



FINANCIAL RESULTS 1st HALF 2009

27th July 2009



Disclaimer

This presentation has been prepared by Banco Popular solely for purposes of information. It may contain estimates and forecasts with respect to the future development of the business and to the financial results of the Banco Popular Group, which stem from the expectations of the Banco Popular Group and which, by their very nature, are exposed to factors, risks and circumstances that could affect the financial results in such a way that they might not coincide with such estimates and forecasts. These factors include, but are not restricted to, (i) changes in interest rates, exchange rates or any other financial variables, both on the domestic as well as on the international securities markets, (ii) the economic, political, social or regulatory situation, and (iii) competitive pressures. In the event that such factors or other similar factors were to cause the financial results to differ from the estimates and forecasts contained in this presentation, or were to bring about changes in the strategy of the Banco Popular Group, Banco Popular does not undertake to publicly revise the content of this presentation.

This presentation contains summarised information and may contain unaudited information. In no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, nor is it intended to serve as a basis for any contract or commitment whatsoever.



1H09 results highlights

(€ in millions)

	June 08	June 09	Change
Net interest income	1,254	1,417	+13.0%
Pre-provisioning profits	1,195	1,417	+18.6%
Financial assets impairment	(466)	(821)	+355M€
Net profit	677.5	442.6	-34.7%
Recurrent earnings	497	540	+8.7%
<hr/>			
Net Interest Margin (%)	2.39%	2.53%	+14bp
Efficiency ratio	31.9%	28.3%	-360bp
Core tier 1 ratio	7.17% ⁽¹⁾	7.37%	+20bp ⁽¹⁾
Loan / Deposits ratio (%)	221.6%	180.0%	-41.6pp
Loans market share ⁽²⁾ (%)	4.47%	4.53%	+6bp
Deposits market share ⁽²⁾ (%)	4.13%	4.61%	+48bp

⁽¹⁾ Core tier 1 ratio as at december 08 under Basel II .June 08 under Basel I, 6.67%.

⁽²⁾ As of March 2009, latest available data



Agenda

1. Operating excellence: high margins and outstanding efficiency

2. Business resilience: market share gains and credit growth

3. Asset quality: visible and under control

4. Financial strengths: strong solvency

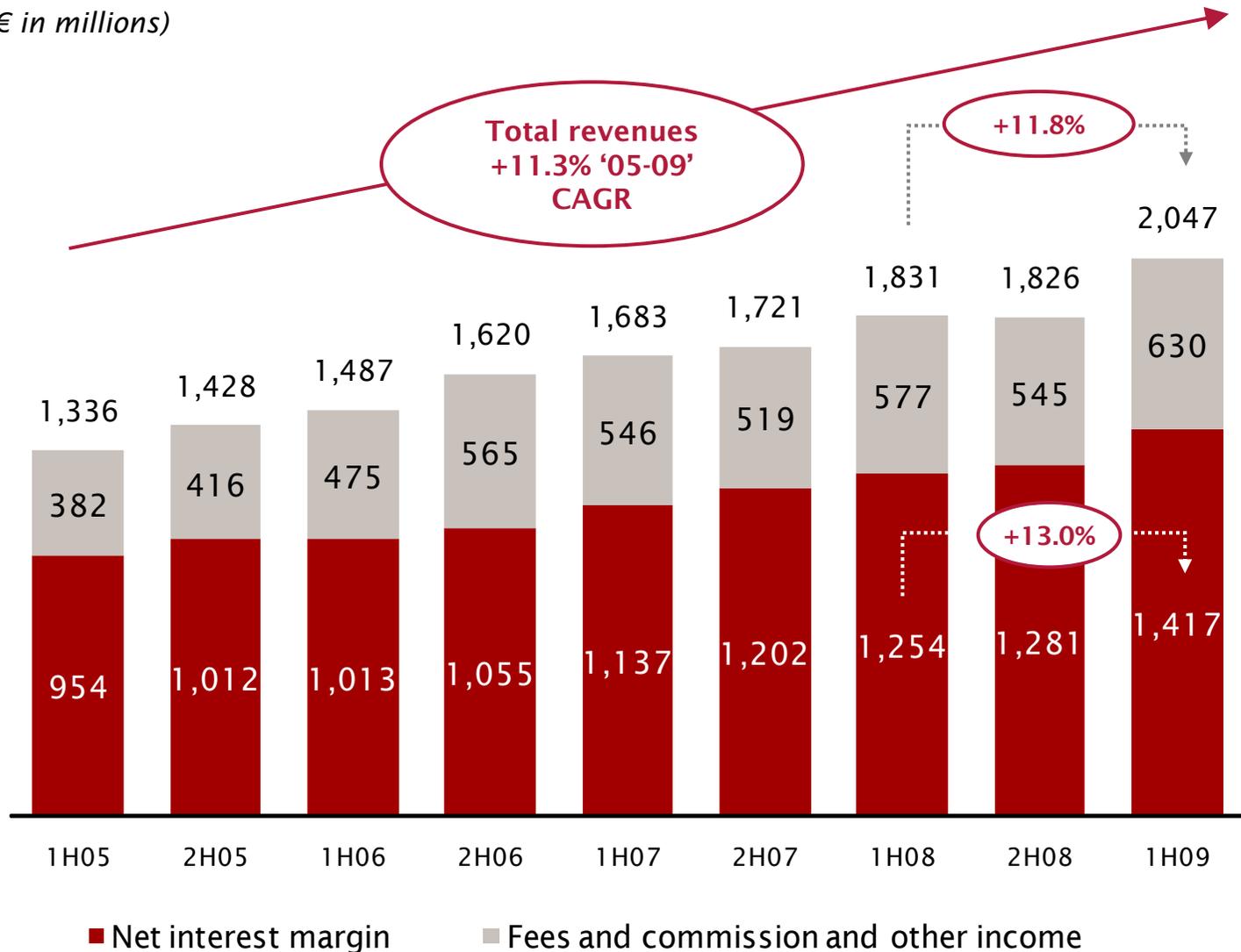
5. Outlook: excellent competitive position



We keep a strong revenue generation across the cycle

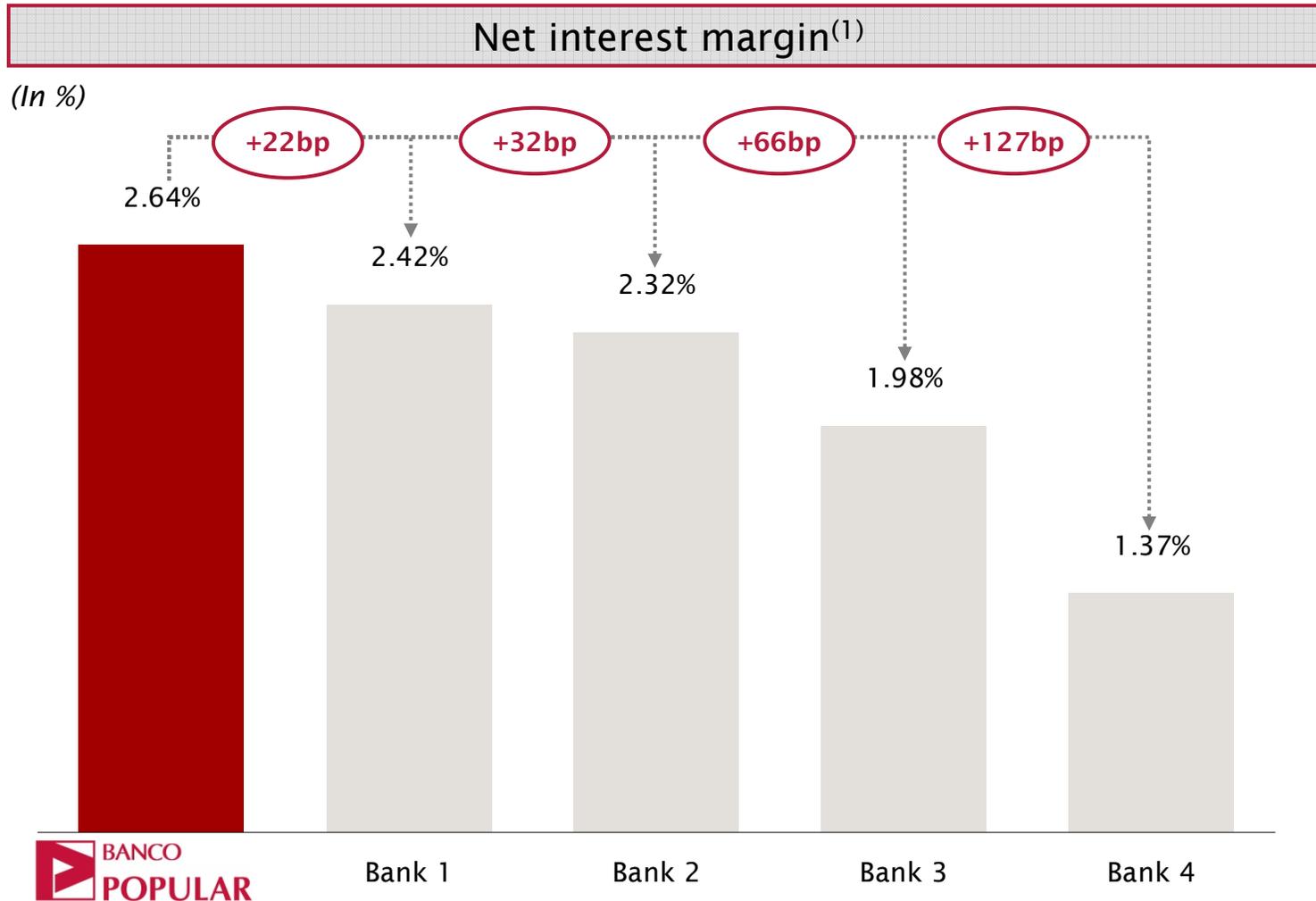
Net interest income and total revenues evolution

(€ in millions)





