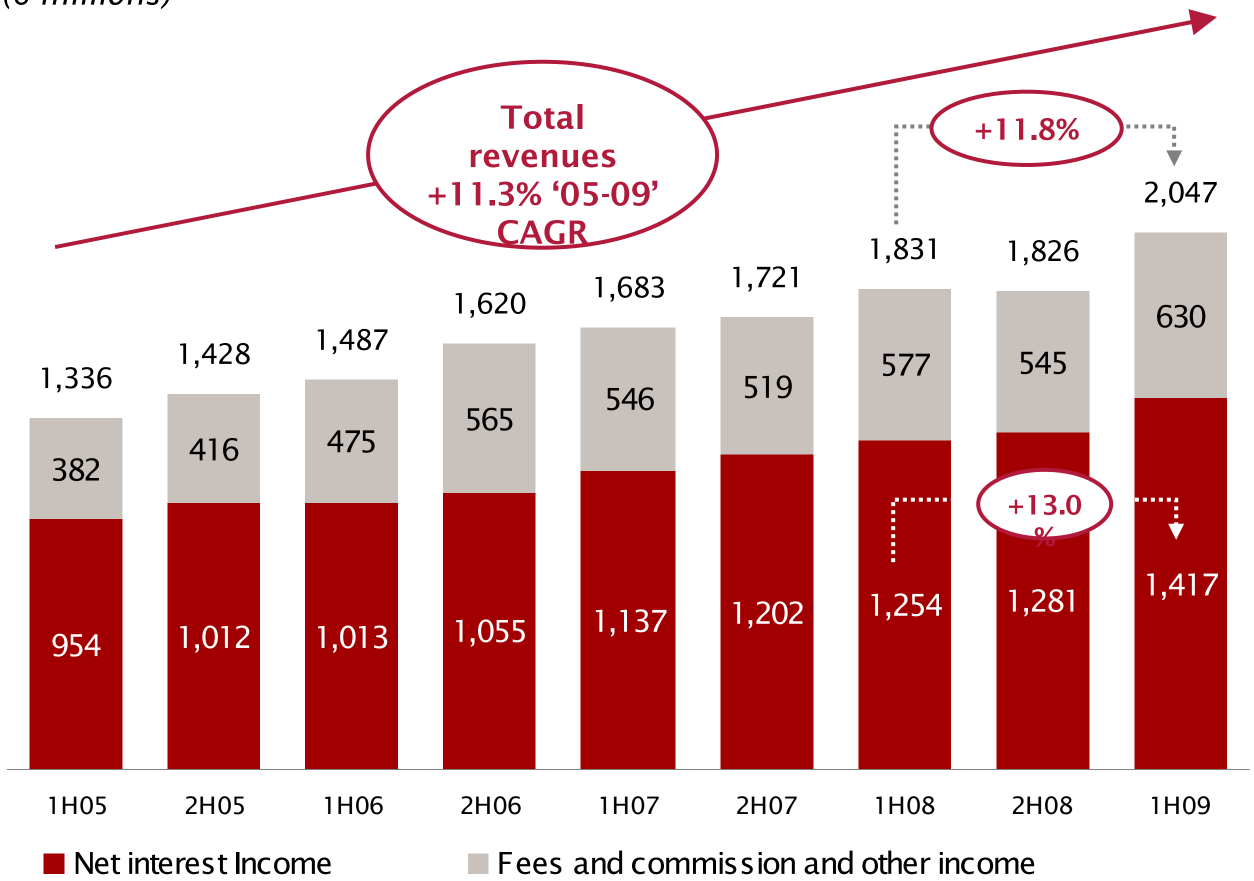
We have been able to keep a strong revenue generation, despite the tough economic environment…

