



Morgan Stanley

European Financials Conference

**"Managing for value in an uncertain
economic and regulatory environment"**

Jacobo González-Robatto, Group CFO

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Managing for value in an uncertain economic and regulatory environment

Popular keeps creating value in an uncertain economic environment

- ✓ ROE over 10% in 2009, after 2bn+ in provisions.
- ✓ Raising revenues & market share
- ✓ Pushing efficiency to even higher levels
- ✓ Managing risk pro-actively

...& Popular is equipping itself for regulatory changes

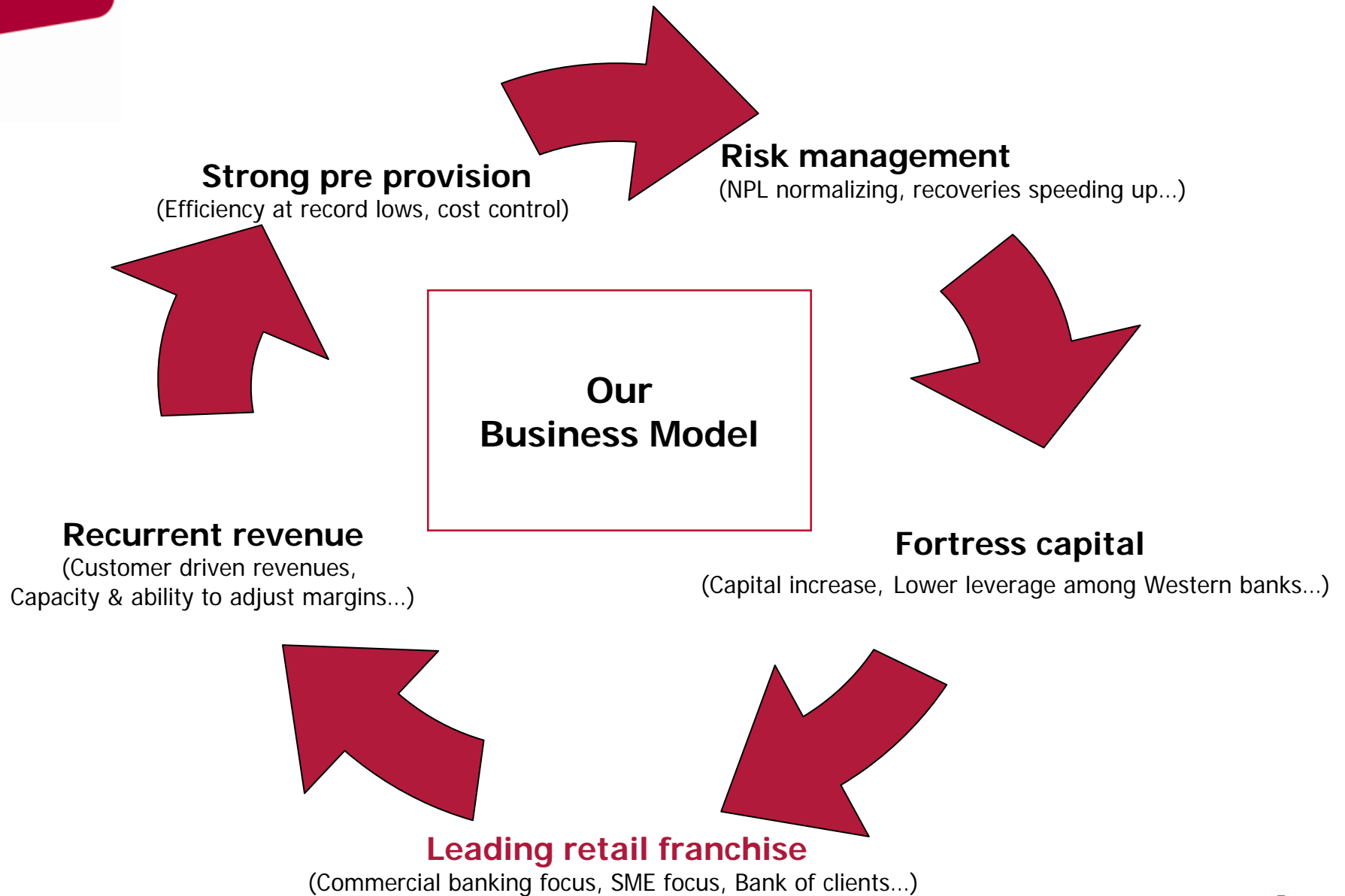
- ✓ Reinforcing its pure retail & commercial profile
- ✓ Raising core capital by 20% in 2009
- ✓ No need to deleverage
- ✓ Gaining retail deposits and reducing wholesale market exposure



