

A world map with a grid overlay, showing the continents of Africa, Europe, Asia, and South America. The map is rendered in a light blue color against a dark blue background.

# **FINANCIAL RESULTS**

## **2007**



**Banco Popular Group**



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## ▶ **Core Business Growth**

▶ **Funding Strength**

▶ **Branch Network Expansion**

▶ **Earnings**

▶ **Solvency**



## Core Business Growth

(€ million)

31.12.07

Δ %

Total assets managed	125,109	14.5
On-balance sheet total assets	107,169	16.9
Total equity	6,224	12.6
Funds managed:	104,284	14.4
On-balance sheet funds	86,344	17.5
Other intermediated funds	17,940	1.6
Lending to customers (gross)	88,108	13.9
Contingent risks	12,315	9.2
<hr/>		
Customers (thousands)	6,748	2.3
Employees	15,037	7.0
Branches	2,531	3.6



# Core Business Growth

- MAJOR LOAN CATEGORIES (\*)

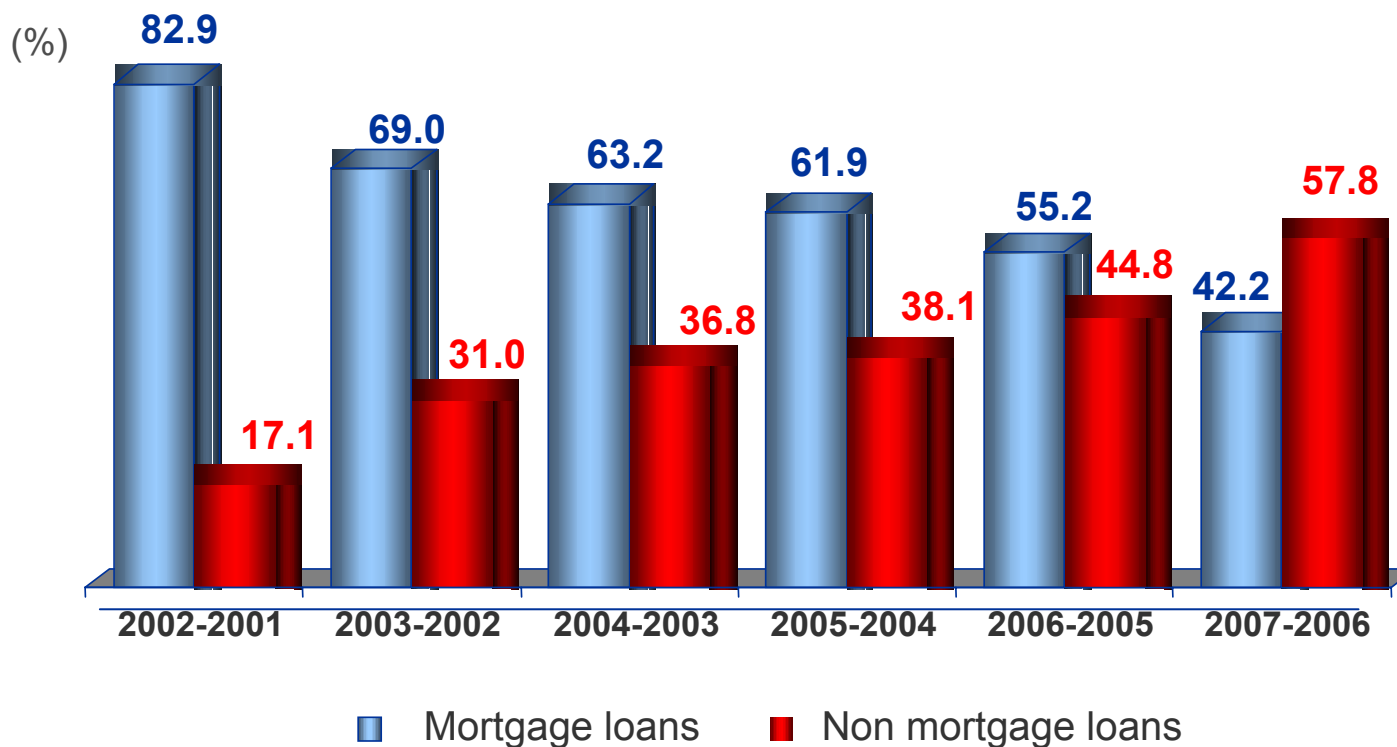
<i>(Accumulated % change)</i>	<b>Growth rate December 07</b>	<b>% of Total loans</b>
<b>Bill discounting</b>	<b>2.8</b>	<b>8.8</b>
<b>Mortgage loans</b>	<b>11,4</b>	<b>53.7</b>
<b>Loans &amp; overdrafts</b>	<b>22.8</b>	<b>33.2</b>
<b>Leasing</b>	<b>4.6</b>	<b>4.3</b>
<b>TOTAL</b>	<b>13.8</b>	<b>100.0</b>

*(\*) All loans except NPLs & Repos*



# Core Business Growth

## CONTRIBUTION TO NET NEW LENDING

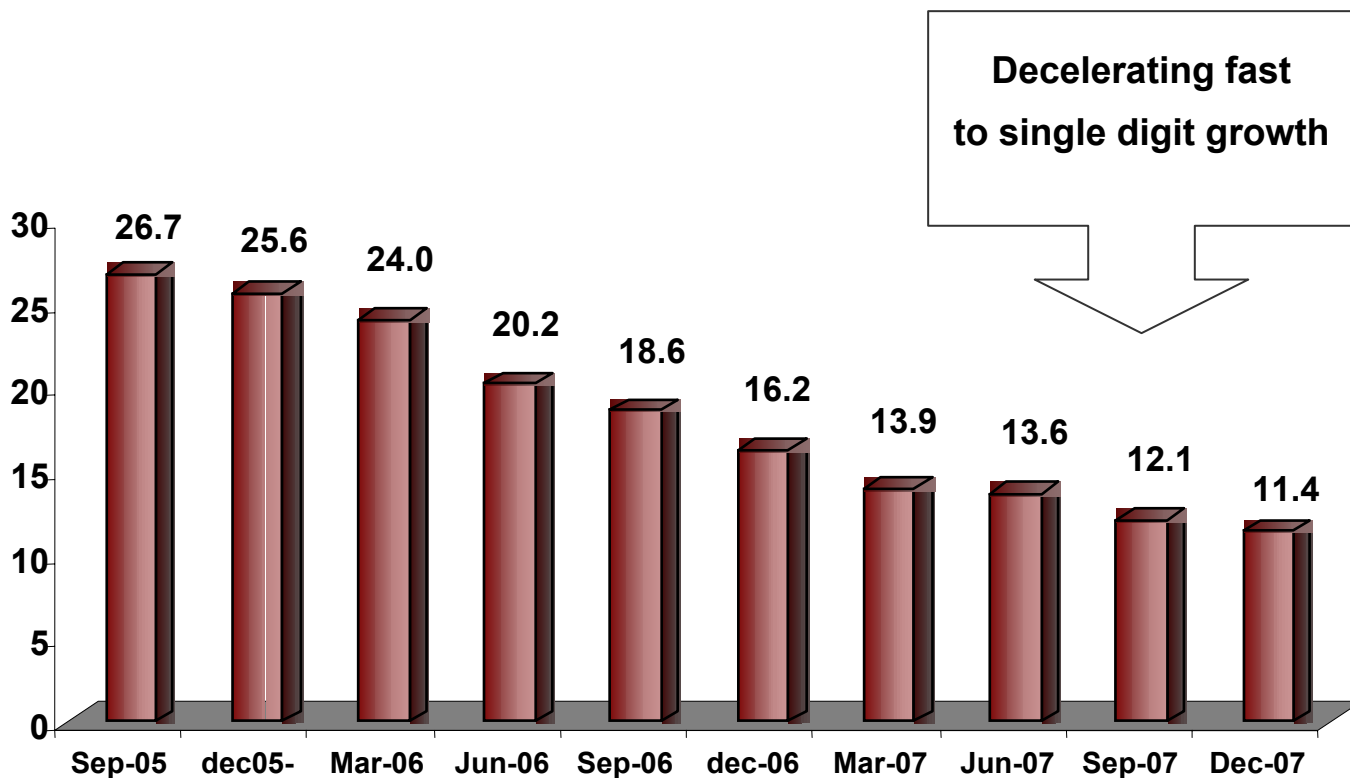


\* Adjusted for securitization



# Core Business Growth

- MORTGAGE LOAN GROWTH (Y-on-Y %)