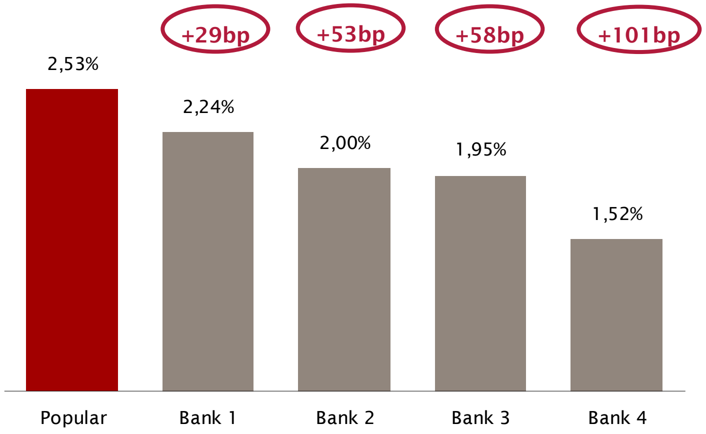
Net interest income and total revenues evolution

(€ millions)



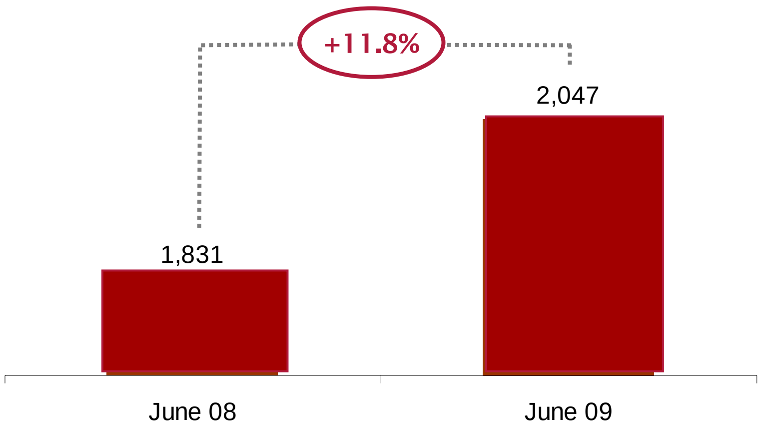
We have a strong pre-provisioning income with higher margins than peers…

Net interest margin 1H09 results



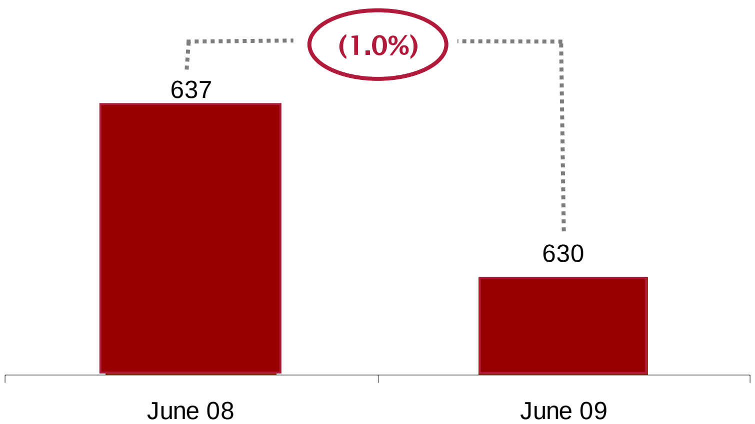
Total revenues

(€ millions)



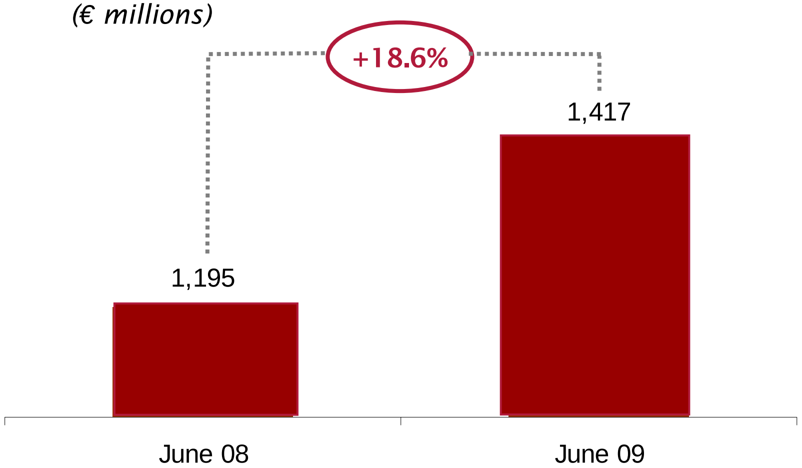
Operating costs (1)