I. Managing for value in an uncertain economic environment



Our model has proven successful in the current crisis

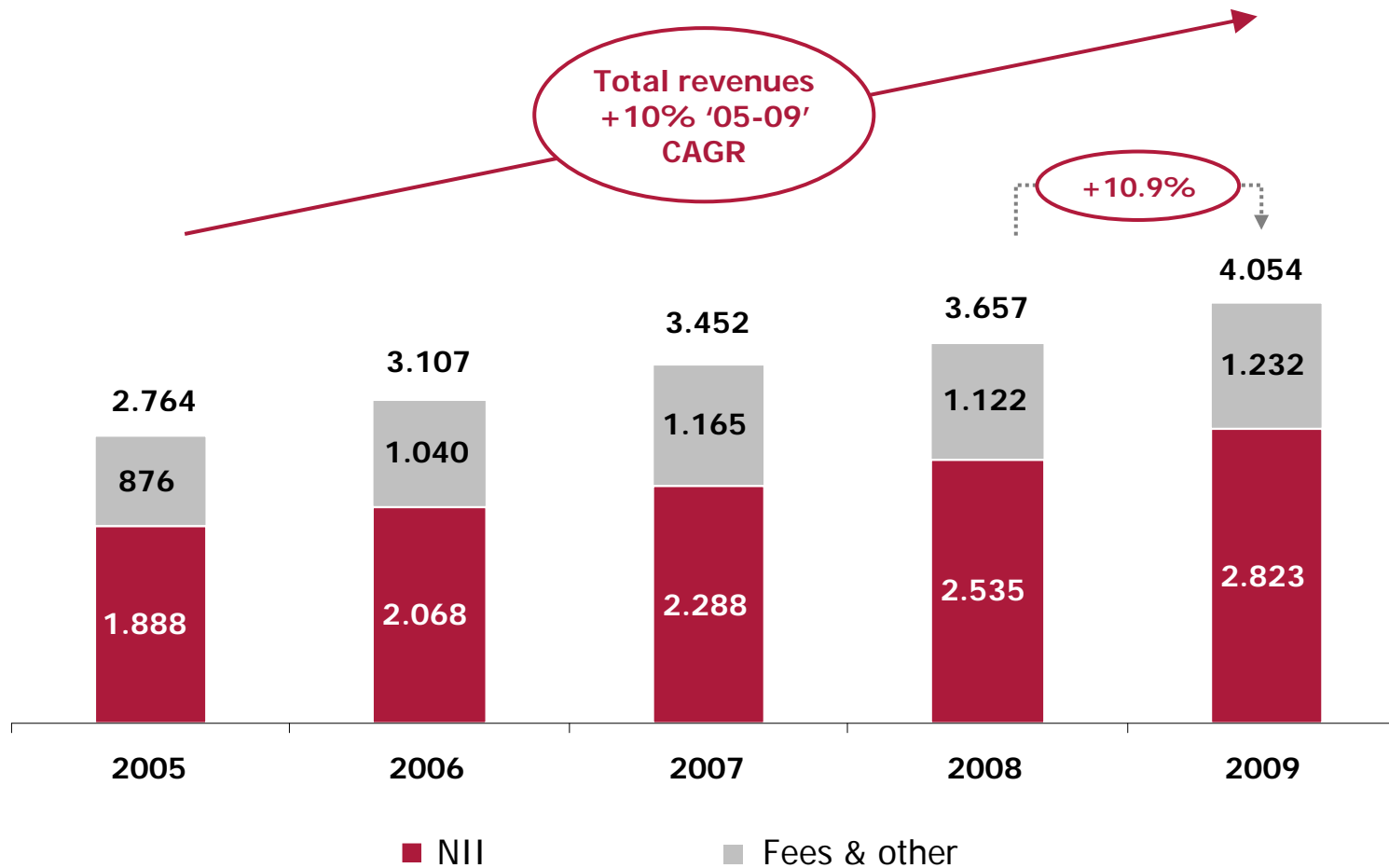




Recurrent revenues based on commercial activity

Net Interest Income and Total Revenues

(€, million)

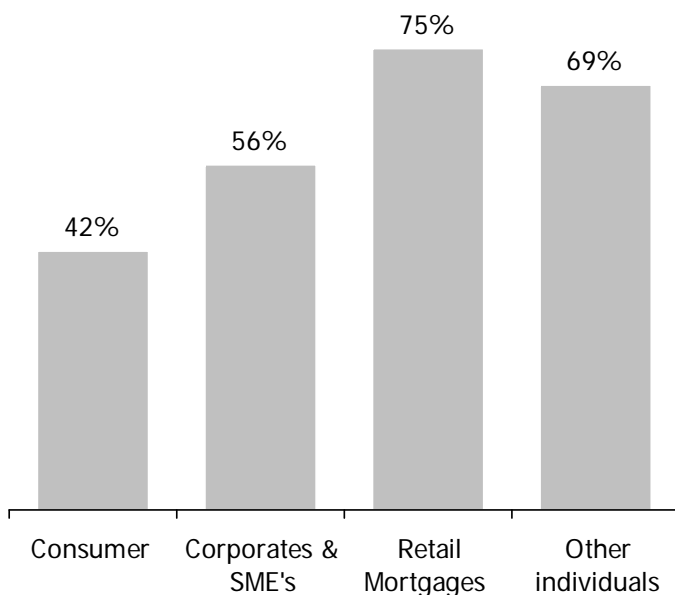




But also in a proven ability to manage margins

We are bankers of clients rather than products... and therefore, our customers pay for a close, fast and high quality service

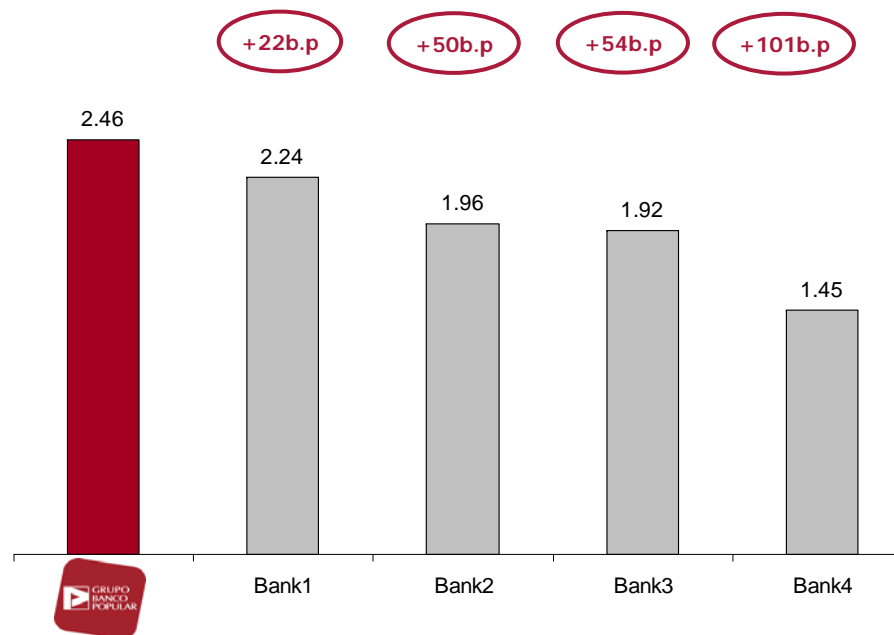
09/08 increase of spreads on loan-book



Source: Bank of Spain

Note: Data as of November 2009

Net Interest Margin 2009 (%)