In managing margins we are best-in-class



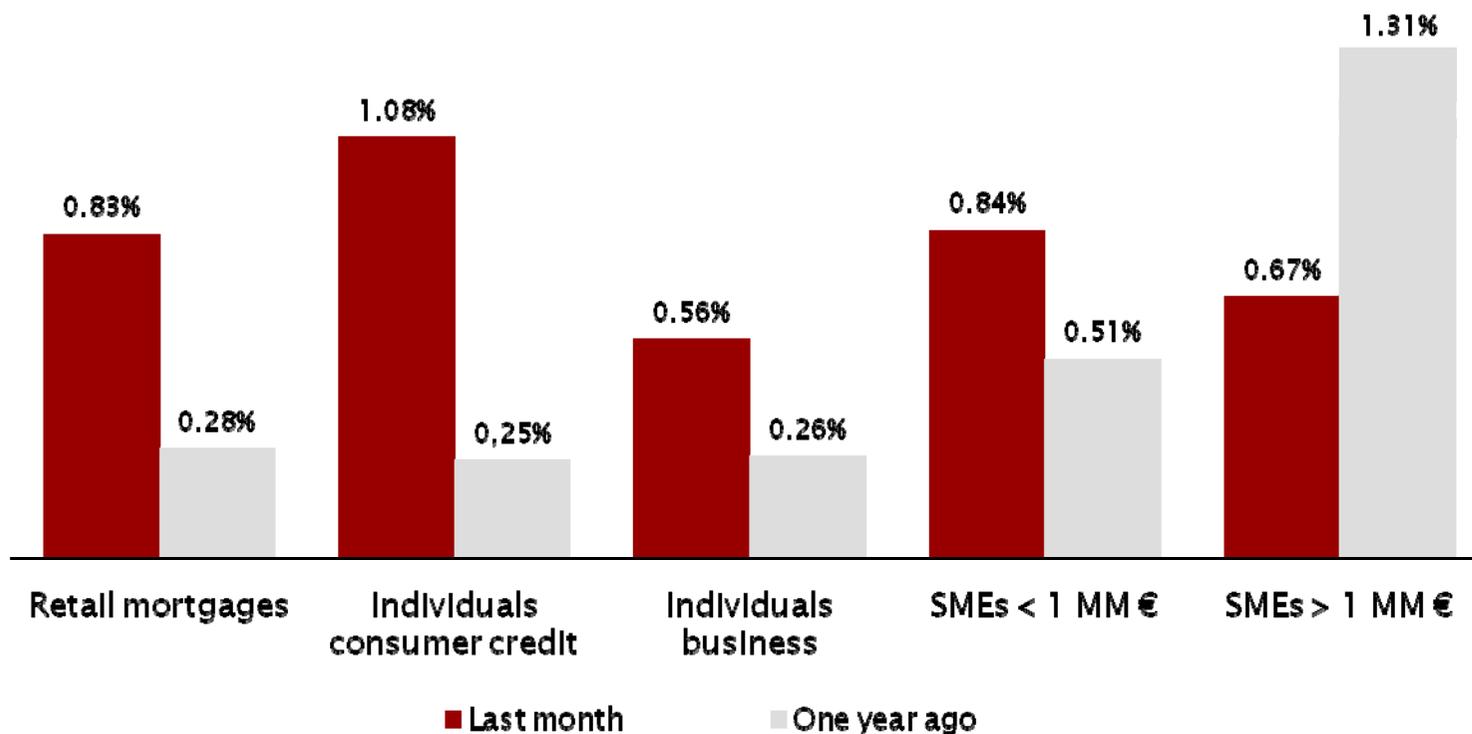
Source: Quarterly results as of 1Q09

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

(1) Calculated as net interest income / average total assets



We are improving our spreads vs. industry on the front loan book across all target business segments



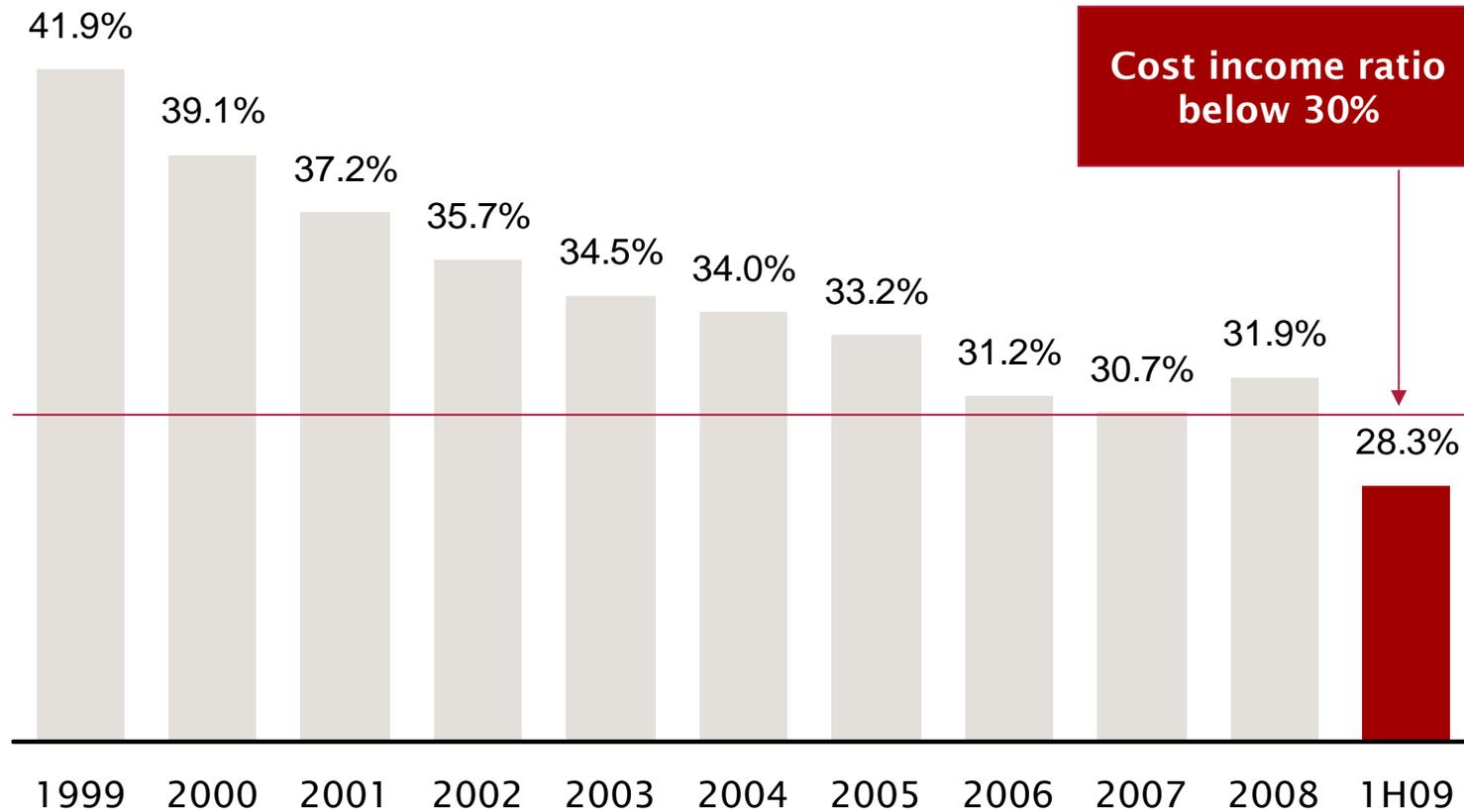
Note: Data as of June 2009

Source: Banco de España



And keep improving our efficiency...