## Core Business Growth

Total loans for Residential Developments \*  
€ 4,994 million in loans to 1,810 names

### Of which

- **More than 55 % of loan value is completed over 75 %**
- **52 % of loan value is in developments sold over 50 %**
- **Average LTV is 58.2 %**

*(\*) As of sept-07. Loans to developments greater than € 1 million*



# Core Business Growth

## Outstanding mortgage loans to individuals



Average affordability is 27.3 % (as a percent of disposable income)

## Conservative leverage over residential value

	LTV
Mortgage loans	55,24%
Residential mortgage loans	58,24%
Residential mortgage to individuals loans	60,55%

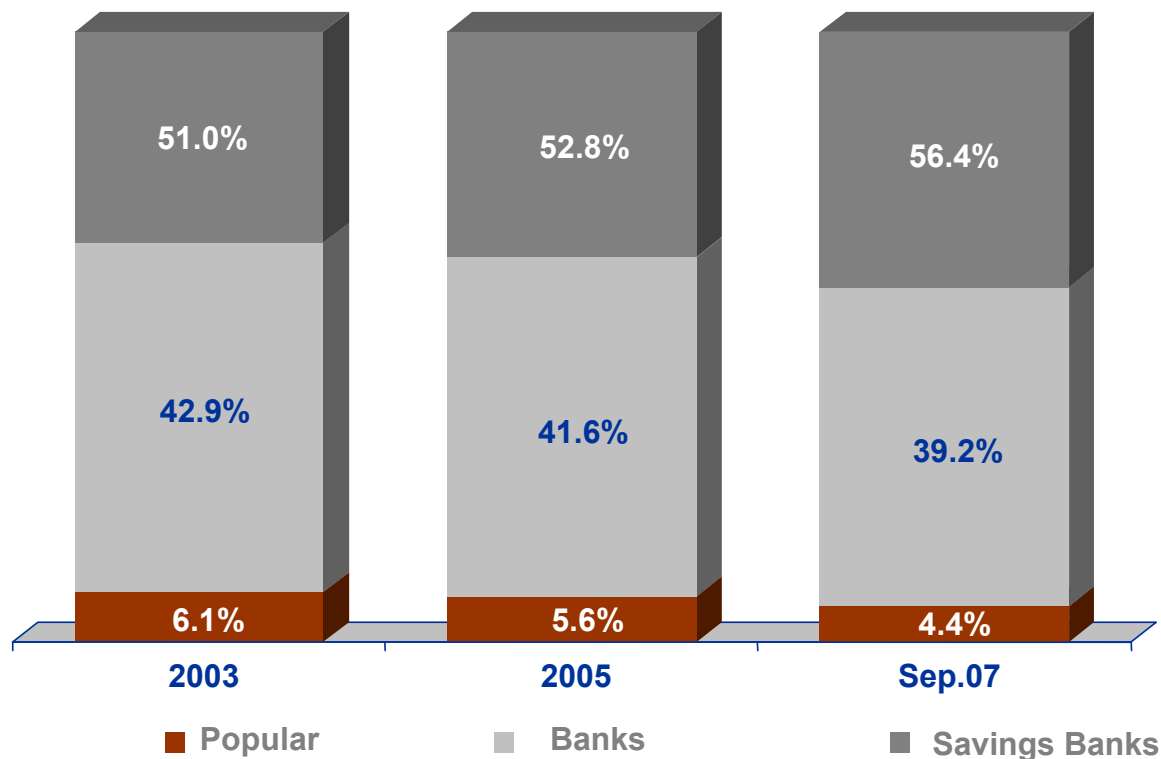
(\*) sep 07



# Core Business Growth

## Loans to RE activity corporates of Bank and Savings Banks\*

### Market Shares

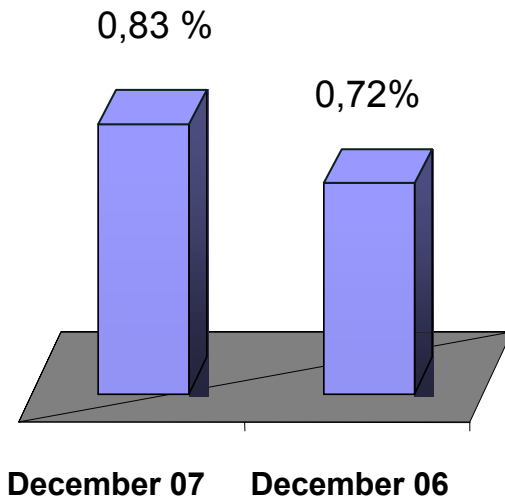


(\*) Source: Bank of Spain T 13

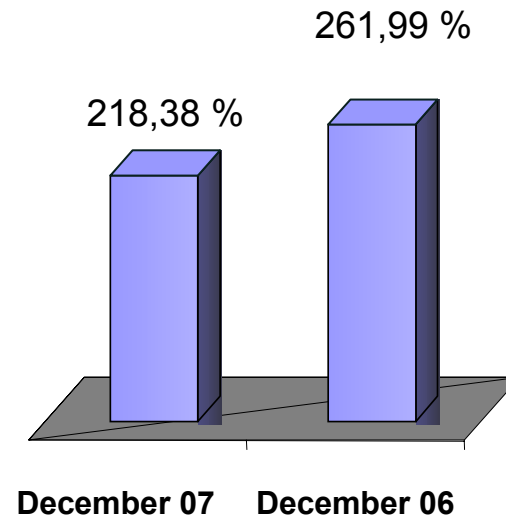


# Core Business Growth – Improved asset quality

## Nonperforming risk



## NPR Coverage





# Core Business Growth – Credit Improvement

## ■ NPLs AND RELATED COVERAGE

(€ Million)