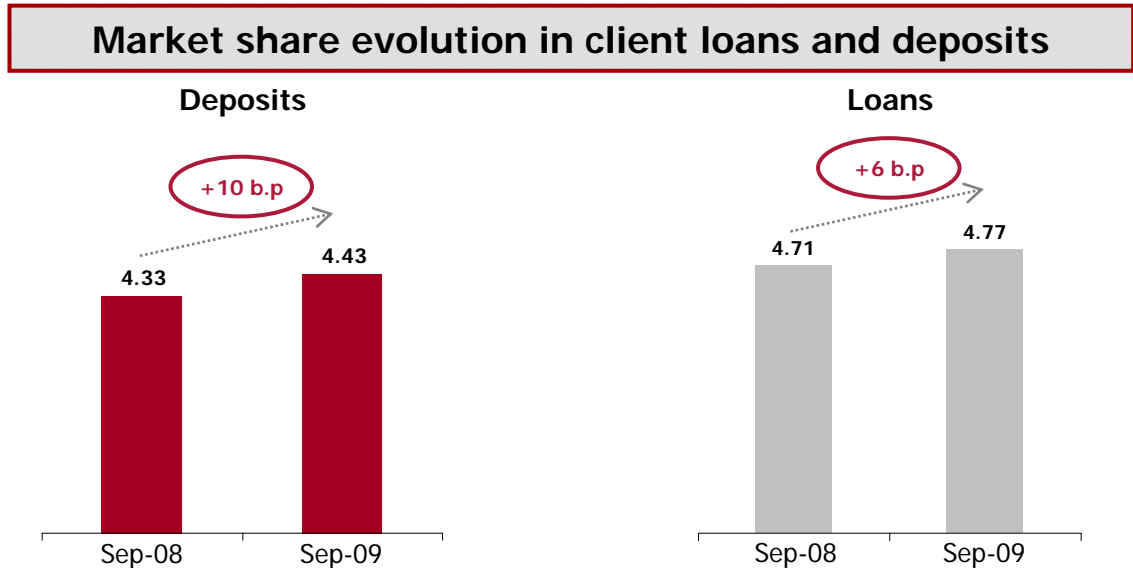
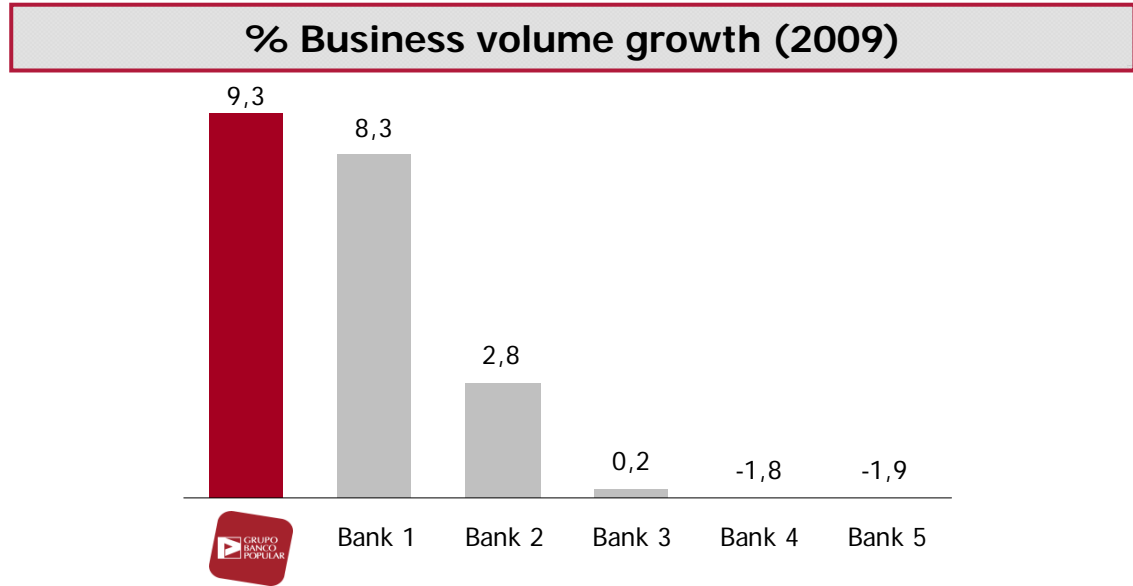


Source: Quarterly results as of 4Q09

Note: Comparable banks include BBVA Iberia, Sabadell, Santander Spain and Bankinter



Higher margins & higher volumes place us in a very competitive position



Source: Latest available data Bank of Spain



We have adapted our network to take advantage of market opportunities, organically

We have increased our regional headquarters by 45% to be closer to our clients

Geographical distribution



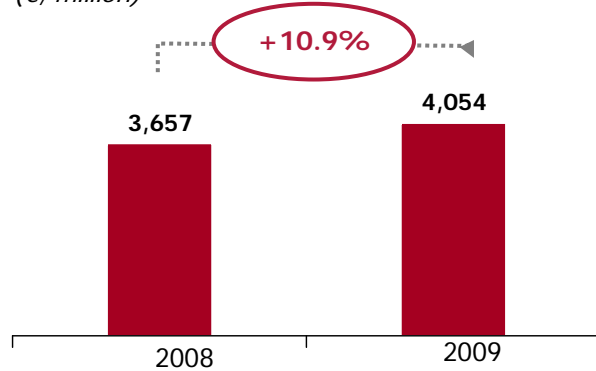
	Past	Current	% Change
Regional headquarters	29	42	45
Average branches per regional headquarter	71	45	-37



Good quality revenues and low cost allows us to generate an outstanding capacity to absorb NPLs charges

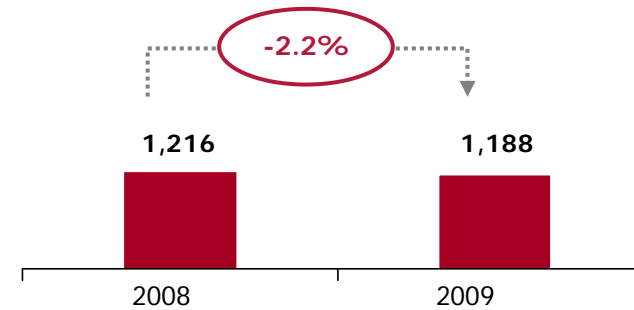
Total revenues up

(€, million)