Efficiency ratio evolution⁽¹⁾

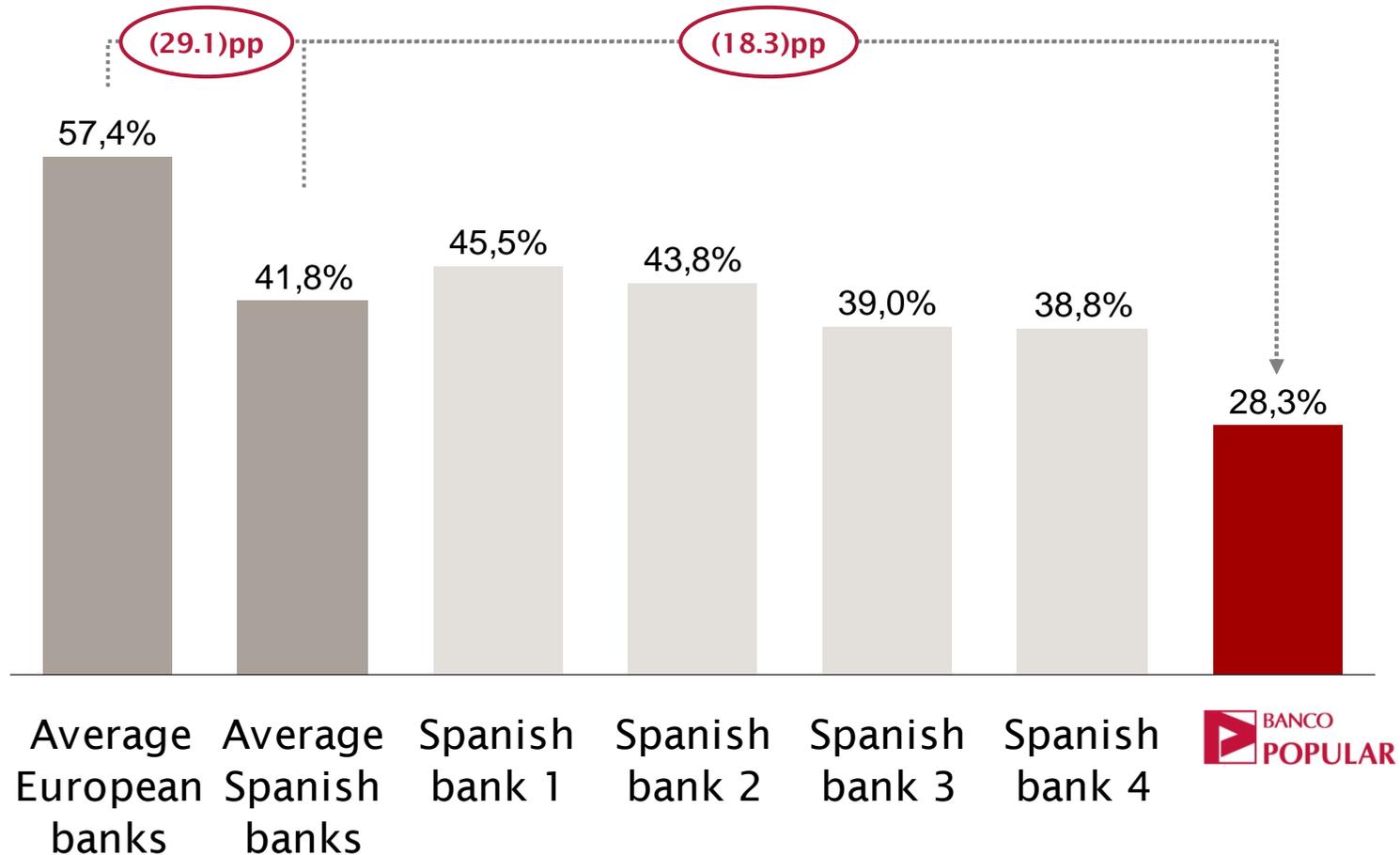


(1) Efficiency ratio excludes depreciation and amortization costs



...while reinforcing our position as the most efficient bank in Europe

Efficiency ratio comparison⁽¹⁾



Source: Analysts' estimates. Latest available data

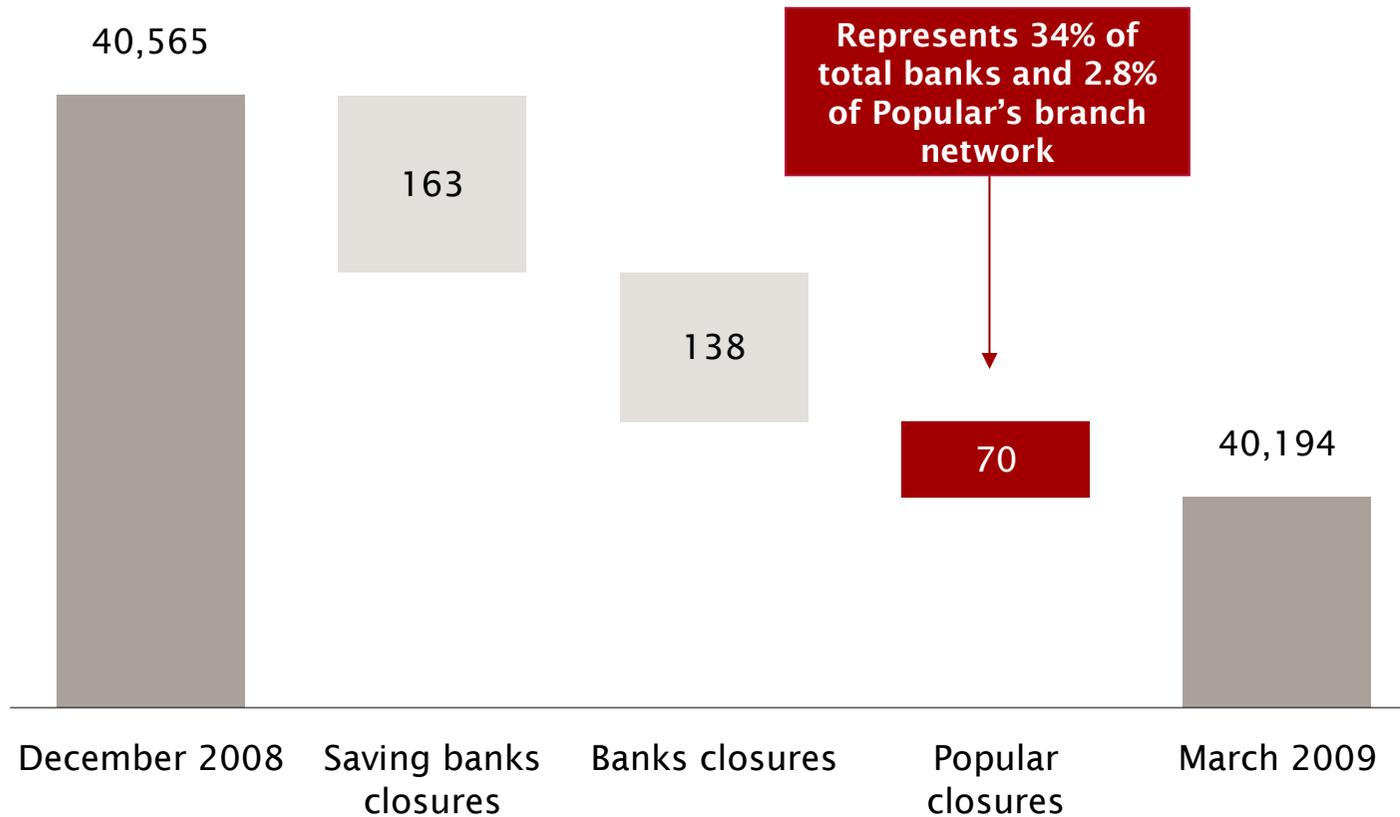
Note: Comparable banks include Santander, BBVA, Sabadell and Bankinter

(1) Excludes depreciation in the cost base for Spanish banks. Averages as of march 2009 excluding Popular. [As of March 2009]



We are the first in Spain to streamline branch network

Evolution of number of branches in the Spanish financial sector



+48 branches closed during 2Q 2009

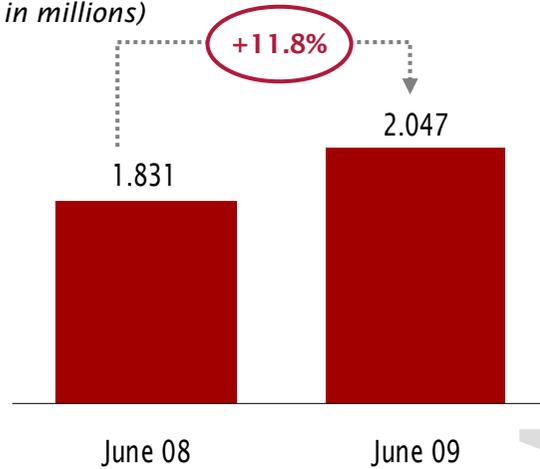
Source: Bank of Spain



All the above leading us to a sharp 18.6% increase in pre-provision profit in 1H09

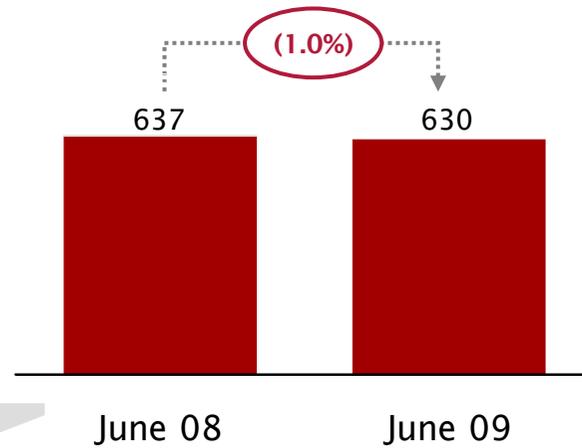
Total revenues

(€ in millions)



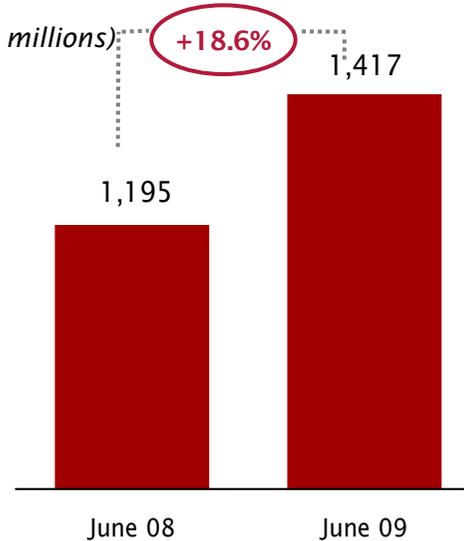
Operating costs

(€ in millions)



Pre-provision profit

(€ in millions)

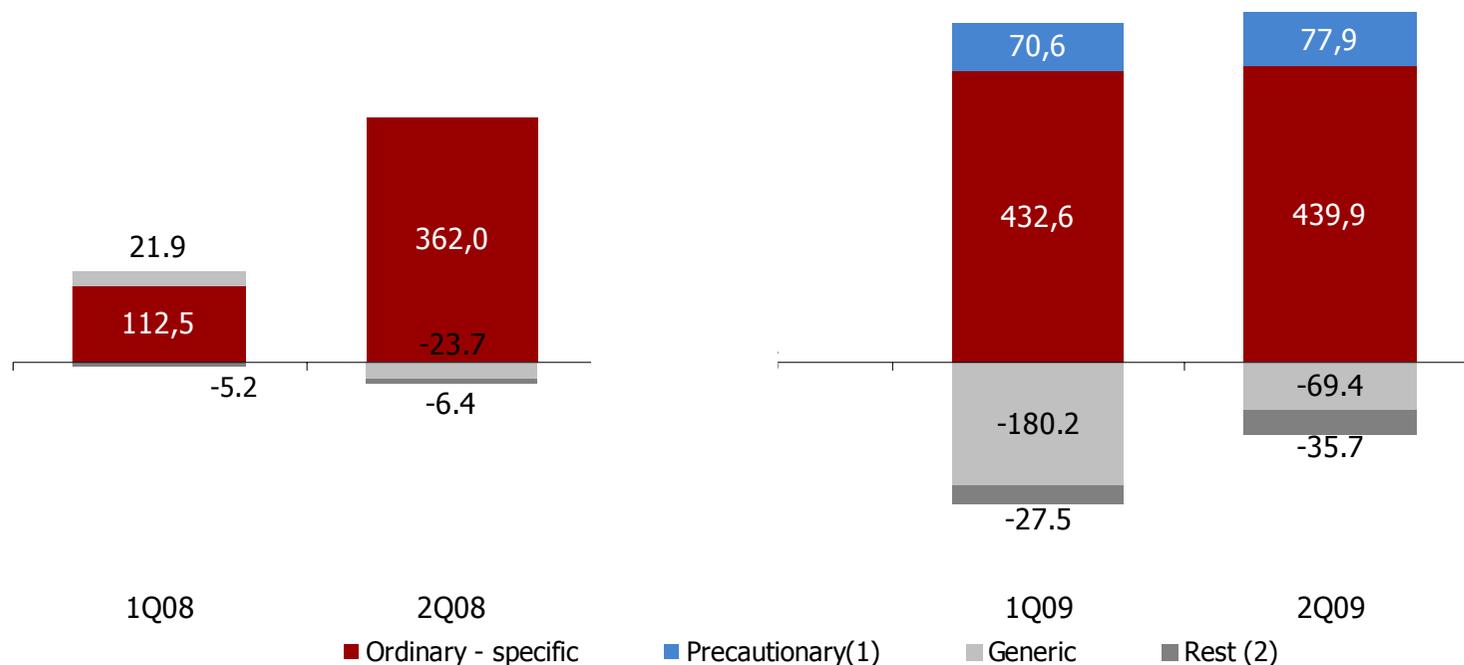




The exceptional pre-provision profit allows us to take a prudent provisioning approach (+355M€ 1H08 vs 1H09). This quarter we are releasing less generic provision