1st. Q. 07

2nd. Q. 07

3ed.. Q. 07

4th. Q. 07

TOTAL

### NPLs

Additions

183,1

176,1

217,5

271,7

848,4

Recoveries

96,8

108,2

91,5

126,8

423,3

Write-offs

-52,1

-51,4

-50,7

-71,9

-226,1

Total

34,2

16,6

75,3

73,0

199,0

### COVERAGE

Balance

1.726,0

1.757,2

1.774,0

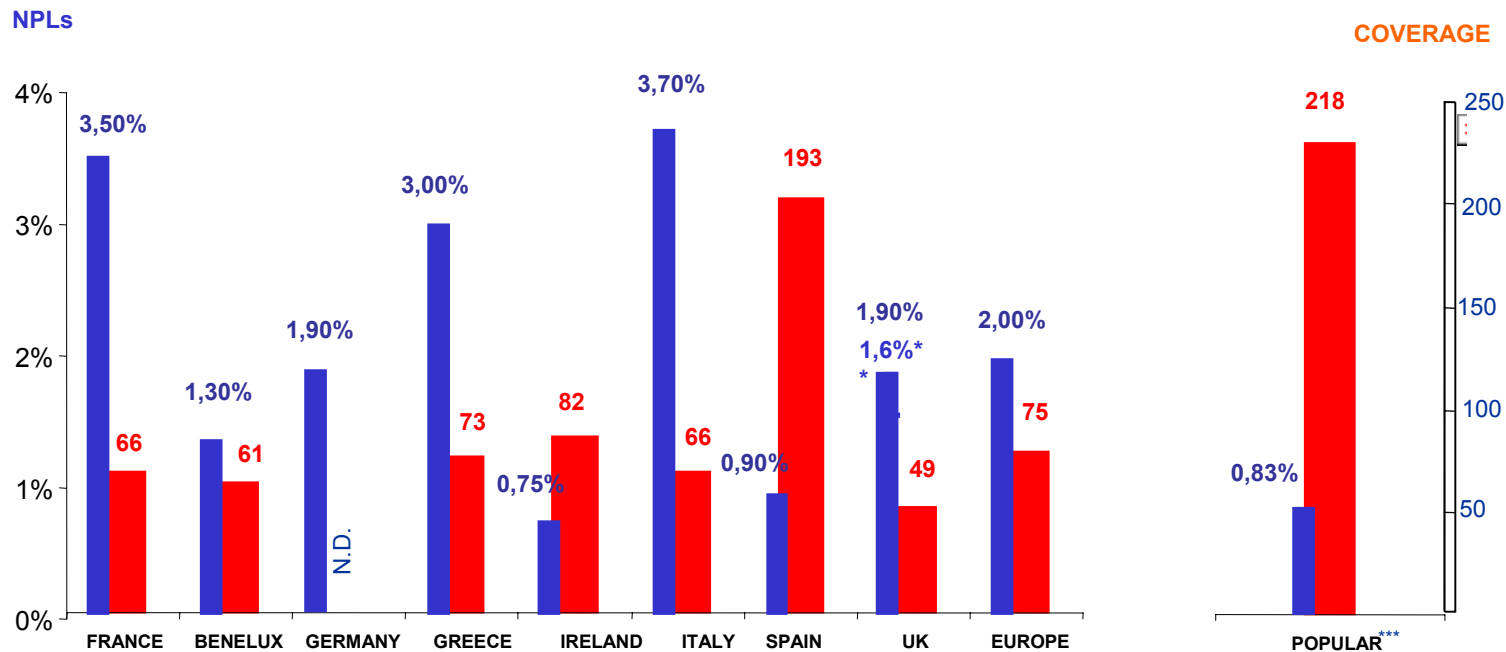
1.822,4

1.822,4



# Core Business Growth– Improved asset quality

## NPLs AND COVERAGE



\* Estimates KBW, UBS y Bloomberg. Major Banks

\*\* W/o Asian Banks

\*\*\* 12/07

 **COVERAGE**  
 **NPLs**



# Core Business Growth

## ■ CORE RESIDENT CUSTOMER FUNDING

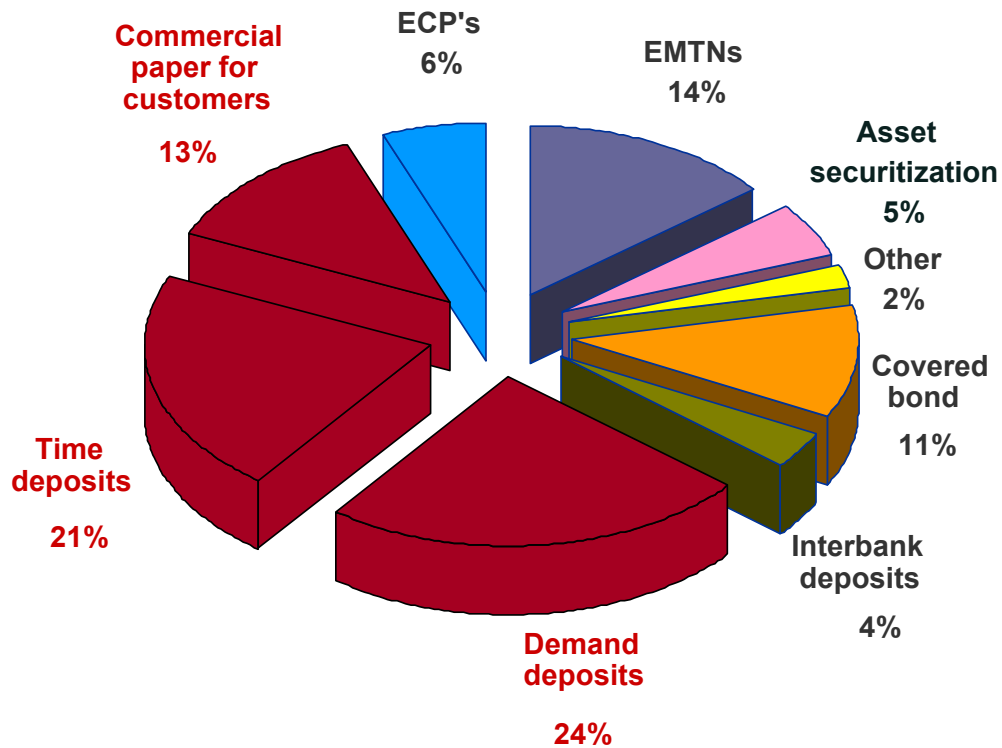
(€ million)

	Dec. - 07	Variation %	% of Total
Demand deposits	18,790.8	4.2	42.3
Time deposits	14,814.1	32.8	33.4
Commercial paper for customers	10,806.2	21.8	24.3
<b>TOTAL</b>	<b>44,411.1</b>	<b>16.7</b>	<b>100.0</b>



# Core Business Growth

## FUNDING BREAK-DOWN



**Customer  
funding**

**58%**

**Wholesale  
funding**

**42%**



# Core Business Growth

- FUNDS MANAGED

(€ Million)

	December 07	Var. %
<b>On-balance sheet funds</b>	86,343.9	17.5
<b>Other intermediated funds:</b>	17,940.4	1.6
Mutual funds	12,097.2	-0.3
Portfolio asset management	1,571.3	1.4
Pension funds	4,271.9	7.4
<b>Total funds managed</b>	104,284.3	14.4



# Core Business Growth

## MUTUAL FUNDS VOLUMES IN 2007 vs. INDUSTRY – SPAIN ONLY –

(€ million)	Net Asset Value		Improvement in market share	
	Dec. 07	% Change	Dec 07	Dec 06
Money market	1,299.8	-8.0		
Bonds	4,509.3	15.7		
<b>Fixed income</b>	<b>5,808.8</b>	<b>9.4</b>	4.89	4.58
Equity	1,323.4	-13.2		
Balanced	919.6	-27.3		
Guaranteed	3,045.7	12.3		
Global	564.7	-33.3		
<b>TOTAL</b>	<b>11,662.2</b>	<b>0.0</b>		
		<b>-6.1</b>		

← **BANCO POPULAR GROUP\***  
← **INDUSTRY**

### Outperformance due to:

	Popular	Industry
Net Inflows	-2.4	-7.9
Management/markets	2.4	1.8

\* Excluding BPP. The total amount including BPP amounts to €12,097.2 million (-0.3)



# Core Business Growth


## ASSET PORTFOLIO MANAGEMENT

<i>(€ Million)</i>	<b>Dec 07</b>	<b>Dec 06</b>	<b>Change in Amount</b>	<b>%</b>
<b>Discretionary Asset Management</b>				
Popular Gestión Privada	724.7	803.9	-79.2	-9.9
Banco Popular Portugal	216.5	218.1	-1.6	-0.7
<b>Subtotal</b>	<b>941.2</b>	<b>1,022.0</b>	<b>-80.8</b>	<b>-7.9</b>
<b>HNWI-SICAV</b>				
Sogeval	-	33.1	-33.1	-
Popular Gestión Privada	630.1	494.9	135.2	27.3
<b>Subtotal</b>	<b>630.1</b>	<b>528.0</b>	<b>102.1</b>	<b>19.3</b>
<b>TOTAL</b>	<b>1,571.3</b>	<b>1,550.0</b>	<b>21.3</b>	<b>1.4</b>



# Core Business Growth

## ▪ PENSION ASSETS UNDER MANAGEMENT

<i>(€ Million)</i>	Variation			
	Dec 07	Dec 06	Amount	%
Private Plans	3,374.1	3,143.6	230.5	7.3
 Corporate Schemes	897.8	832.3	65.5	7.9
Group employees	680.4	639.4	41.0	6.4
<b>TOTAL</b>	<b>4,271.9</b>	<b>3,975.9</b>	<b>296.0</b>	<b>7.4</b>



▶ **Core business growth**

▶ **Funding Strength**

▶ **Branch Network Expansion**

▶ **Earnings**

▶ **Solvency**




# Funding Strength

- **Strengthening of liquidity during 2007**
  - Sustained and robust growth in:
    - Pagarés para clientes: Domestic Commercial Paper placed among **customers** as a tax efficient alternative to time deposits
      - **€ 2 billion in the year**
    - ECP's: Commercial paper placed among institutional clients
      - **€ 3.8 billion in the year**
  - Interbank funding reduced in € 500 million net borrowing position