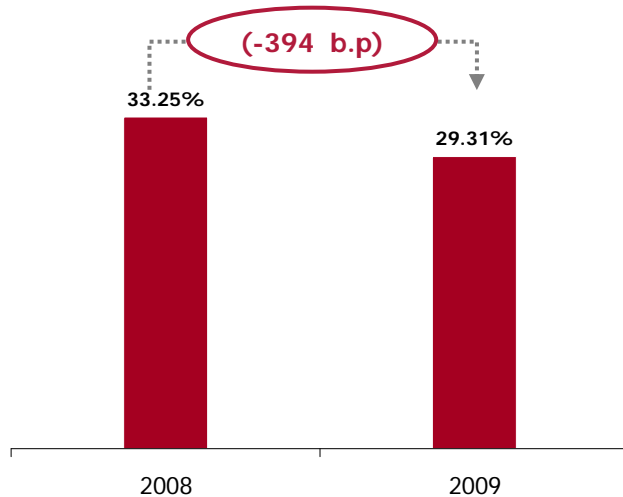


Operating costs down

(€, million)

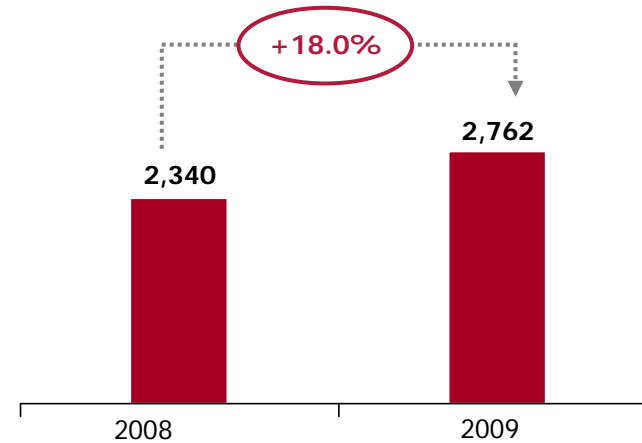


Efficiency ratio evolution



Pre-provision profit up

(€, million)

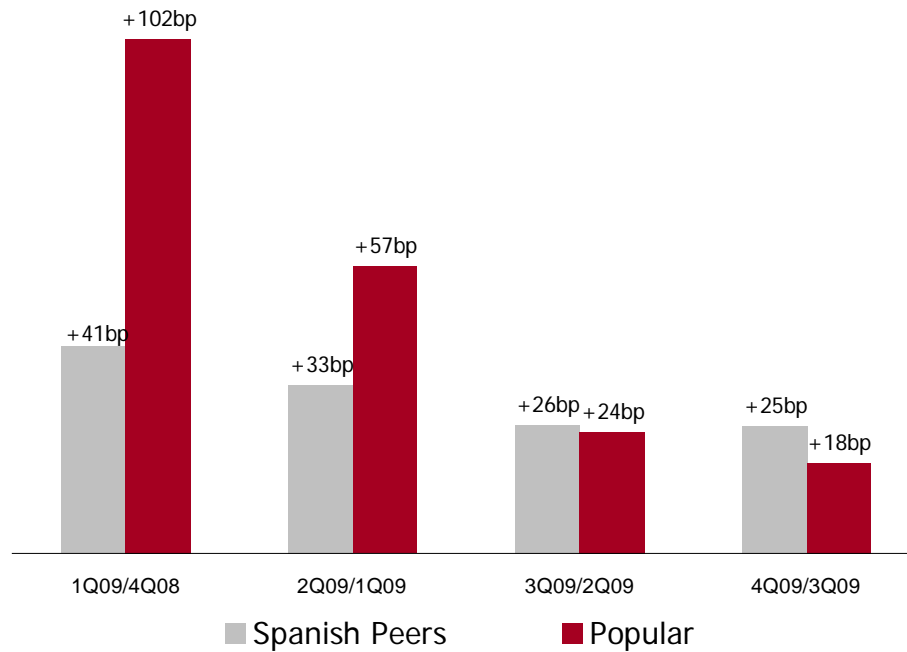


Source: Quarterly results as of 4Q09

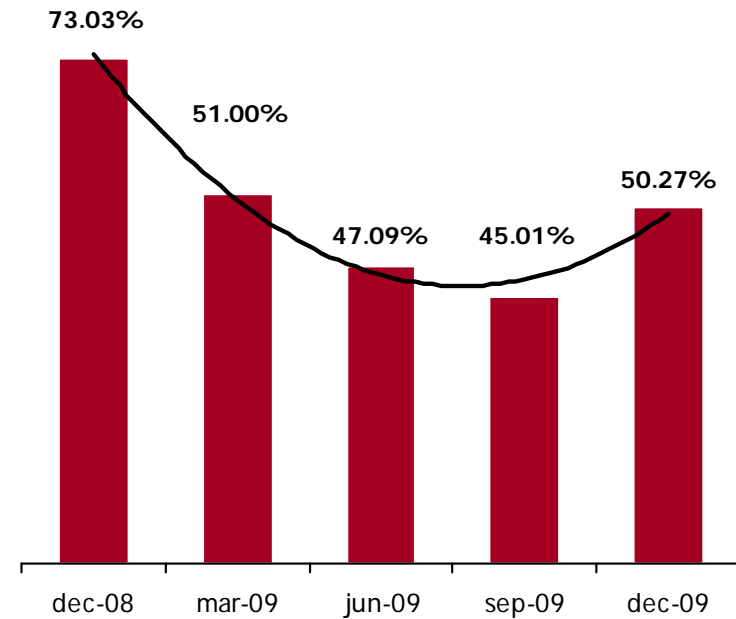


Credit quality deterioration normalizing substantially, approaching "normal" levels.