Evolution of P&L credit provisions by type

(€ in millions)



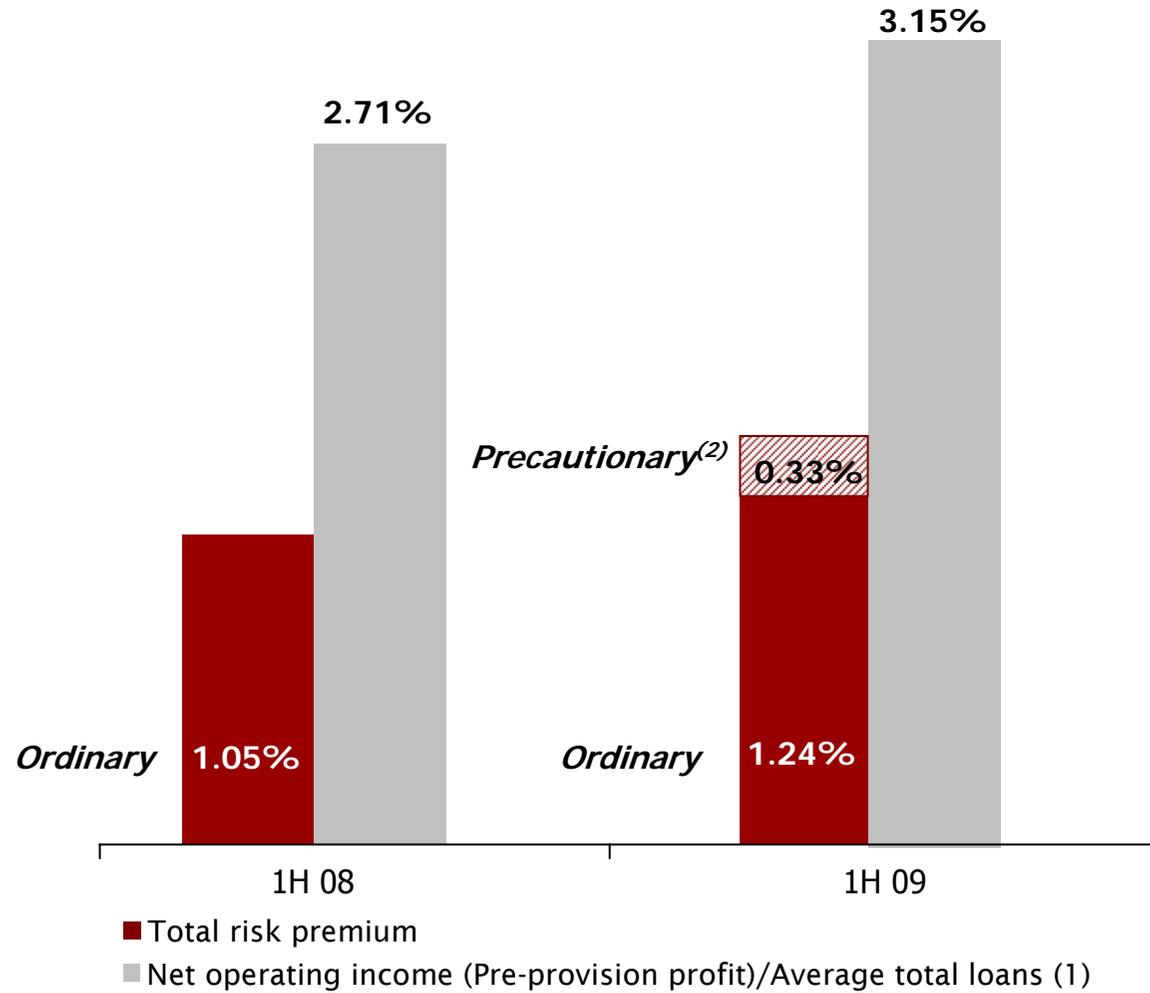
**Reduction of release of generic provisions of 110 M €
2Q09 vs. 1Q09**

- (1) Sector, no specific allocation
- (2) Recoveries of bad debts and country risk provision



We are able to offset current risk through higher efficiency

Pre-provision profit margins vs. risk premium



(1) Average net total loans

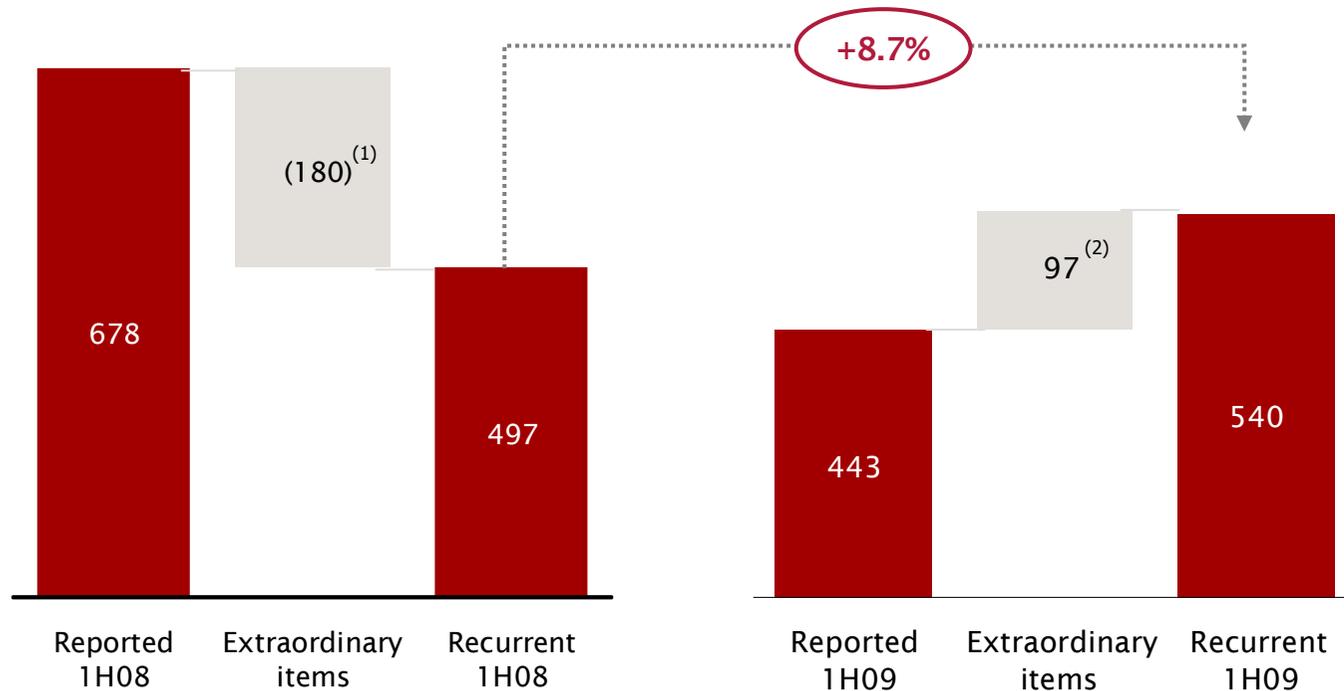
(2) Sector, no specific allocation



On a recurrent / underlying basis, our strong 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 sales 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



Agenda

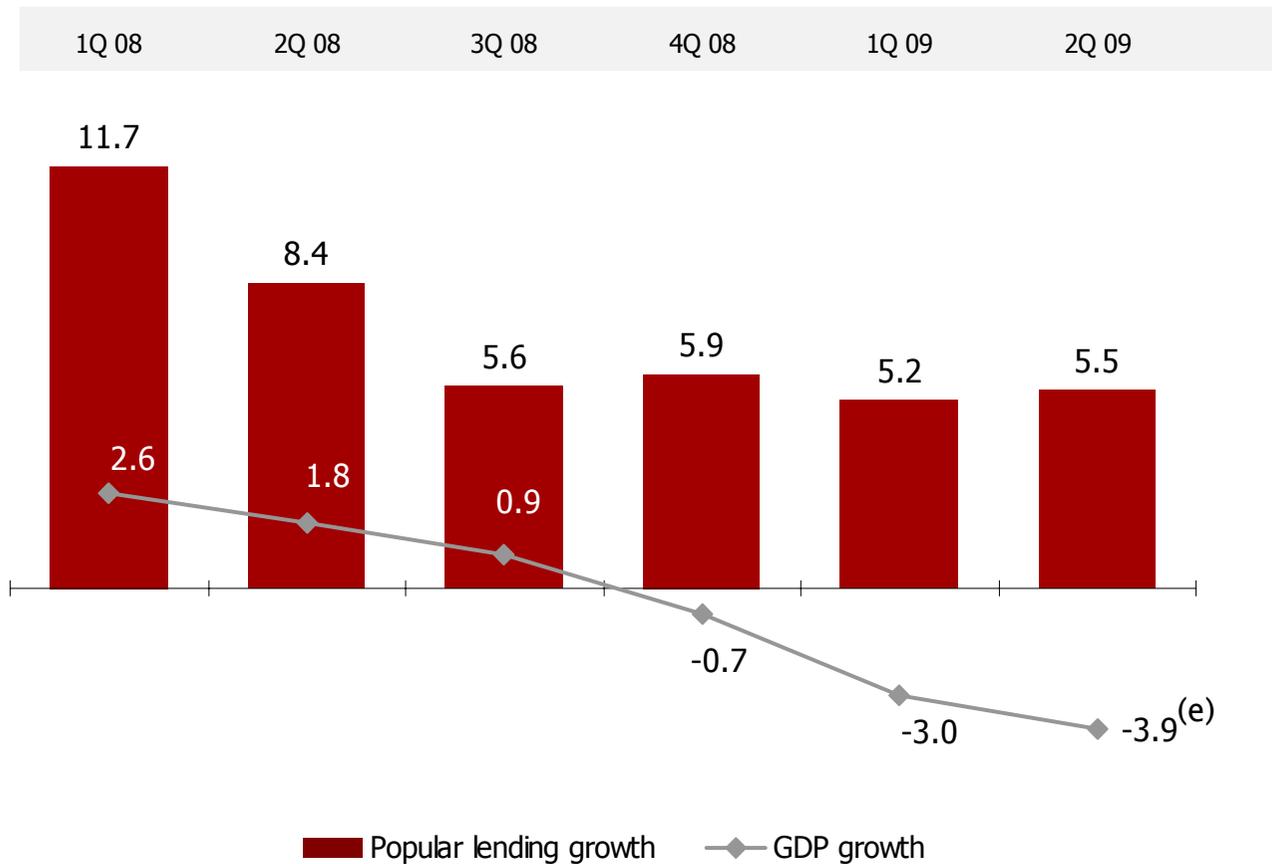
1. Operating excellence: high margins and outstanding efficiency
2. Business resilience: market share gains and credit growth
3. Asset quality: visible and under control
4. Financial strengths: strong solvency
5. Outlook: excellent competitive position