# Funding Strength

- Strong second line of liquidity composed of bonds and notes that are stocked
- to be used when convenient in the ECB's auctions
  - € 5.6 billion at year-end 2006
  -  € 11.4 billion at year-end 2007
- Displacement or maturities to future years has resulted in a very low and easily manageable volume of short term amortization
  - Up to August 2008: only € 1 billion from medium to long term debt
  - € 3 billion in remainder of year
- No discounting with ECB on 31 December 2007

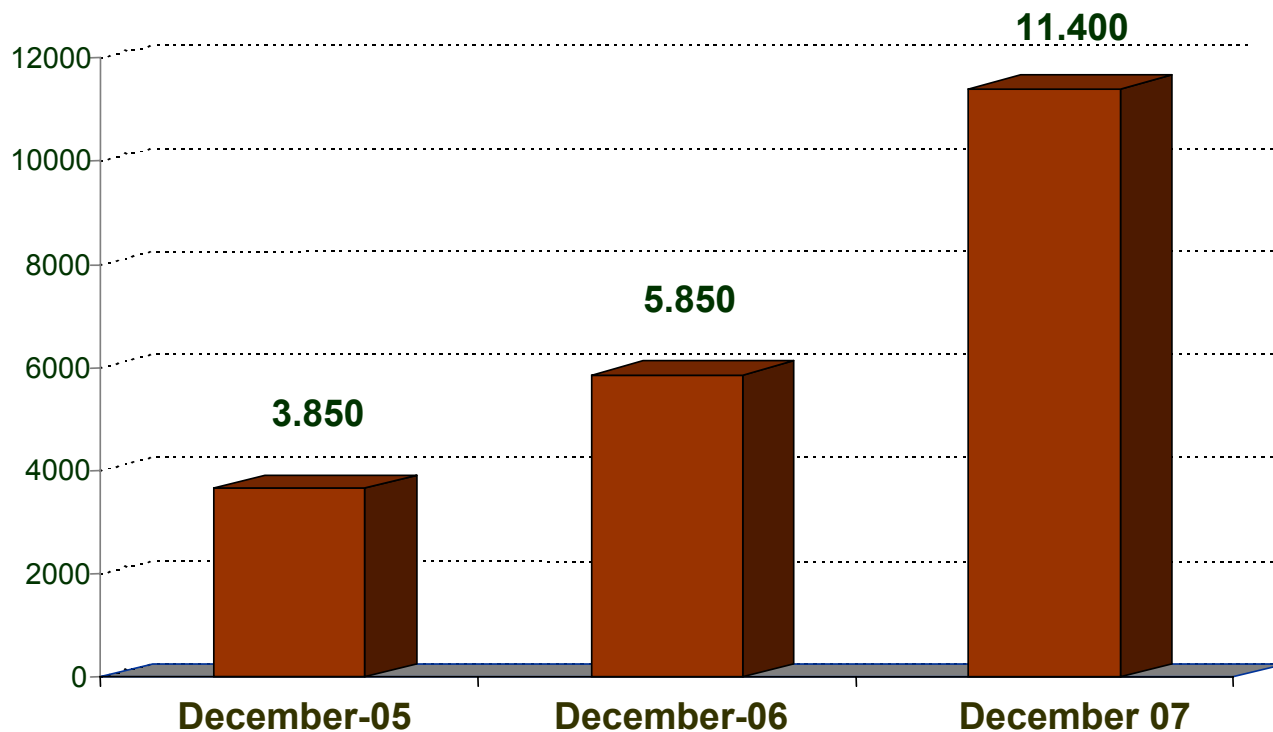


# Funding Strength

- Strong backing to liquidity

*Evolution of the Second line of liquidity*

€ Million

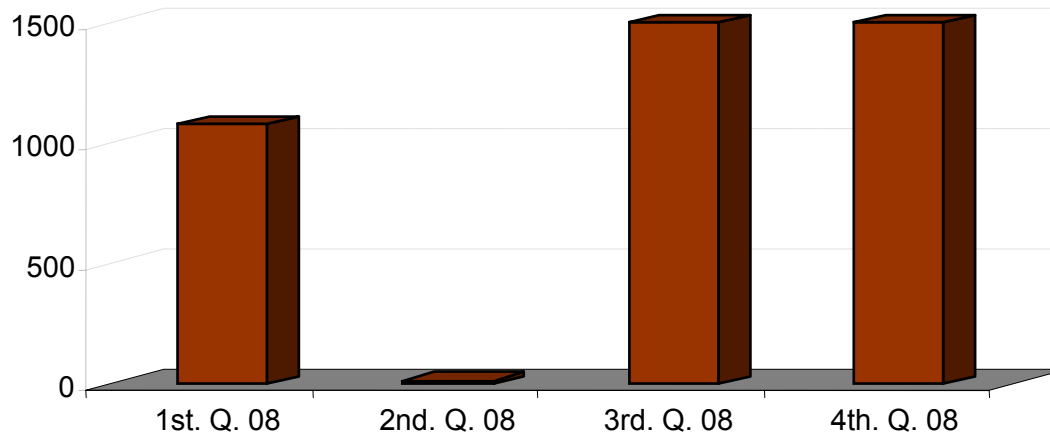




# Funding Strength

- Small maturities of medium to long term wholesale Funding in 2008

Low funding requirements from maturities



Fully covered with 2<sup>nd</sup> liquidity line



- ▶ **Core business growth**
- ▶ **Funding Strength**
- ▶ **Branch Network Expansion**
- ▶ **Earnings**
- ▶ **Solvency**



# Branch Network Expansion

	Branches					
	Year 2006	Year 2007		N° Branches	SPAIN	ABROAD
N° Branches	Opened	Closed				
Banco Popular	1.319	11	2	1.328		
Banco Andalucía	309	2		311		
Banco Crédito Balear	102			102		
Banco Castilla	196	1		197		
Banco Vasconia	128	2		130		
Banco Galicia	147			147		
Popular Portugal	200	18		218		218
Popular Banca Privada	16	5		21		
Popular Francia	14			14		14
Popular-e.com	7			7		
Popular Hipotecario	1			1		
Heller Portugal	2			2		2
Popular de Factoring	1			1		
Totalbank		14		14		14
Total Bancos Filiales	1.123	42		1.165		
<b>Total Group</b>	<b>2.442</b>	<b>53</b>	<b>2</b>	<b>2.493</b>	<b>2.245</b>	<b>248</b>
<b>Mundocredit branches</b>	<b>1</b>	<b>37</b>		<b>38</b>	<b>38</b>	
<b>Total</b>	<b>2.443</b>	<b>90</b>	<b>2</b>	<b>2.531</b>	<b>2.283</b>	<b>248</b>



- ▶ **Core business growth**
- ▶ **Funding Strength**
- ▶ **Branch Network Expansion**
- ▶ **Earnings**
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# Earnings