(€ millions)



Pre-provision profit

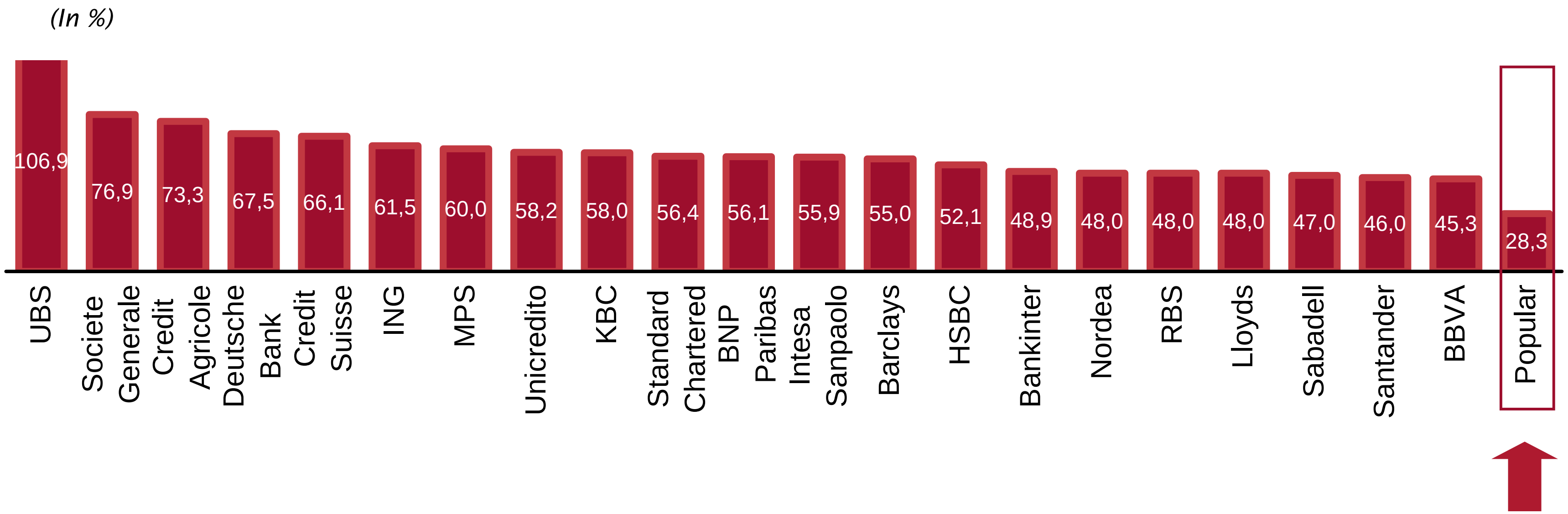
(€ millions)



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

And we remain one of the most efficient branch-based retail & commercial bank globally

Cost income ratio of leading European banks



Source: Company data. Goldman Sachs presentation as of June 2009. Note: Excludes depreciation for Spanish banks