NPL ratio change QoQ Popular vs. peers



Coverage Ratio Evolution

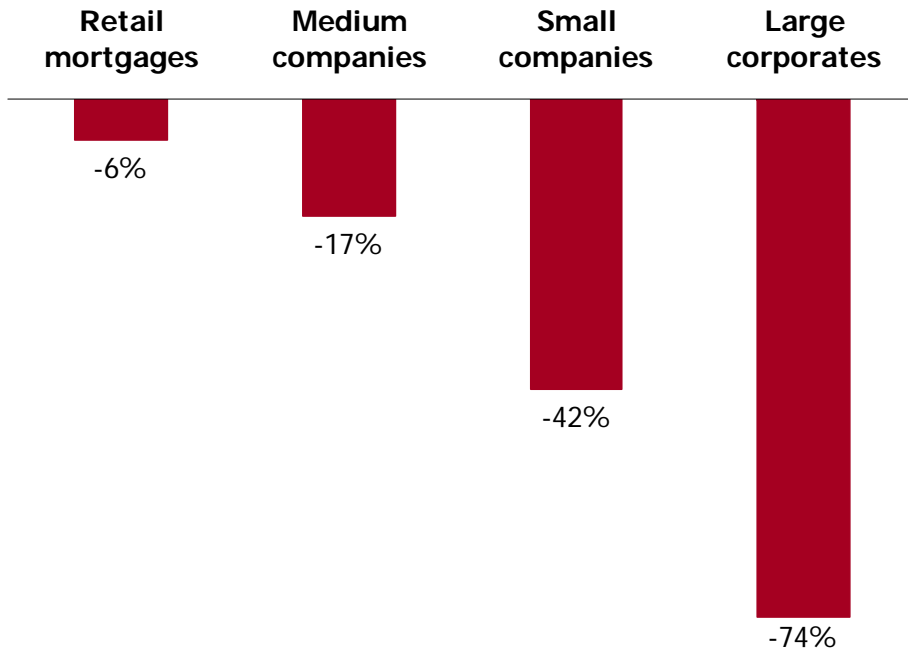


Source: Quarterly results; Comparable banks Santander Spain, BBVA Iberia, Sabadell, Banesto and Bankinter

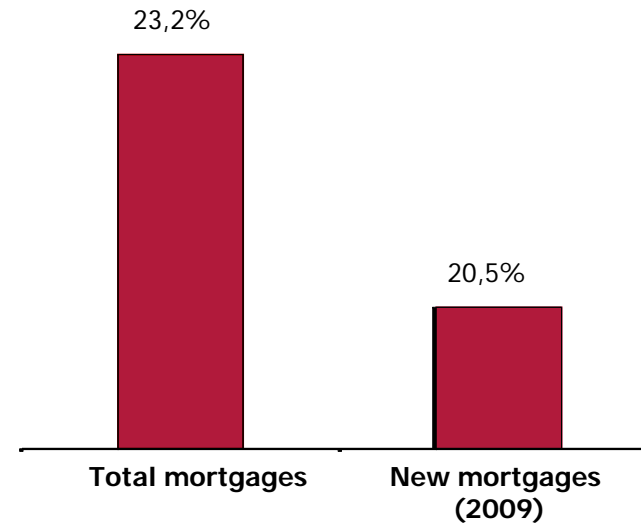


On top of that we are being able to reduce the probability of default in new production