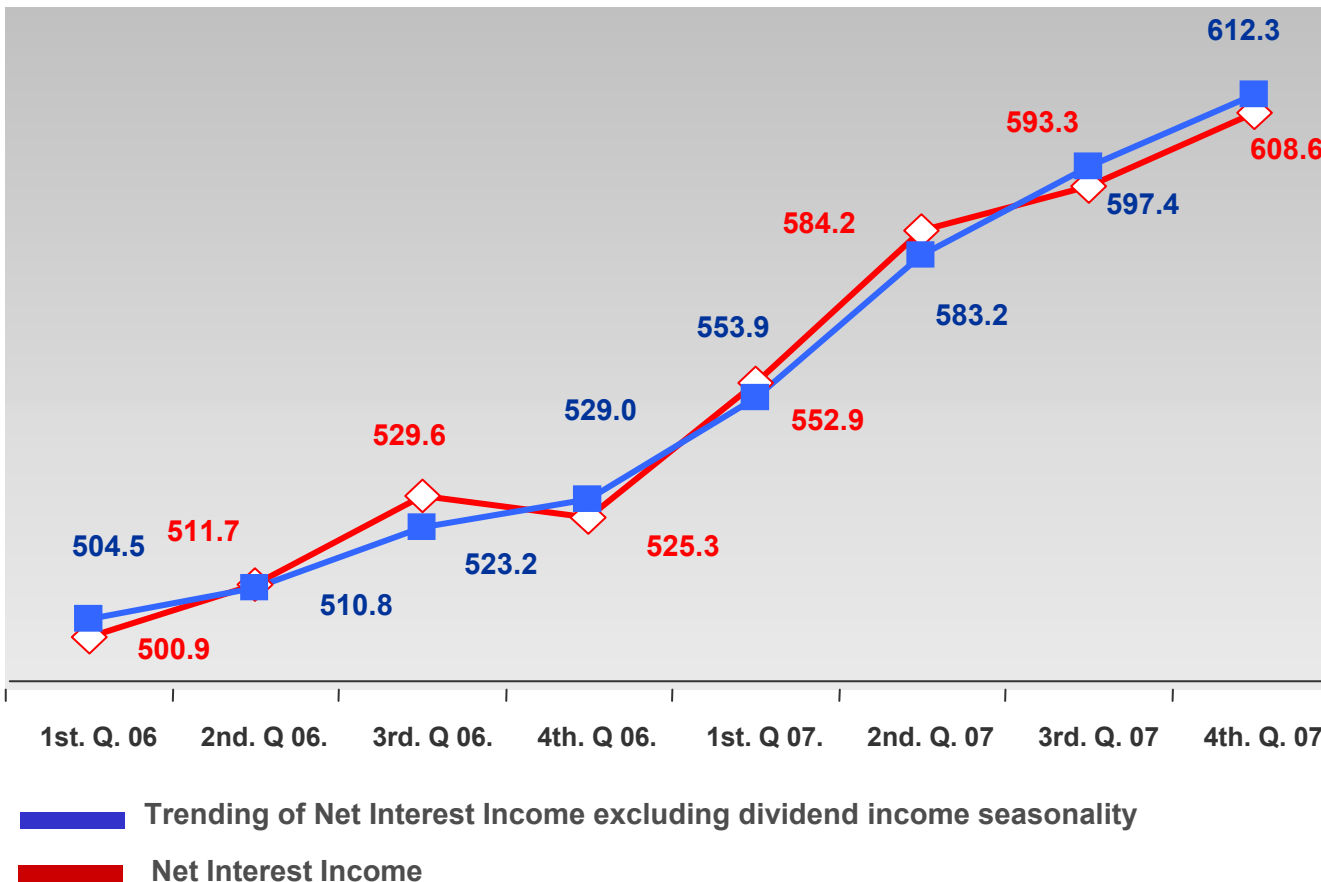
(€ Million)	Dec. 2007	$\Delta$ y-on-y (%)	Ex non recurring (%)
<b>Net interest revenue</b>	<b>2,339.0</b>	<b>13.1</b>	
Revenues from equity method entities	3.9	26.6	
Net fees	883.6	0.3	
Insurance business	53.4	18.2	
Asset trading	72.4	20.9	
Exchange gains (net)	52.2	2.0	
<b>Gross Income</b>	<b>3,404.5</b>	<b>9.6</b>	<b>10.3</b>
<b>Operating cost</b>	<b>1,108.2</b>	<b>7.2</b>	
Personnel expenses	755.9	7.1	
Other general administrative expenses	352.3	7.6	
<b>Net Operating Income</b>	<b>2,245.6</b>	<b>11.4</b>	<b>12.6</b>
<b>Profit Before Taxes</b>	<b>1,943.9</b>	<b>12.8</b>	<b>15.7</b>
Corporate income tax provision	607.3	-3.9	
<b>Consolidated profit for the period</b>	<b>1,336.6</b>	<b>22.5</b>	
Income attributed to minority interests	76.4	17.2	
<b>Profit attributed to the Group</b>	<b>1,260.2</b>	<b>22.8</b>	



# Earnings

## ■ NET INTEREST REVENUE

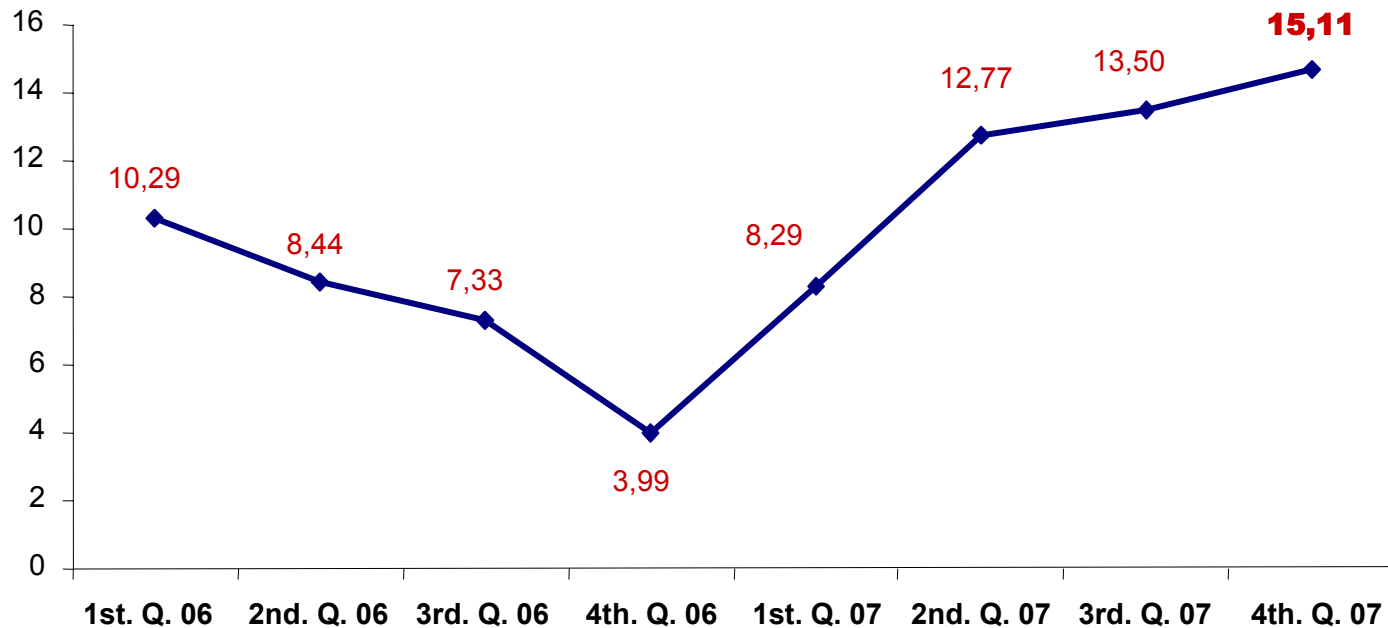
(€ Million)





# Earnings

- NET INTEREST REVENUE TREND EX-DIVIDENDS





# Earnings

## ▪ FEE INCOME GROWTH

*Dec 2007*

	Year-on-year (%)	As % of total fees
Loan-related fees:	7.5	12.1
Bill discounting	2.0	5.3
Other	12.2	6.8
Fees from guarantees	-3.3	14.5
Collection & card-related	-8.0	25.0
Forex & securities dealing	20.8	3.0
Customer financial asset mgt:	2.6	27.9
Securities portfolio	7.0	3.6
Mutual funds & pension plans	2.0	24.3
Account mgt. fees and other	5.6	17.5
<b>TOTAL</b>	<b>0.3</b>	<b>100.0</b>