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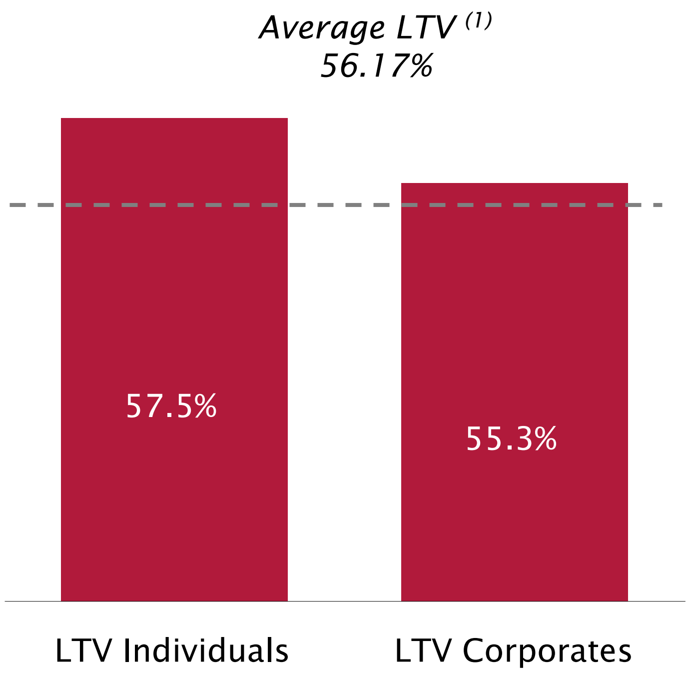
High quality mortgage book

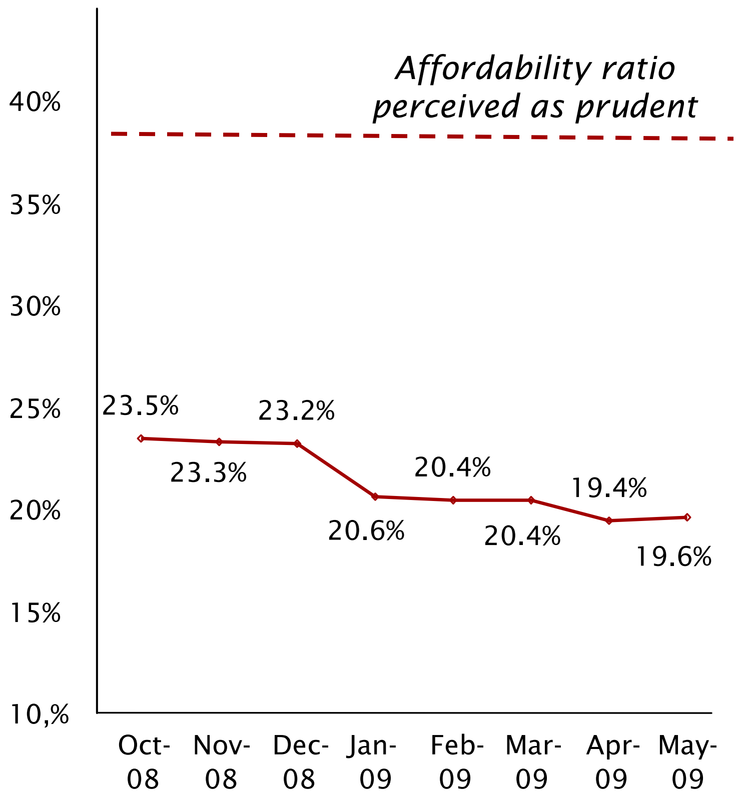
Total mortgage portfolio



COLLATERALIZATION

Individuals	Corporates	Total
82%	58%	66%

Average affordability ratio (2)