Change PD new production (2009) vs. PD loan book



Affordability ratio mortgage portfolio

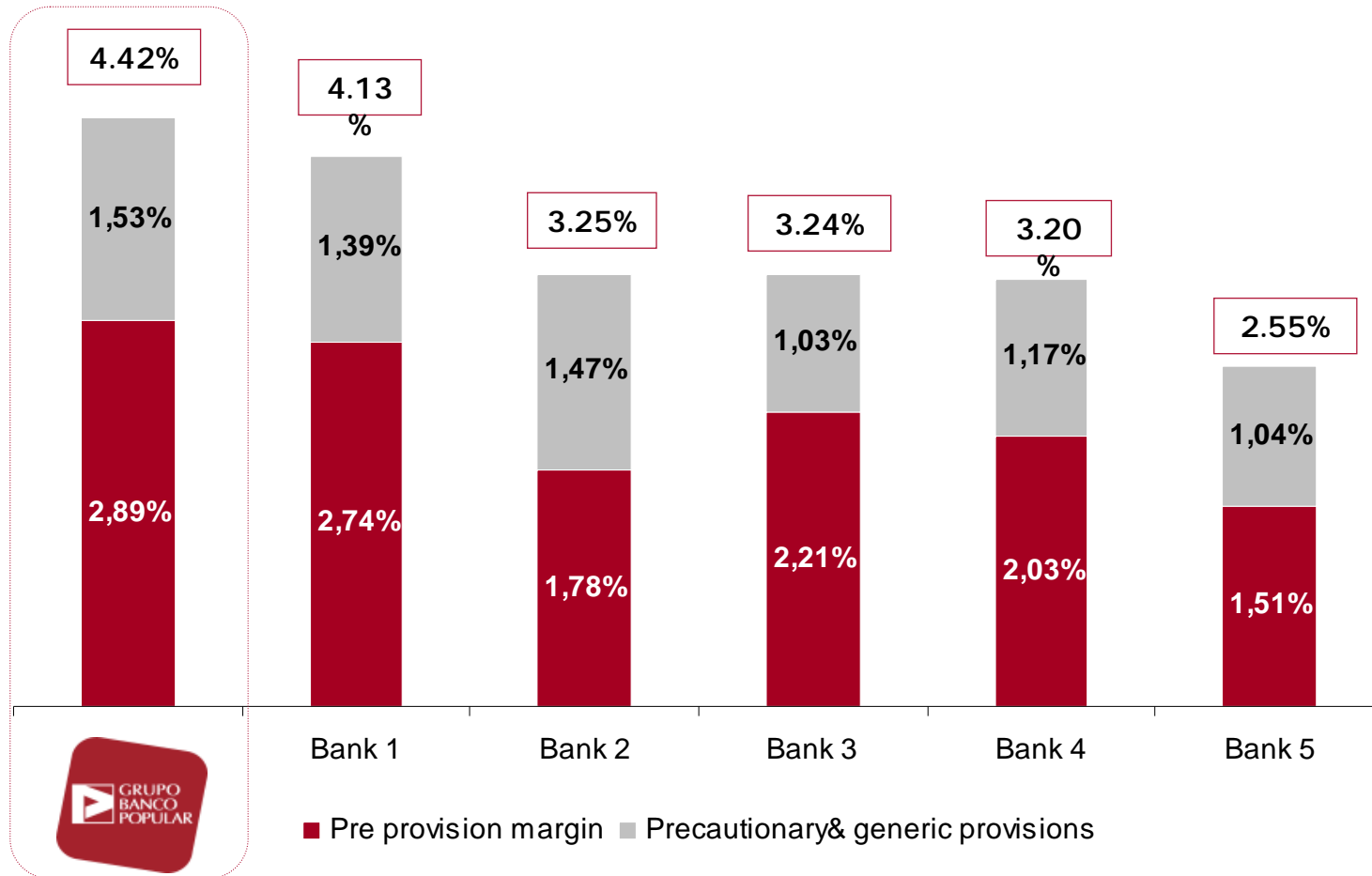


Note: PD (Probability of Default)



While we have a high cushion to absorb potential further provisions

FY09 Pre provision margin and precautionary & generic provision over loans



Source: Quarterly reports and analyst reports. Comparable banks Santander Spain, BBVA Iberia, Sabadell, Banesto and Bankinter

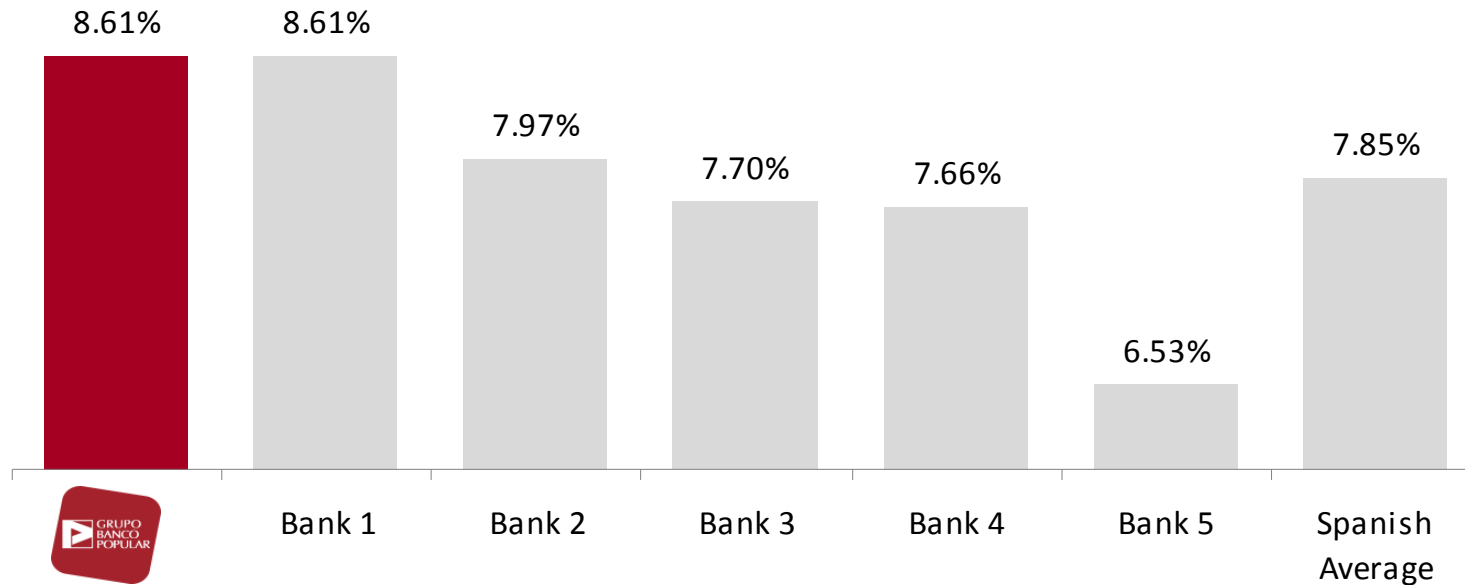


II. Managing for value in an uncertain regulatory environment



Capital: we show the highest core capital level among peers

Core capital of Spanish banks (4Q09)



Source: Quarterly report

Note: Comparable banks include Santander Spain, BBVA Iberia, Sabadell, Banesto and Bankinter



And a preliminary assessment of the new BIS draft reflects our privileged position