Banco Popular lending growth remains consistently above GDP, even in the current scenario

Loan portfolio growth versus GDP annual change

(%)



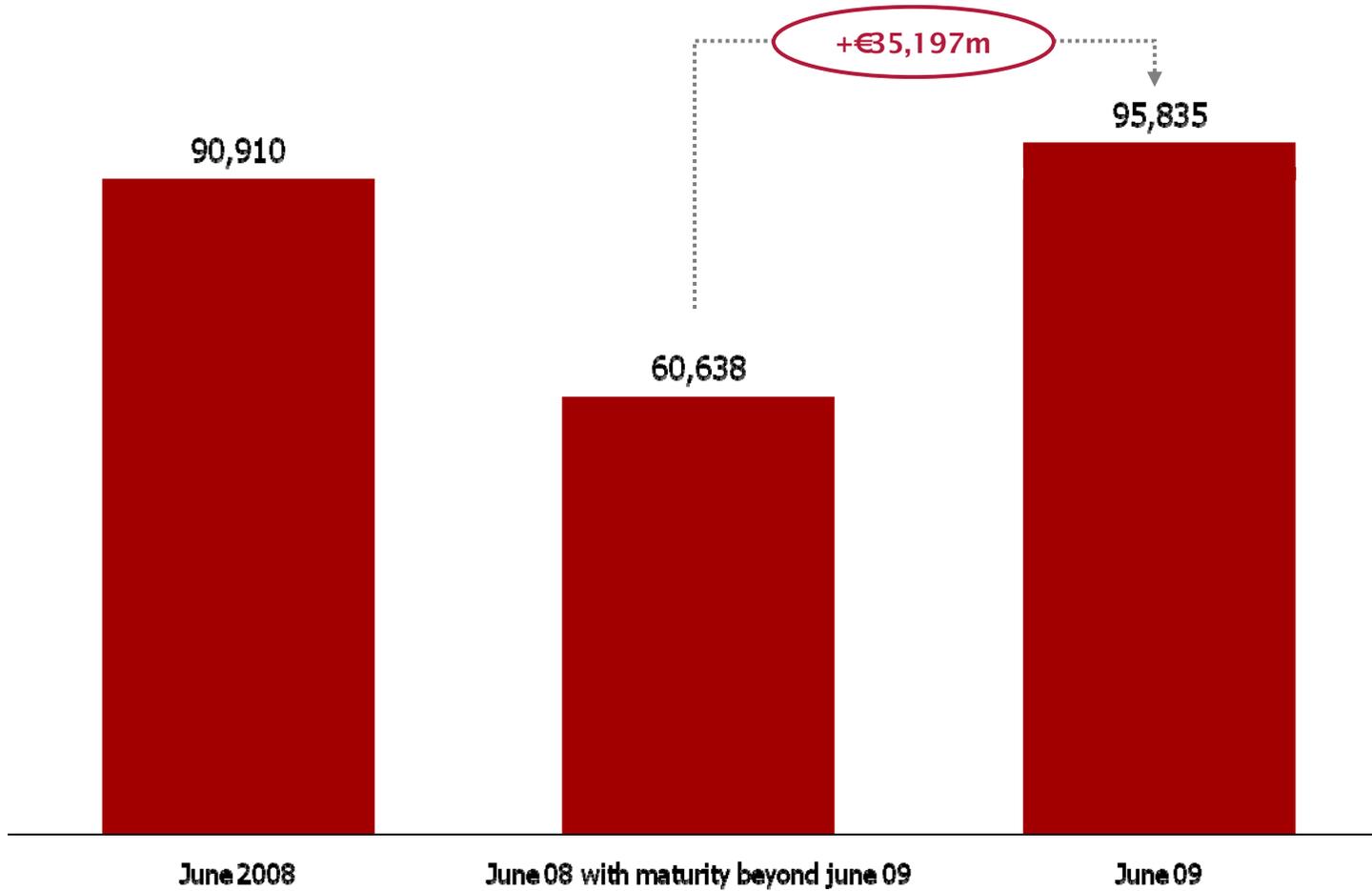
Source: Funcas as of 16 June 2009



With new production of 35.2 bn € YoY

Growth of lending portfolio and new production

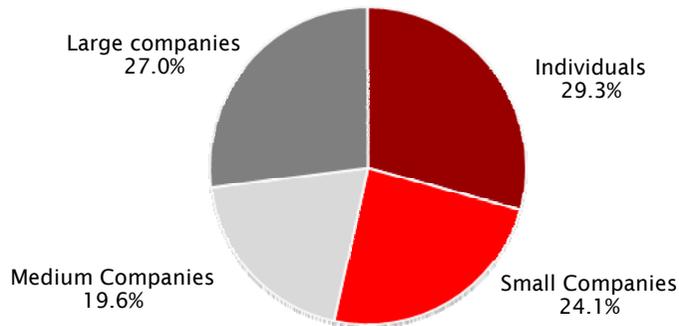
(€ in millions)



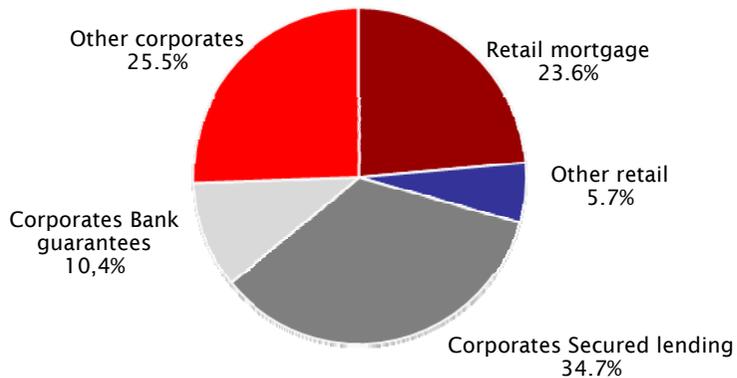


Reaffirming our focus on traditional banking business...

Risk portfolio breakdown by sector



Risk portfolio breakdown by product



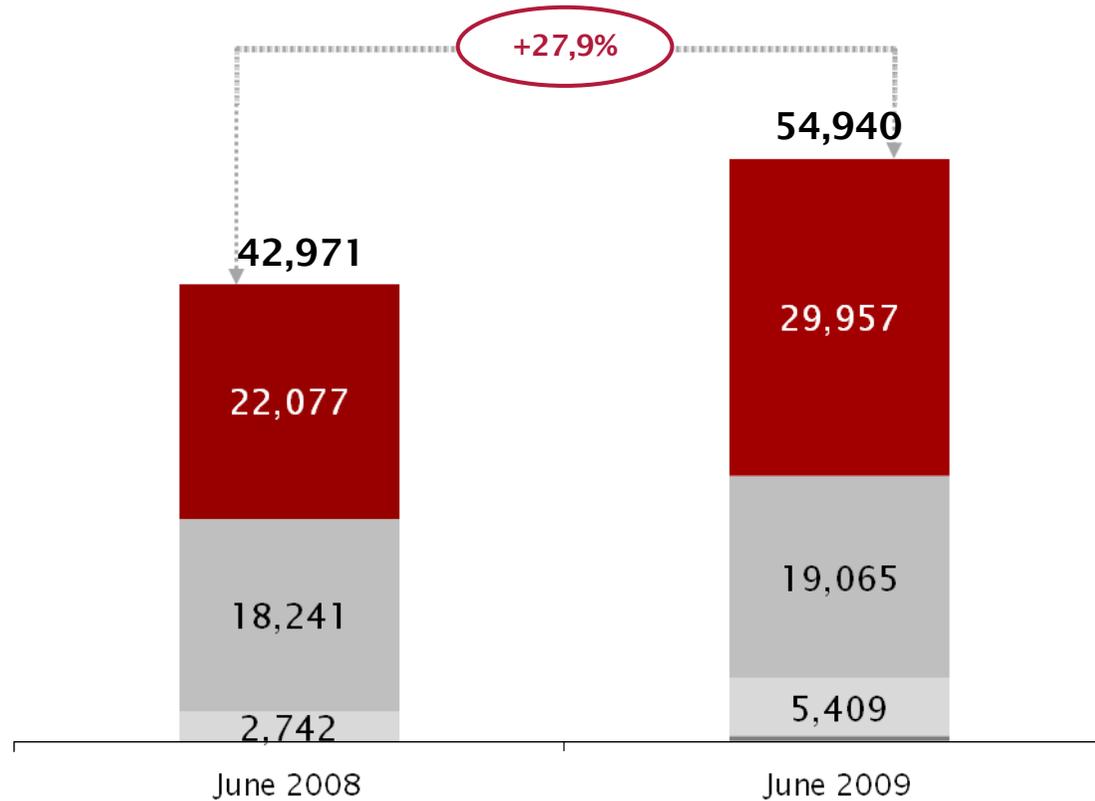
Total collateralized: 58.3%

- ✓ Focus on SME / mortgage lending
- ✓ 50% of revenues coming from SMEs, liberal professionals and retailers
- ✓ Sound and controlled growth in volumes
- ✓ Sound and improved diversification of lending portfolio
- ✓ Leverage on loyal customer base



We are increasing our deposit base

Client deposit evolution (in M €)