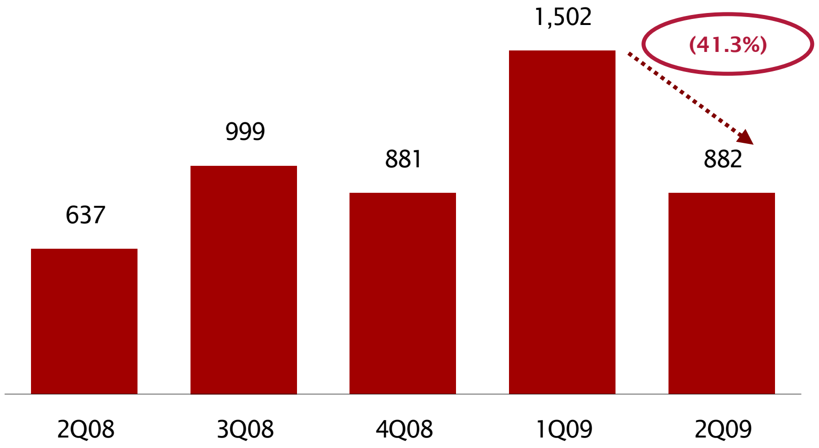
(1) LTV: Loan-to-value

(2) Affordability ratio of new loans = mortgage payment / disposable income

Still tough cycle, but improving trends

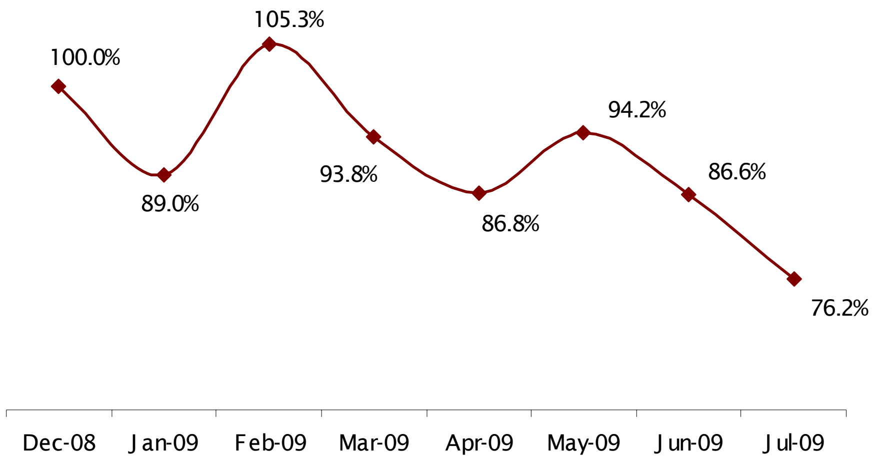
Evolution of NPL net Entries

(€ millions)



€620 M lower net entries than in 1Q09

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

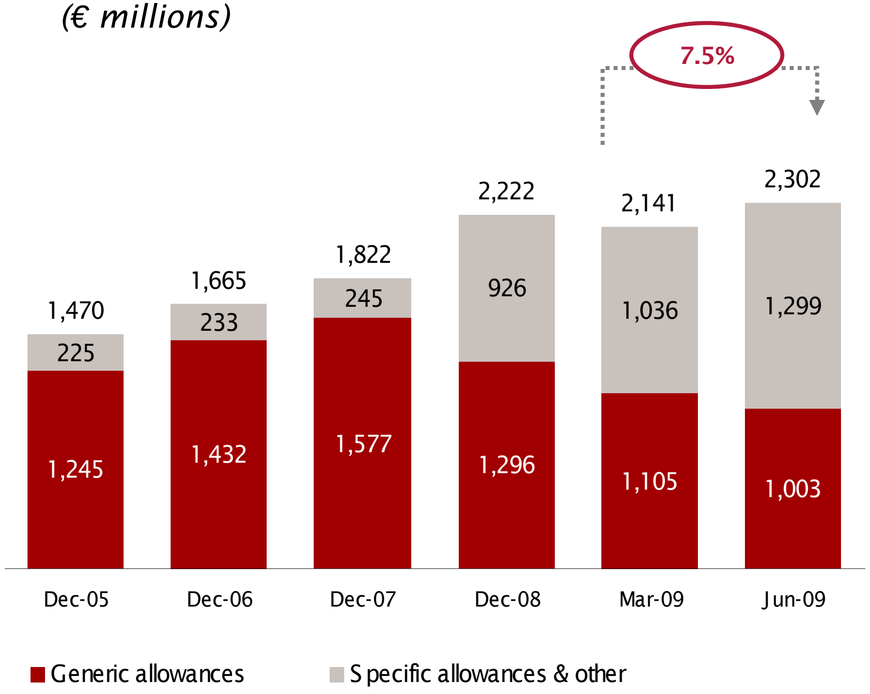


(*) *Index shows evolution of € volume of Banco Popular's clients who have failed or defaulted payments (30-90 days) but are not non performing according to Bank of Spain regulation. Base as of December 2008. Data as of the beginning of each month.*