Preliminary Assessment of BIS Impact. Source: Morgan Stanley

Impact of Proposed deductions

Core Tier 1 Impact



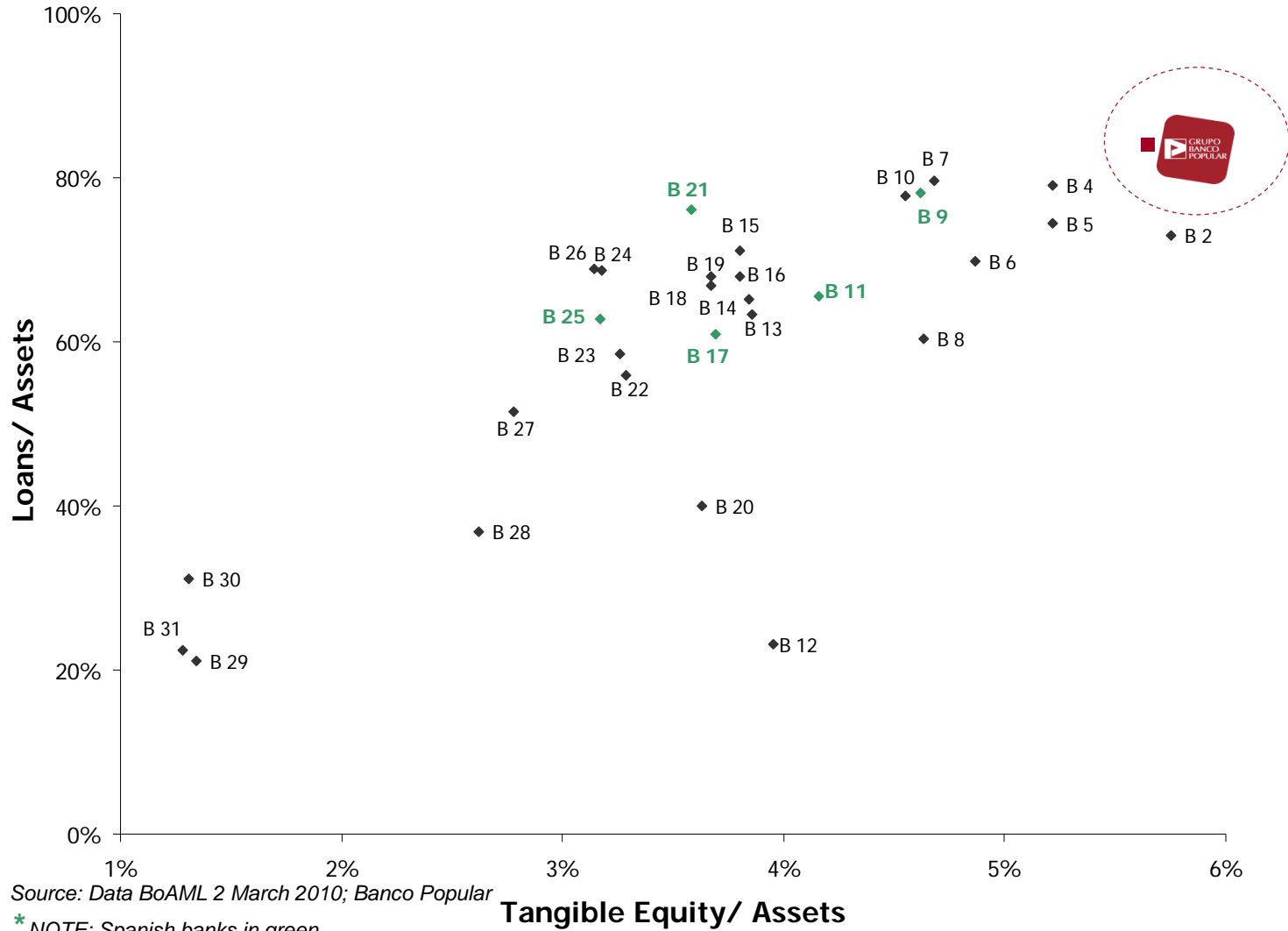
Source: Morgan Stanley Investment Banking, 12 Jan 2010

Note: Comparable banks include CASA, HSBC, Lloyds, Barclays, Santander, RBS, Intesa, Deutsche Bank, BNPP, Socegen, BBVA and Unicredit



With also a valid business model with low leverage and commercial profile

European Banks Leverage and Loans to Assets



Source: Data BoAML 2 March 2010; Banco Popular

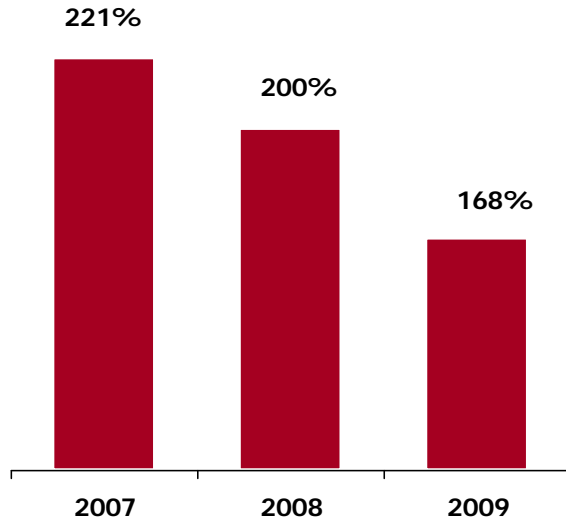
* NOTE: Spanish banks in green.



In terms of Liquidity, we are improving our good loan to deposits ratio, and showed we could go further...

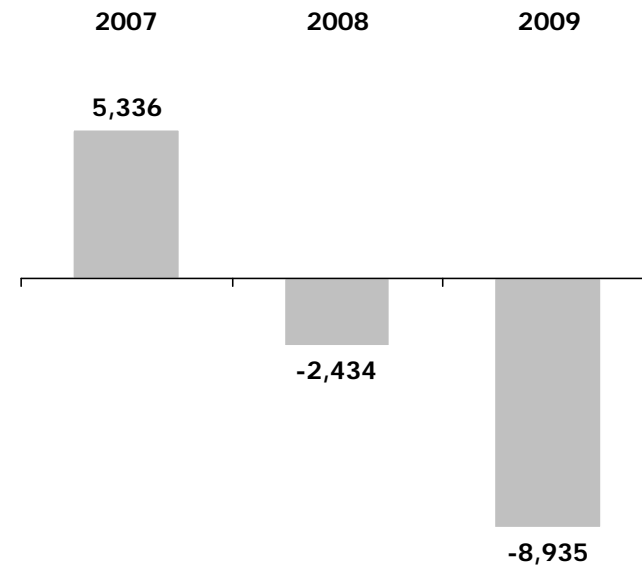
Loan/Deposit ratio

(In %)



Commercial Gap change

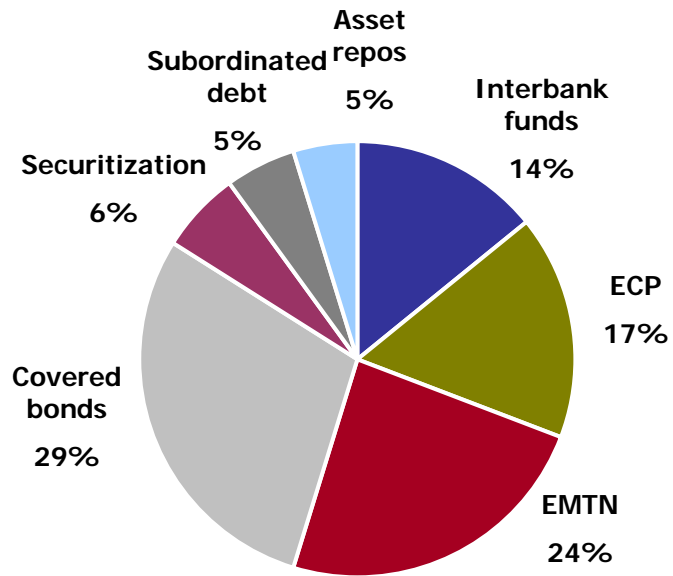
(□, million)