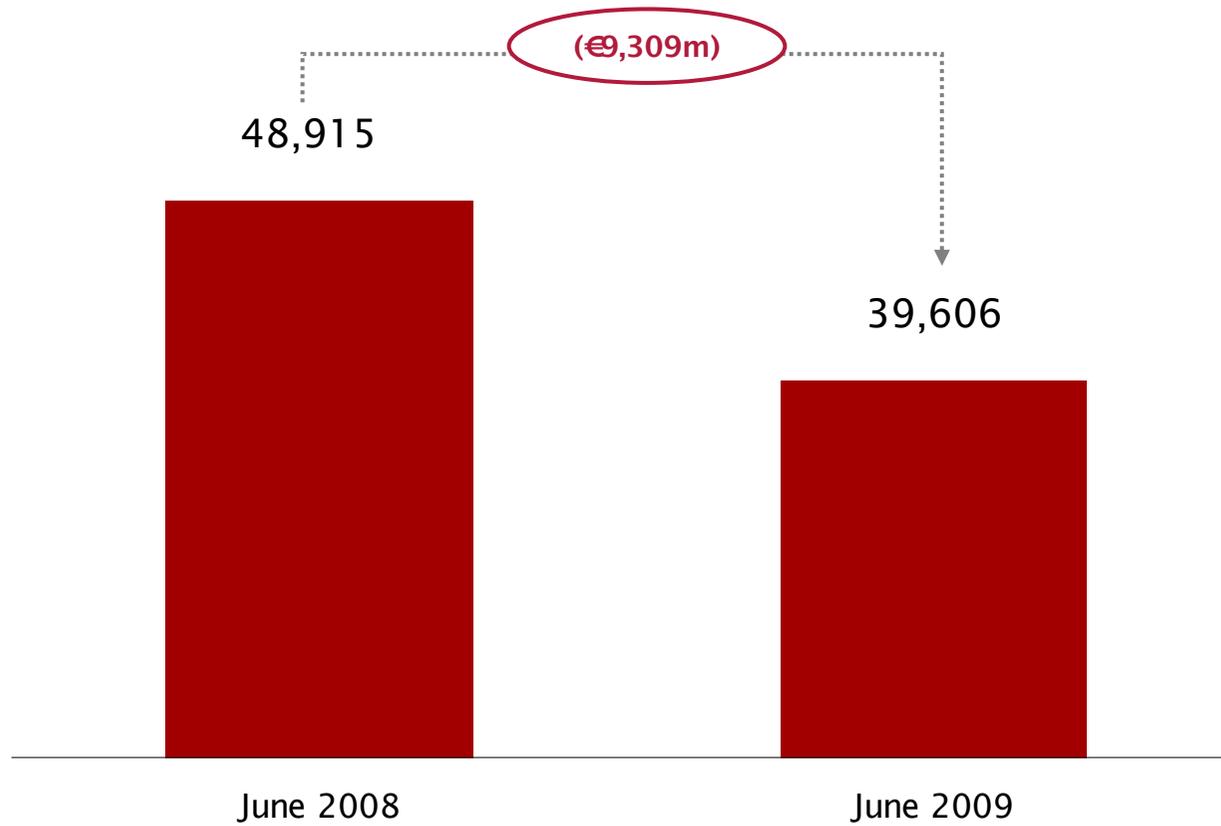
■ Time deposits ■ Demand deposit ■ Asset repos ■ Other accounts and valuation adjustments



And improving our commercial gap

Commercial gap evolution

(€ in millions)

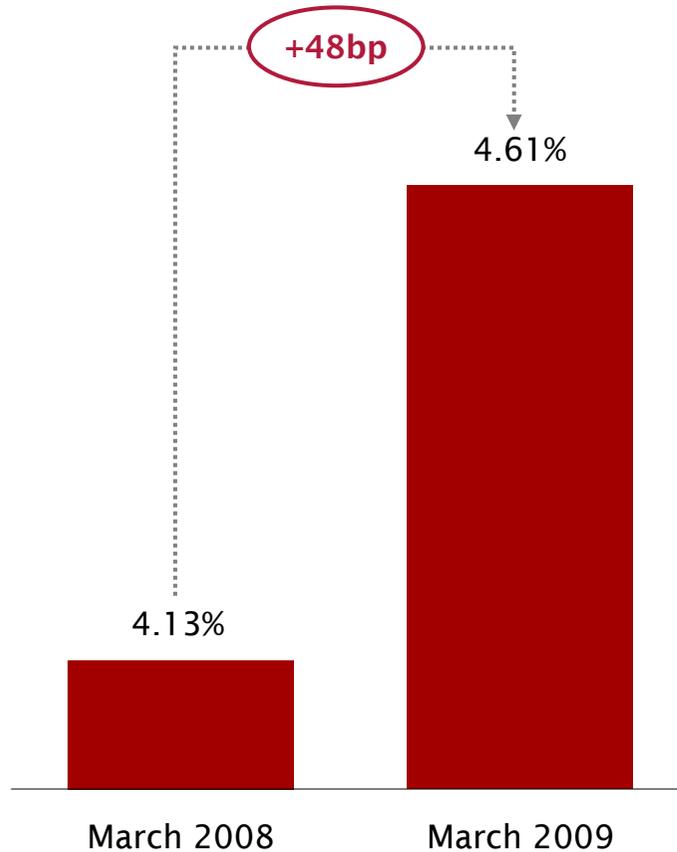




We are taking advantage of market opportunities: loans & deposits

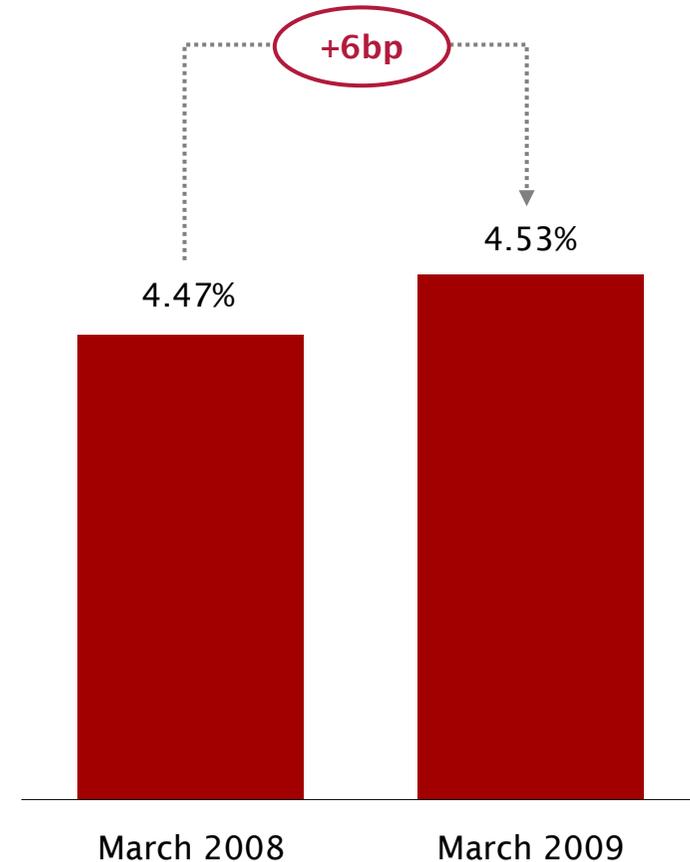
Customer deposit market share

(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



And as such, strengthening our leadership in SMEs

Exceptional market share in ICO financing lines

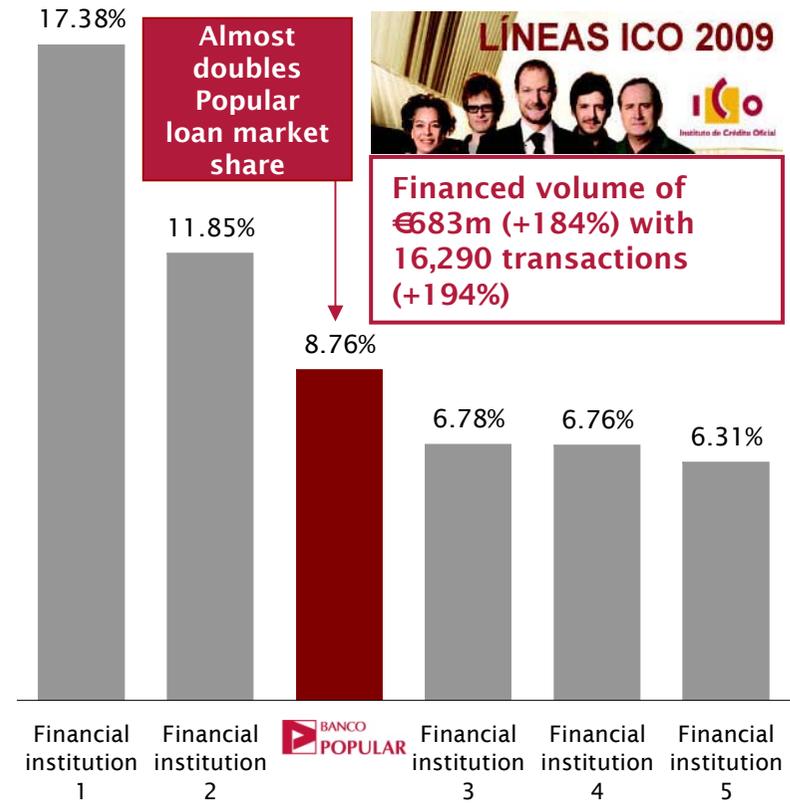
11,614
Net new corporate clients in the first half of 2009

Leasing
12,390 transactions

International business
16% increase in financing

Línea Bienvenida PYMES
6,100 transaction with total volume of €344m

Best worldwide factoring franchise over the last 5 years



Source: AEB data as of 26/06/2009



Agenda

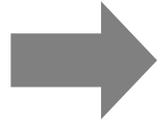
1. Operating excellence: high margins and outstanding efficiency
2. Business resilience: market share gains and credit growth
3. Asset quality: visible and under control
4. Financial strengths: strong solvency
5. Outlook: excellent competitive position



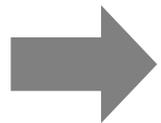
Active risk management



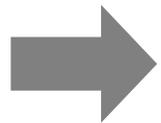
Net entries of bad loans have decreased by 41% vs. first quarter 2009



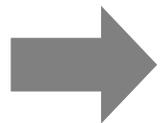
Evolution of non-performing loans of less than 90 days decreasing