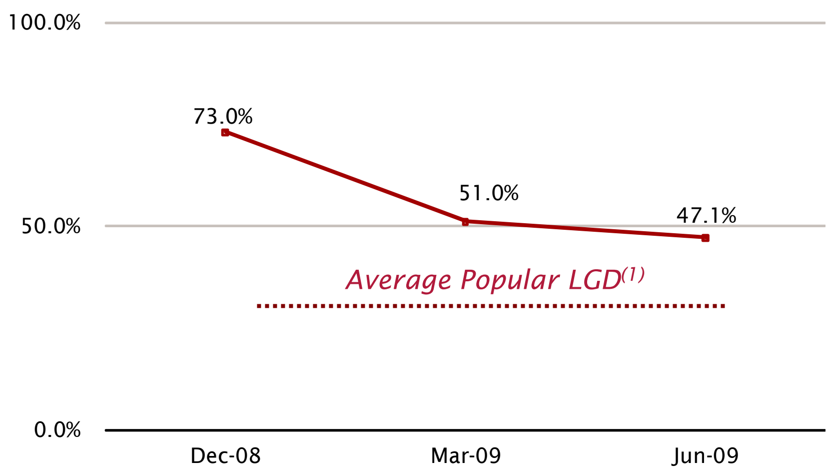
Strong provision reserves

Loan loss allowances

(€ millions)



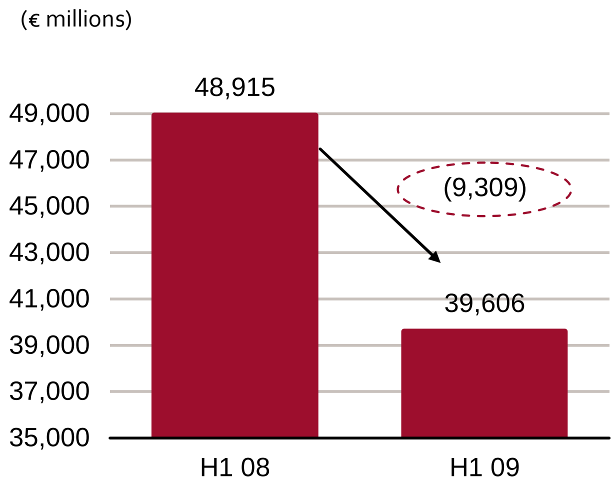
Coverage ratio evolution



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

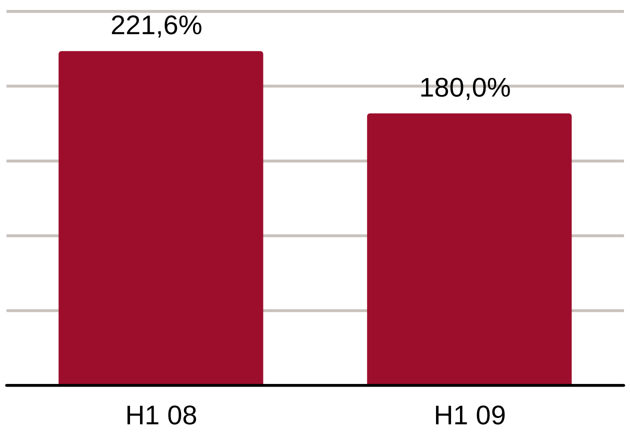
No liquidity issues. Strong improvement of our commercial gap & Wholesale funding maturities fully covered