We have reduced our wholesale exposure, which is lower than our peers

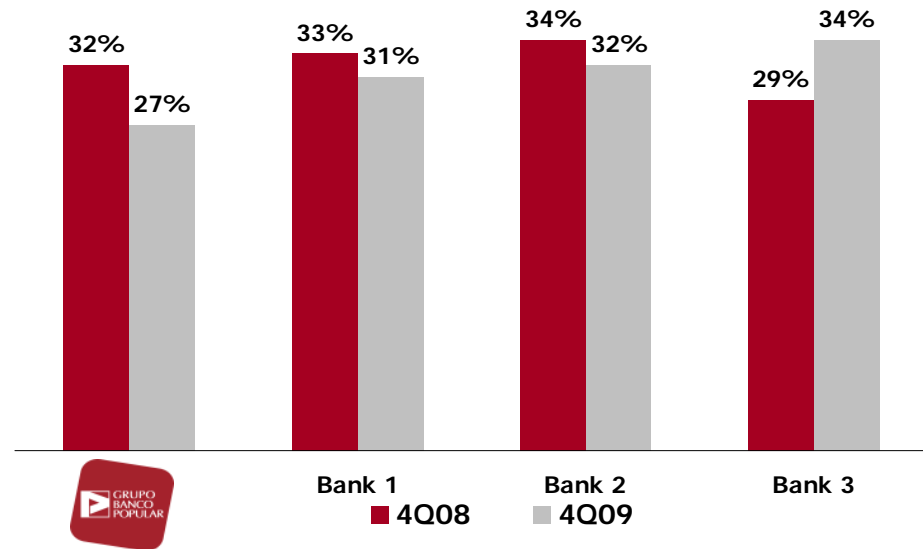
Wholesale funding breakdown (1)



€ 34,415 m wholesale funding

Wholesale funding exposure (2)

(% Wholesale funding as of total ATAs)



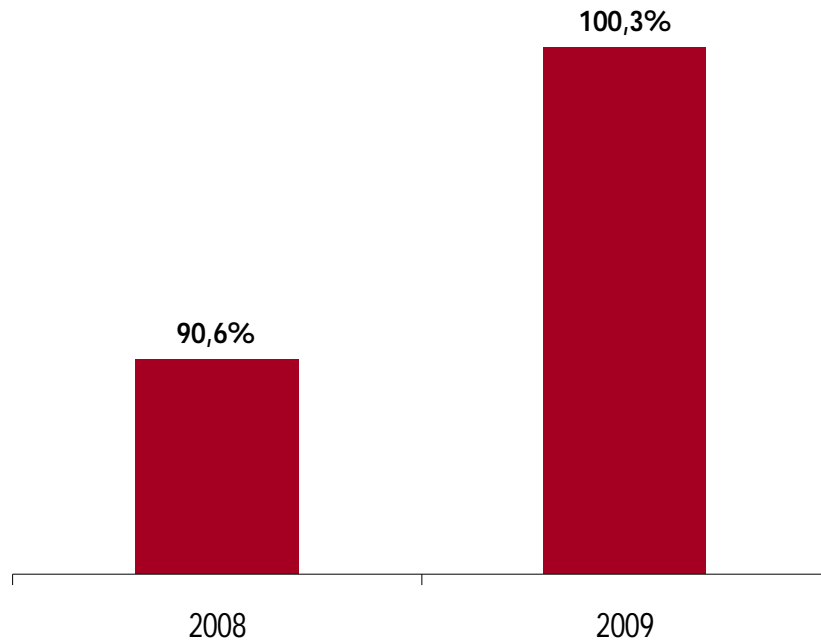
(1) Source: Quarterly results at 4Q09

(2) Note: Comparable banks include Banesto, Sabadell and Bankinter



And we are already working to adapt to new liquidity rules whilst reinforcing our second line of liquidity

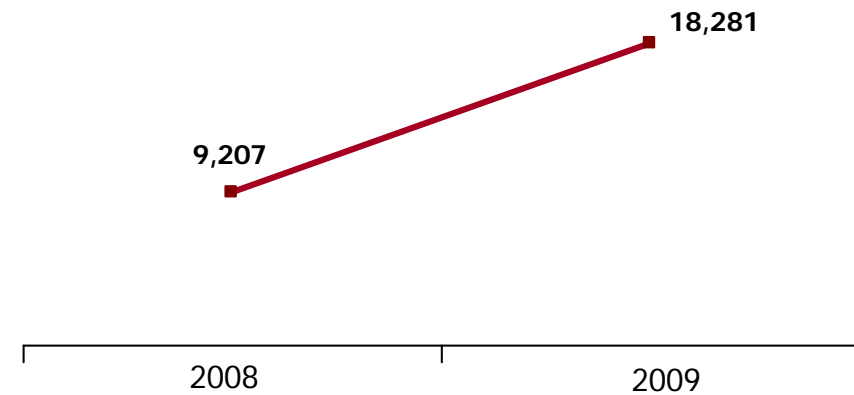
Long term funding to Loans



LTF ratio= (Retail funding ex repo + Medium & Long Term wholesale funding + Equity)/ Loans ex repo

Second line of liquidity (cash basis)

(€, million)



Covers wholesale maturities in more than one year



Summary remarks

- ✓ **Still in a tough economic cycle though trends improving.**
- ✓ **The industry as a whole faces a challenging regulatory environment, which, mostly, we welcome.**
- ✓ **We remain extremely confident about the future as our model is proving successful and well placed to adapt to the new landscape.**
- ✓ **We remain focused on creating value through our core values: retail franchise, recurrent revenues, outstanding efficiency and “surplus” capital.**



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