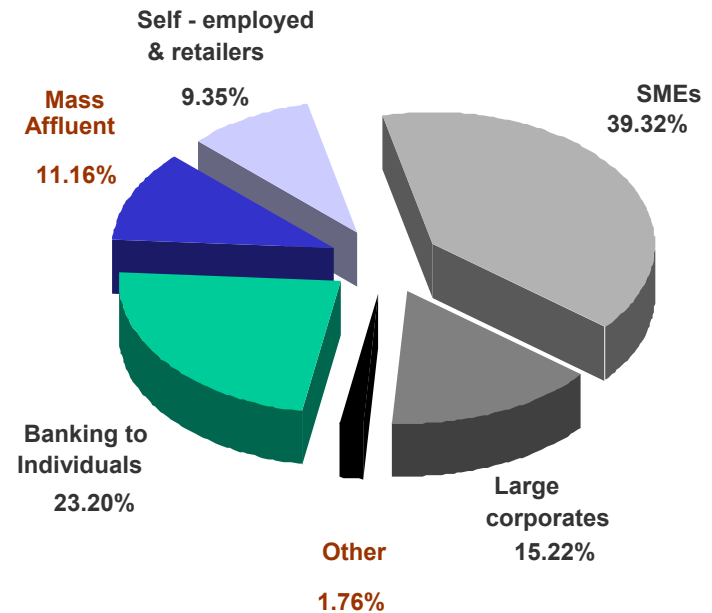
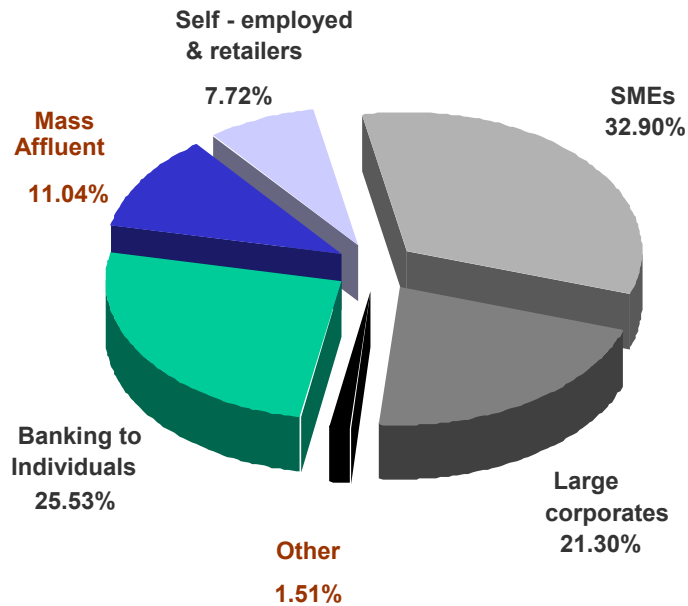


# Earnings

## ▪ Asset and revenue segmentation

As % of Asset Volume

As % of Total Revenue





# Earnings

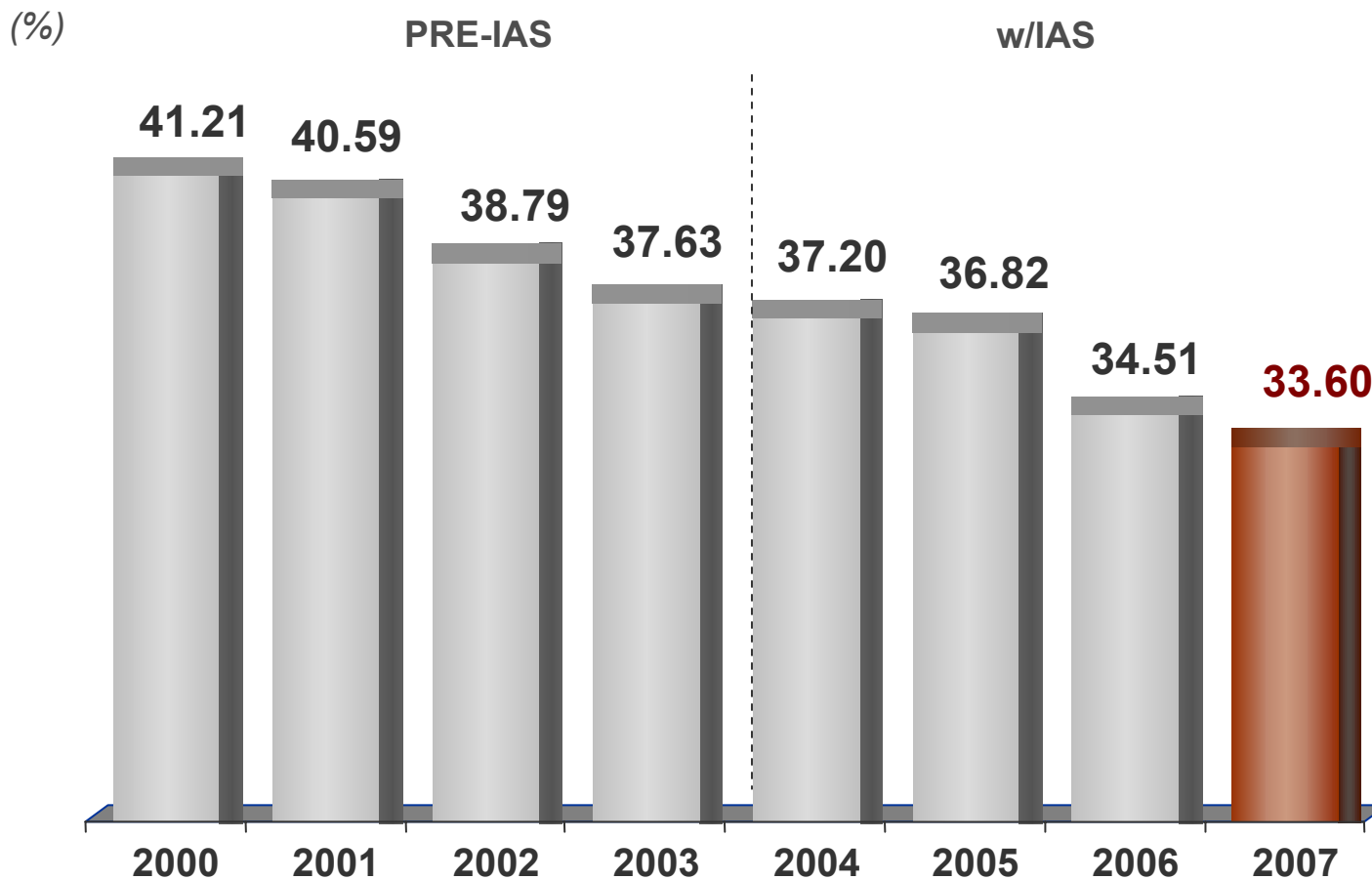
## ■ NON-PAYROLL EXPENSES

<i>(€ Thousand)</i>	<b>Dec. 07</b>	<b>% variation</b>	<b>As % of total expenses</b>
<b>General Expenses</b>	<b>352,297</b>	<b>7.6</b>	<b>100.0</b>
Rentals	55,838	7.5	15.8
Communications	25,957	-8.2	7.4
Maintenance of premises & equipment	23,633	-0.7	6.7
IT and other technical expenses	73,447	9.1	20.8
Office supplies	7,964	2.8	2.3
Technical reports and legal expenses	17,523	50.5	5.0
Advertising	38,746	2.6	11.0
Insurance	4,528	-0.9	1.3
Security and fund transport services	18,966	-0.4	5.4
Travel	12,990	10.4	3.7
Property taxes, VAT and other	51,899	16.5	14.7
Other general expenses	20,806	9.2	5.9