Evolution of commercial gap



Source: Company data

Loan / deposit ratio



€ 16 bn ECB eligible assets

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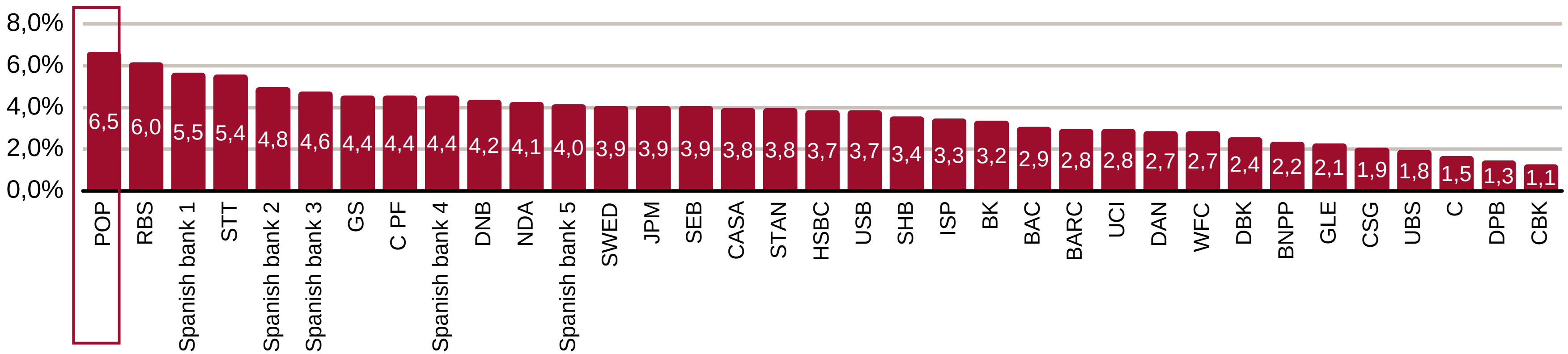
We believe that a strong capital position is a competitive advantage. Our views on capital:

- **Capital standards are rising**
- **Quality of capital matters**
- **Total Equity/Tangible Assets is becoming increasingly more important**
- **Capital strength enables to take advantage of any market opportunity**

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

Tangible equity / tangible total assets

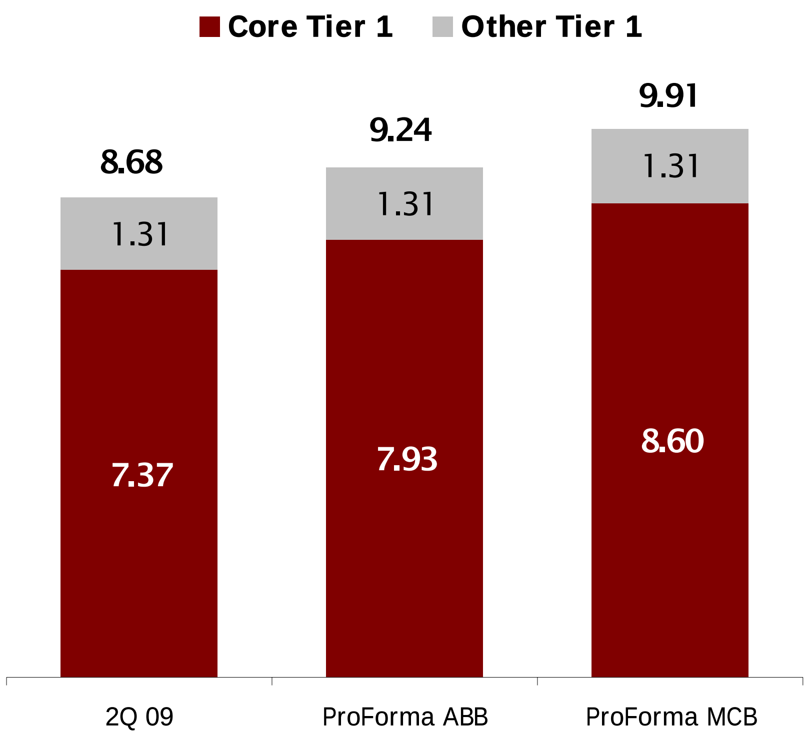


Source: Morgan Stanley, 26 May 2009

Low Leverage: <15x

We are increasing our already strong core capital ratios, by up to €1.2bn

Transaction Capital Impact



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

Transaction Overview

€500 – €700m 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 pre-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