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



Asset quality: high collateralization and low affordability ratios



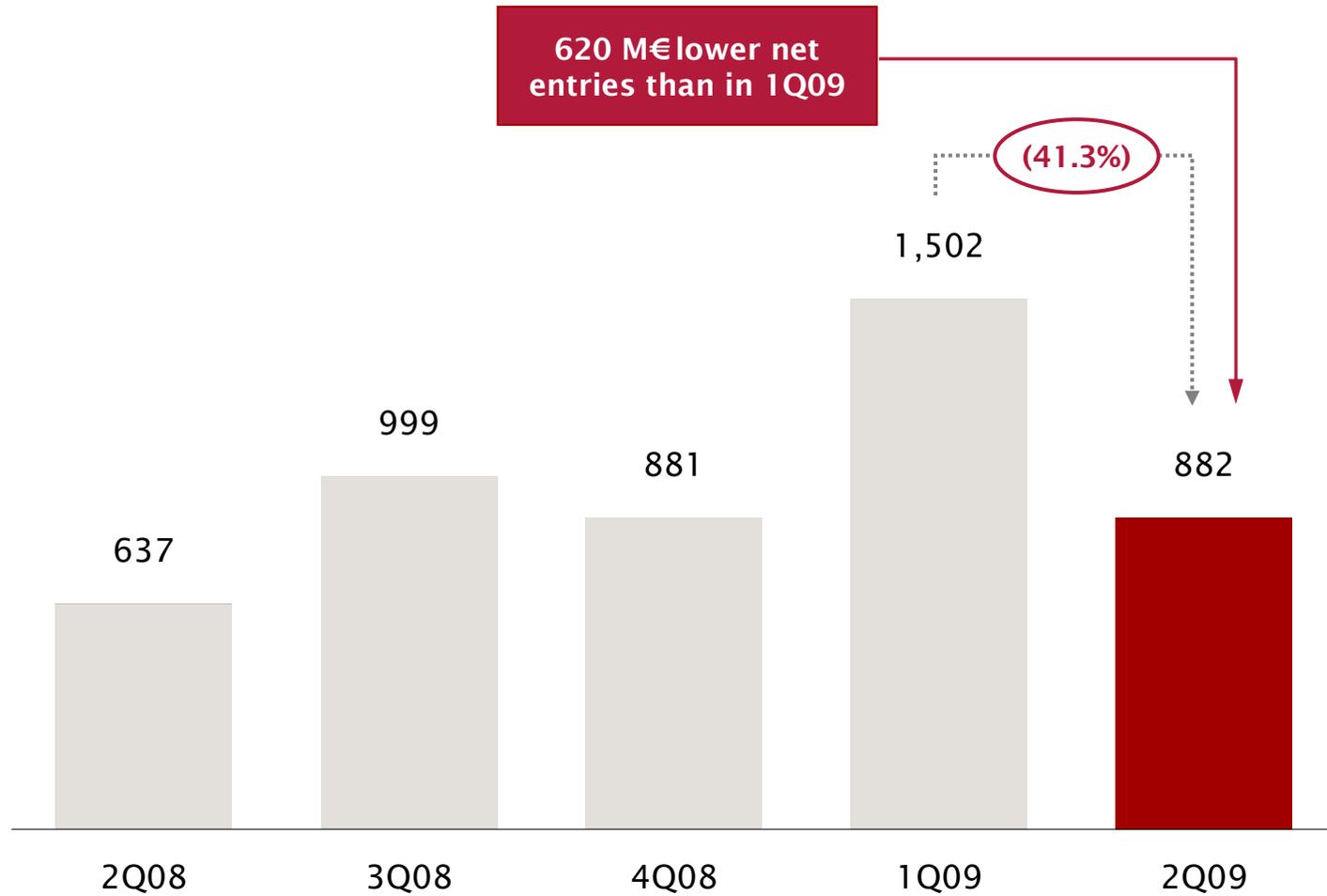
Strong teams dealing with and anticipating solutions for customers



Sharply reduced credit quality deterioration

Evolution of net entries of NPLs

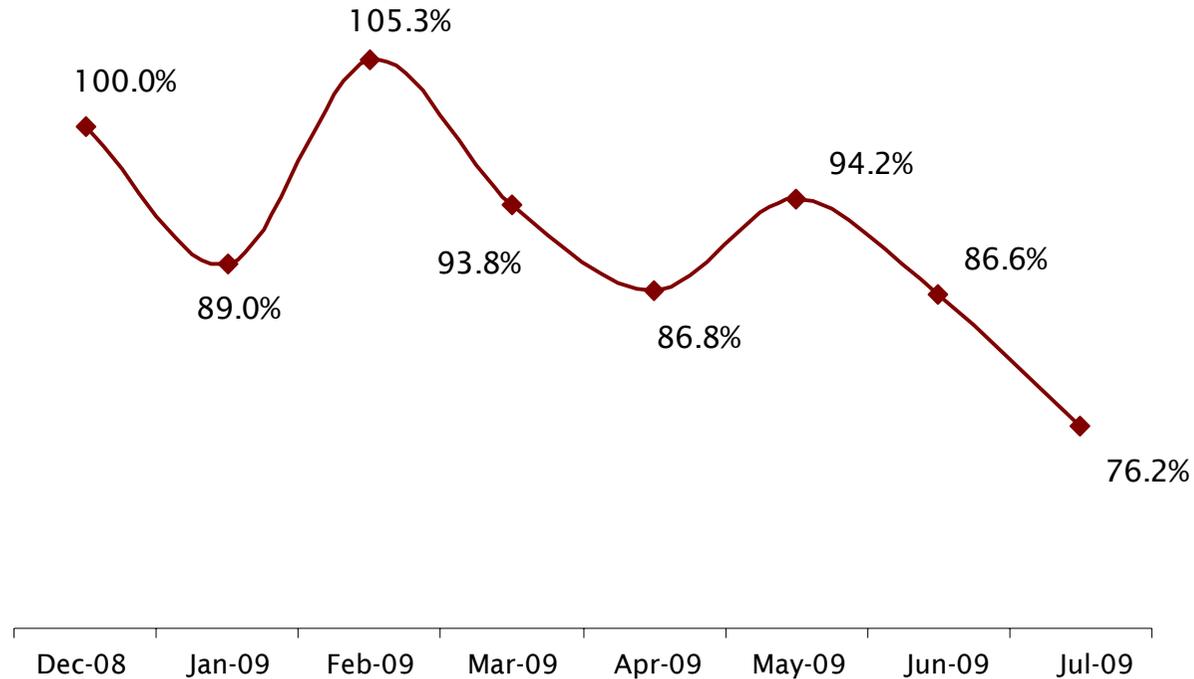
(€ in millions)





Backed by internal indicators

Banco Popular's late/failed payment (30-90 days) index evolution



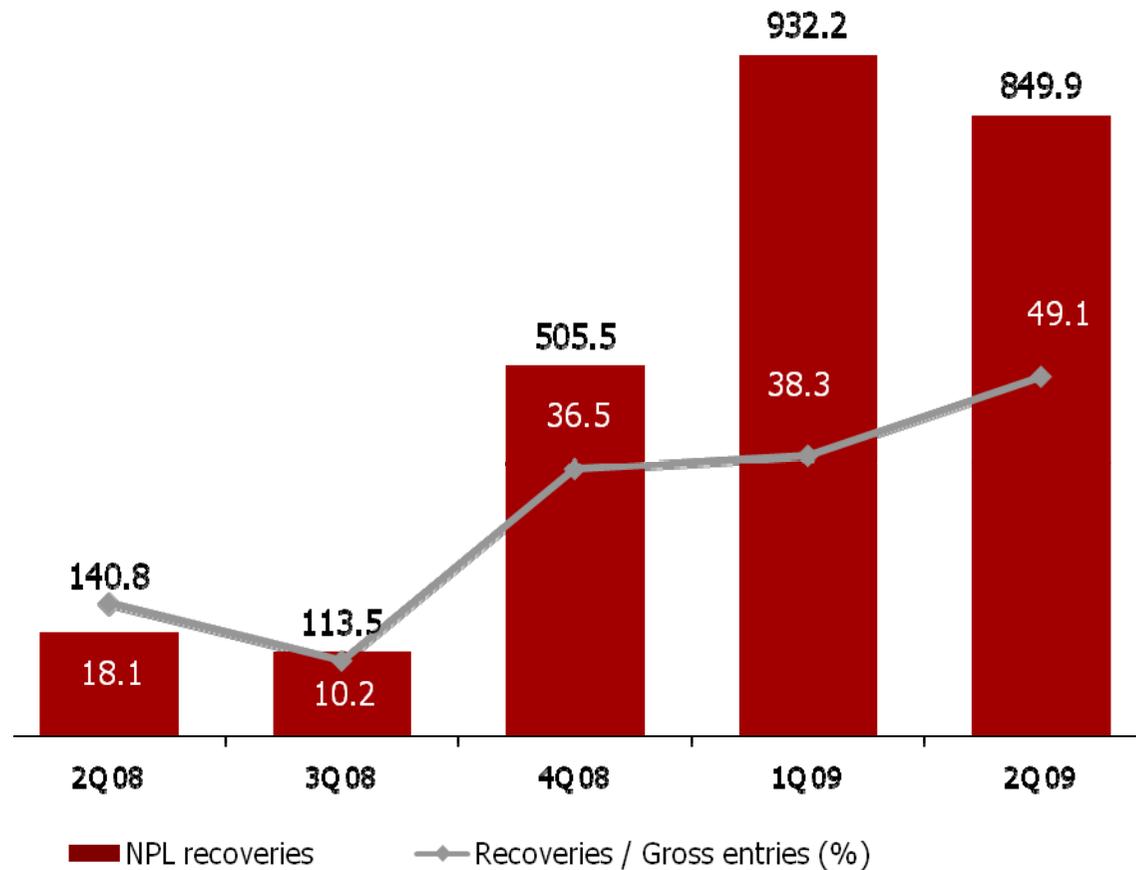
Note: Index shows evolution of € volume of Banco Popular's clients who have failed or defaulted payments (30-90 days) but are not non performing according to Bank of Spain regulation. Base of as December 2008. Data as of the beginning of each month.