# Earnings

## ■ COST/INCOME RATIO EVOLUTION

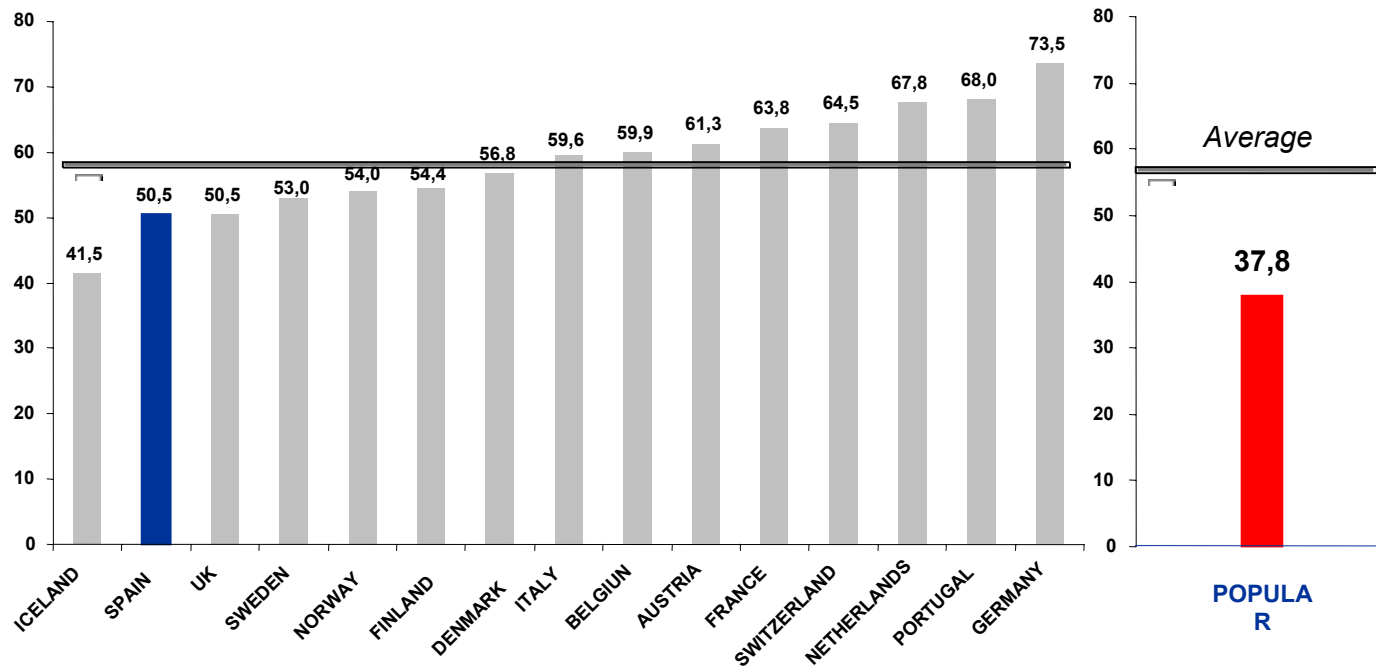




# Earnings

Popular: European Leader in cost/income ratio (\*) 2004-06

*Average Cost/Income ( incl. Depreciation) (%)*



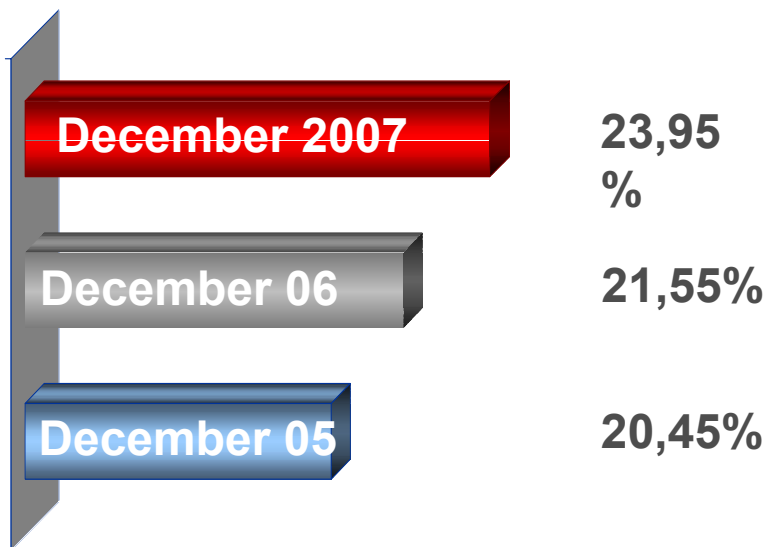
(\*) Source: Arthur D. Little



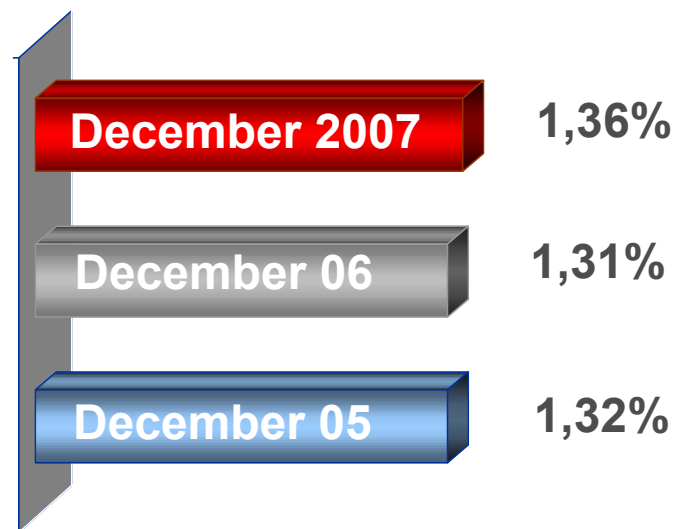
# Earnings

- PROFITABILITY

## ROE



## ROA





# Earnings

## RETURN & EFFICIENCY: SECTOR COMPARISON

### ROA

<b>Banco Popular</b>	
<b>December 07</b>	<b>1.36 %</b>

<b>Ave. Banks Sep. 07:</b>	<b>1.19%</b>
<b>Ave. Savings Banks Sep. 07:</b>	<b>0.91%</b>

### Cost/Income Ratio \*

<b>Banco Popular</b>	
<b>December 07</b>	<b>30.69 %</b>

<b>Ave. Banks Sep. 07:</b>	<b>38.08%</b>
<b>Ave. Savings Banks Sep. 07:</b>	<b>43.47%</b>

*Consolidated data*

*\* Cost base excludes depreciation*

*Source: AEB & CECA*



- ▶ **Core business growth**
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# Solvency

## ▪ SOLVENCY

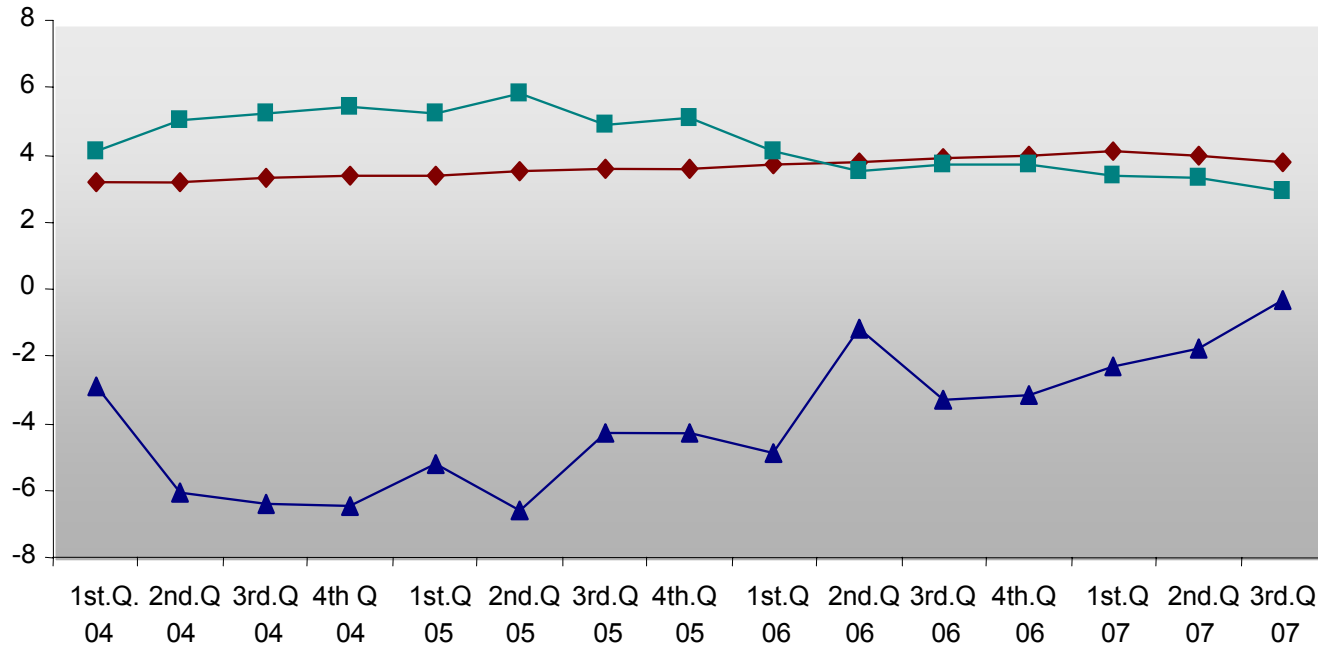
(€ Million)