+ €500m ABB

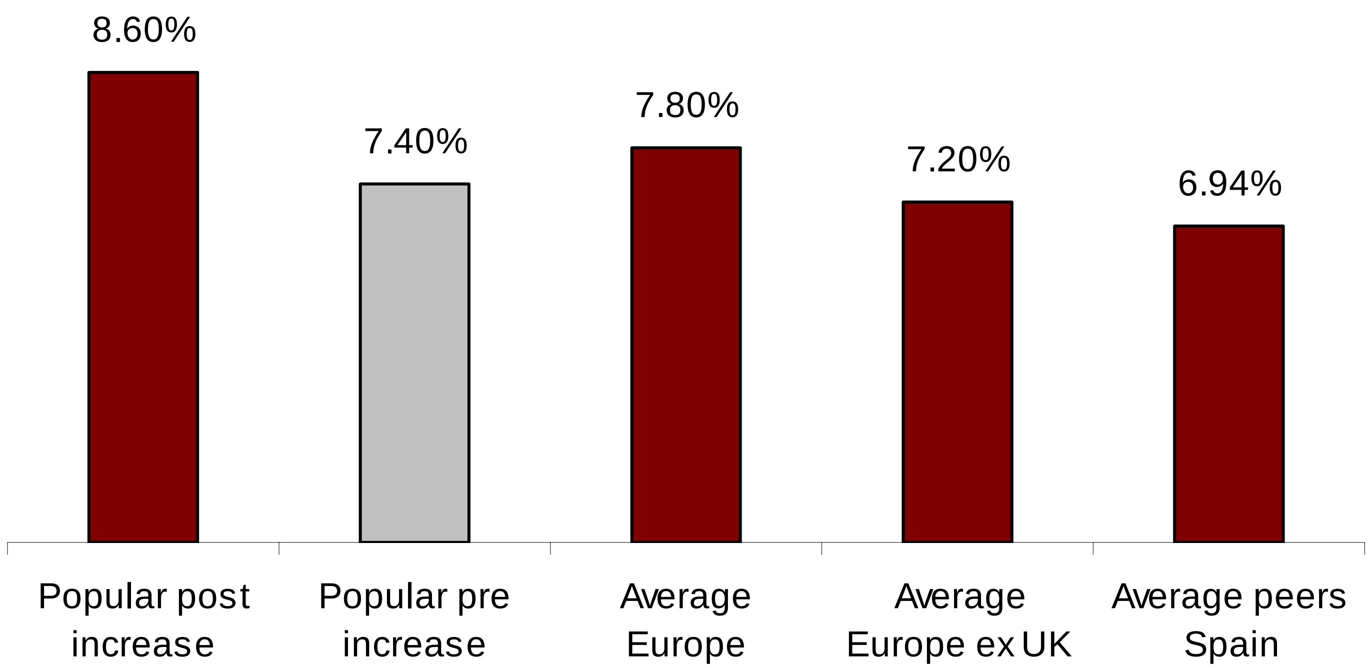
- Issuance of ordinary shares (on a non pre-emptive basis) to Spanish and international institutional investors via a backstopped accelerated book-building ("ABB") of up to 500 M€
- Book closed at EUR 7.00/Sh. New shares issued 71.4m
- The transaction was more than 3x oversubscribed with the large majority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

Additional capital of €1bn – €1.2 bn

No equity injections by our Government.

By October 09 we expect to be the best capitalized bank in Spain, and probably in Europe

Core Tier 1 ratios of Spanish banks (1H09)



Source: Company data and Credit Suisse
Note: Does not include MCB issued by Sab post 1H09 results

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Closing Remarks

- ✓ We remain cautious, but positive in our franchise
- ✓ Popular commands a proven operating excellence
- ✓ Asset quality visible and under control
- ✓ Our surplus capital give us a competitive advantage

Banco Popular will fill the gaps left by others

Thank you very much.

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