	<i>Dec. 07</i>	<i>Sep. 07</i>	<i>Dec. 06</i>
<b>Total core capital</b>	5,752.2 <b>6.47%</b>	5,682.1 <b>6.66%</b>	5,201.7 <b>6.74%</b>
<b>Total Tier I Capital</b>	7,040.2 <b>7.92%</b>	6,970.1 <b>8.17%</b>	6,189.7 <b>8.02%</b>
<b>Total Tier 2 Capital</b>	1,552.1 <b>1.75%</b>	1,512.9 <b>1.77%</b>	1,423.6 <b>1.85%</b>
<b>BIS computable capital</b>	8,592.3 <b>9.67%</b>	8,483.0 <b>9.94%</b>	7,613.3 <b>9.87%</b>
<b>Total BIS risk weighted assets</b>	<b>88,877.4</b>	<b>85,313.3</b>	<b>77,140.2</b>

# ANNEX



# Macroeconomic Parameters in Spain

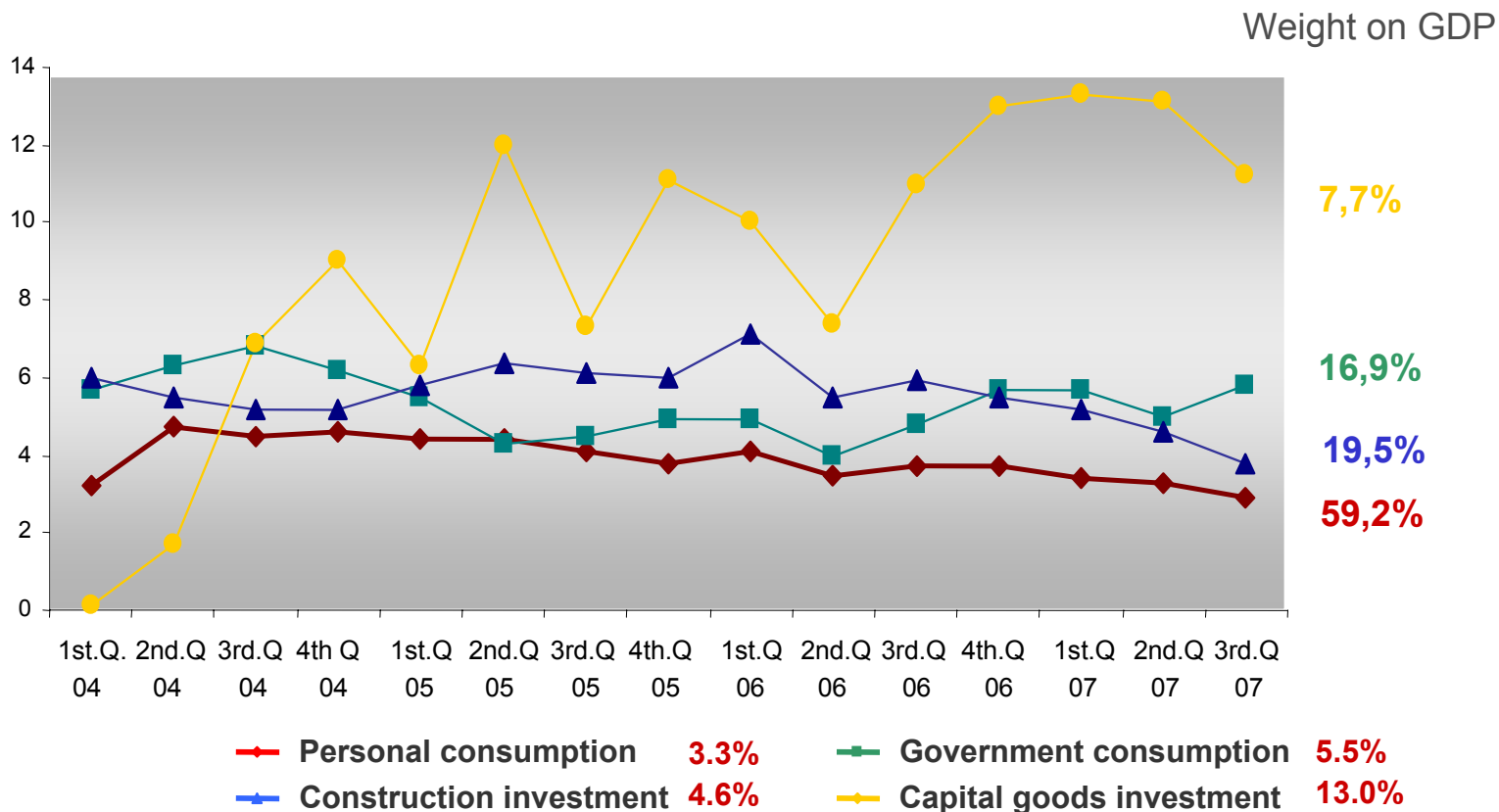


—◆— GDP **4.0%**    —■— Internal Demand **4.9%**    —▲— Balance of Trade **-1.9%**

Source: INE



# Macroeconomic Parameters in Spain

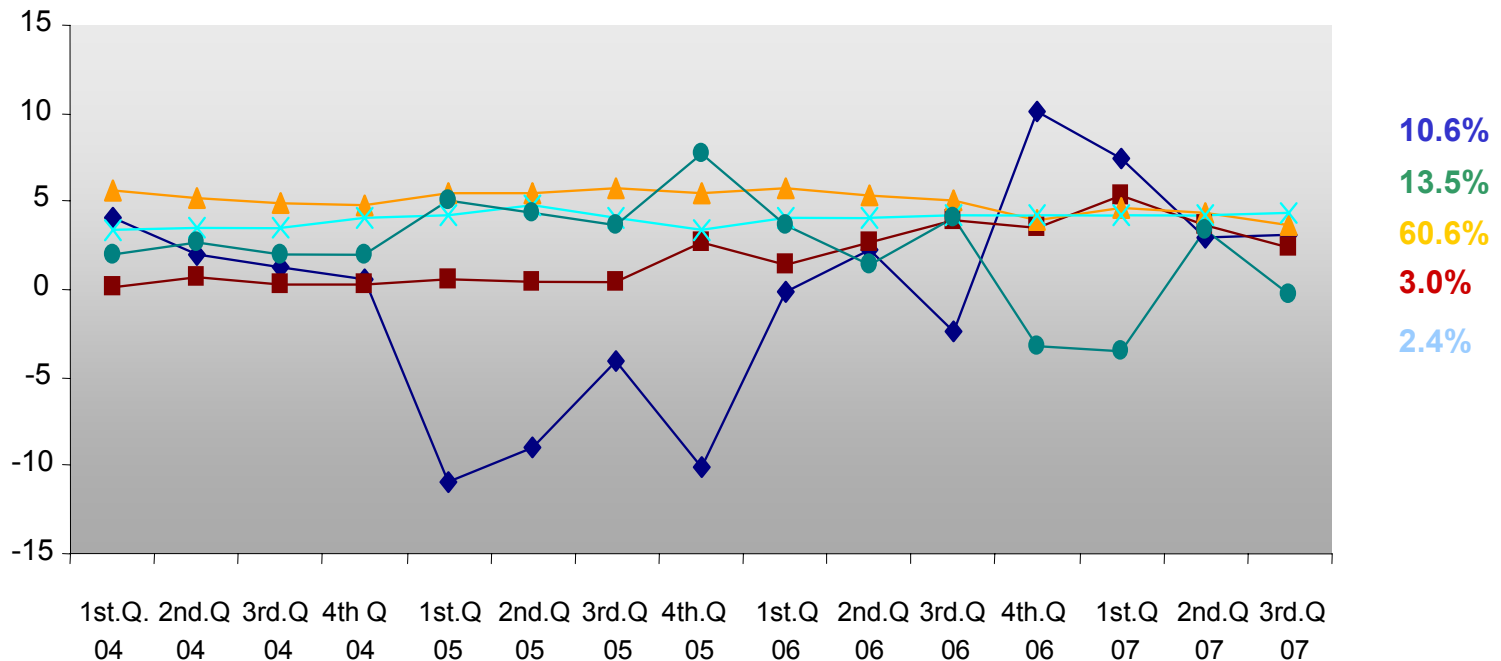


Source: INE



# Macroeconomic Parameters in Spain

Weight on GDP



◆ Primary Sector	3,1 %	▲ Construction	3,6 %	● Energy	-0,3 %
■ Industry	2,4 %	× Services	4,4 %		

Source: INE

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