Sustained higher recovery rates

Evolution of NPL recoveries and recovery rates

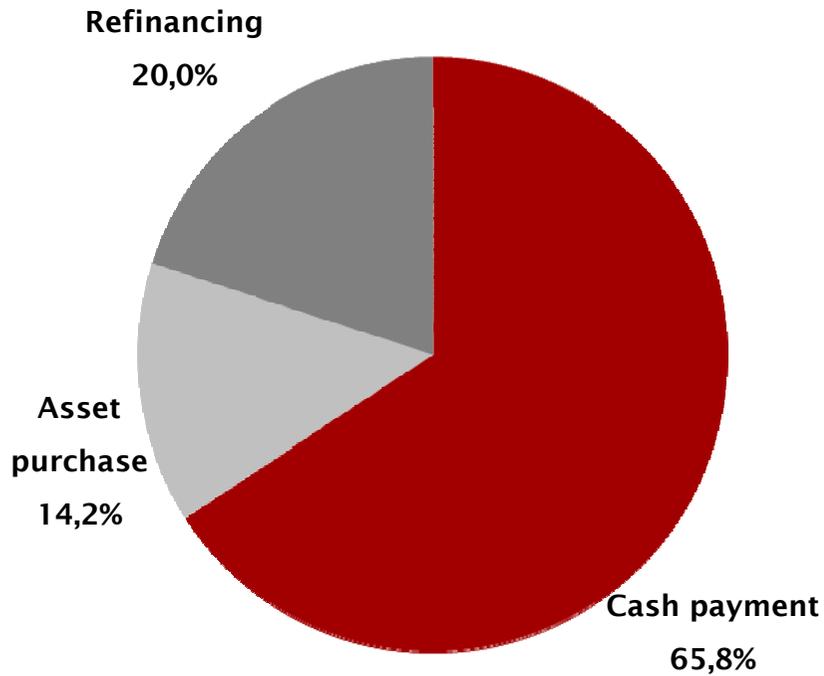
(€ in millions)



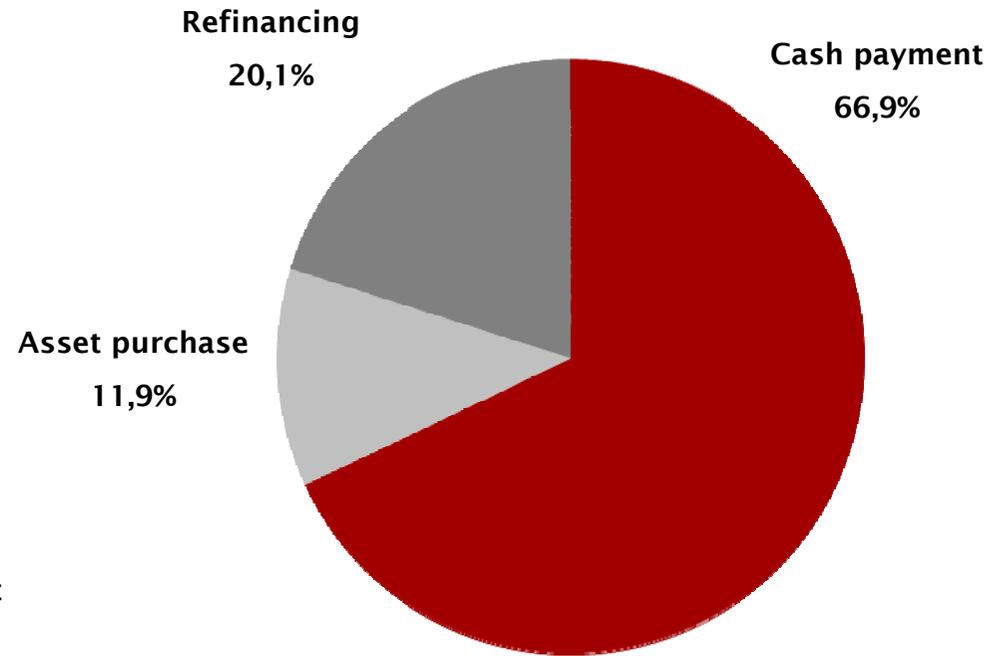


With a real recovery track record backed by our strong organisation

Recoveries 1Q 09

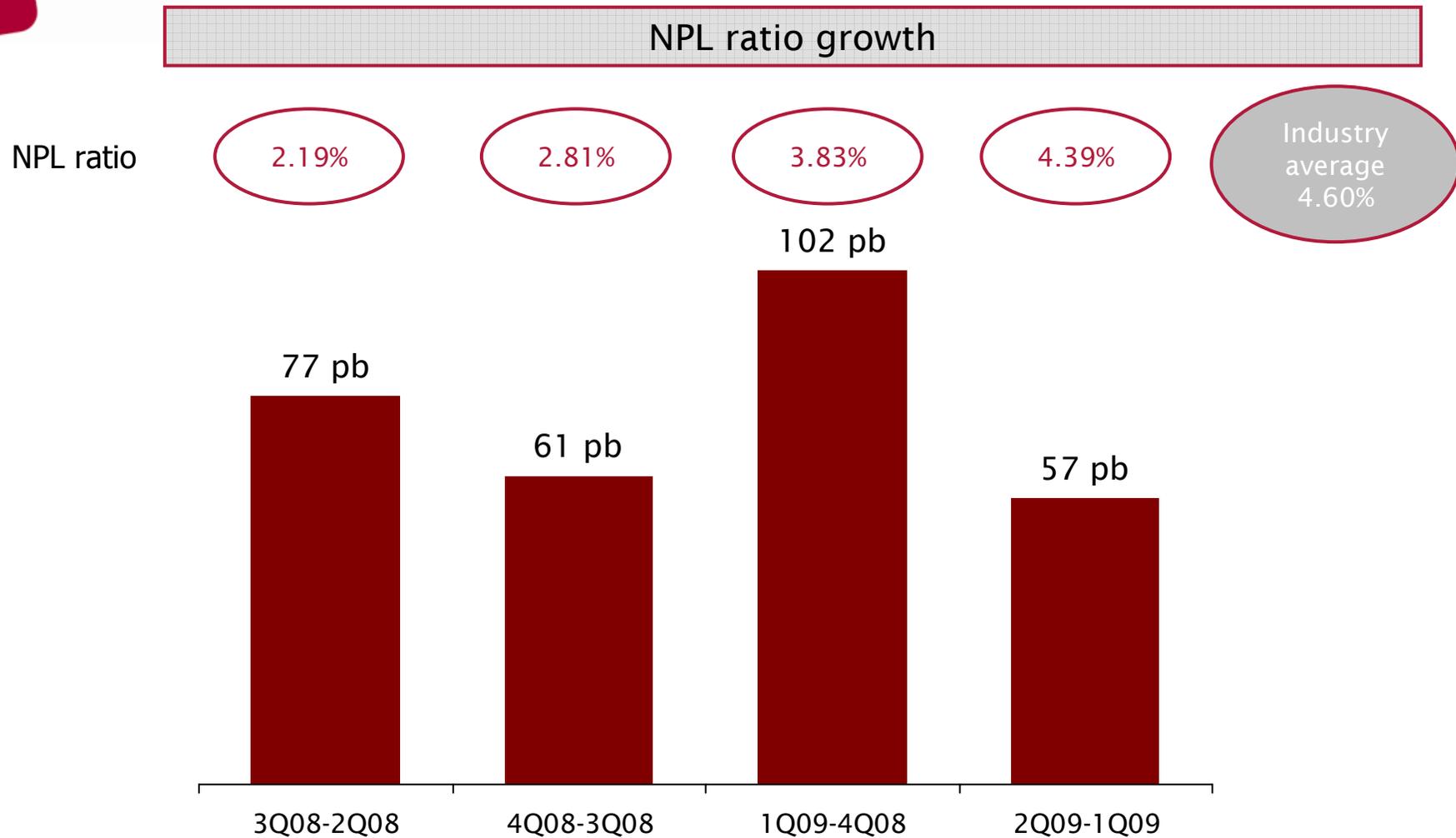


Recoveries 2Q 09





NPL ratio grows at a slower rate

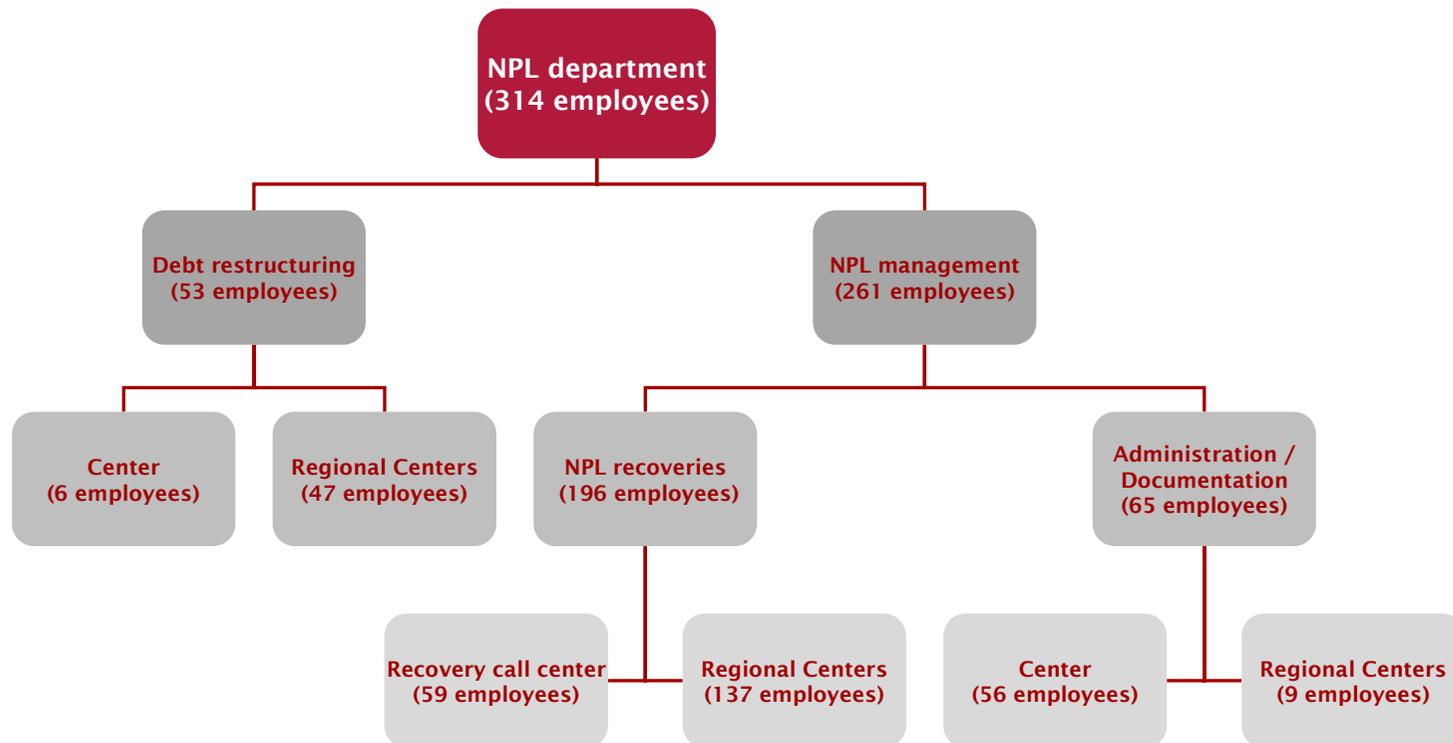


(1) Average of banks and savings banks as of May 2009. Other resident sectors. Source: Banco de España



As we actively manage risk ... Strong team in place

- ✓ Controlled asset growth
- ✓ Close monitoring of real estate/construction exposure
- ✓ Creation of independent organization only focusing on late payments and delinquency management

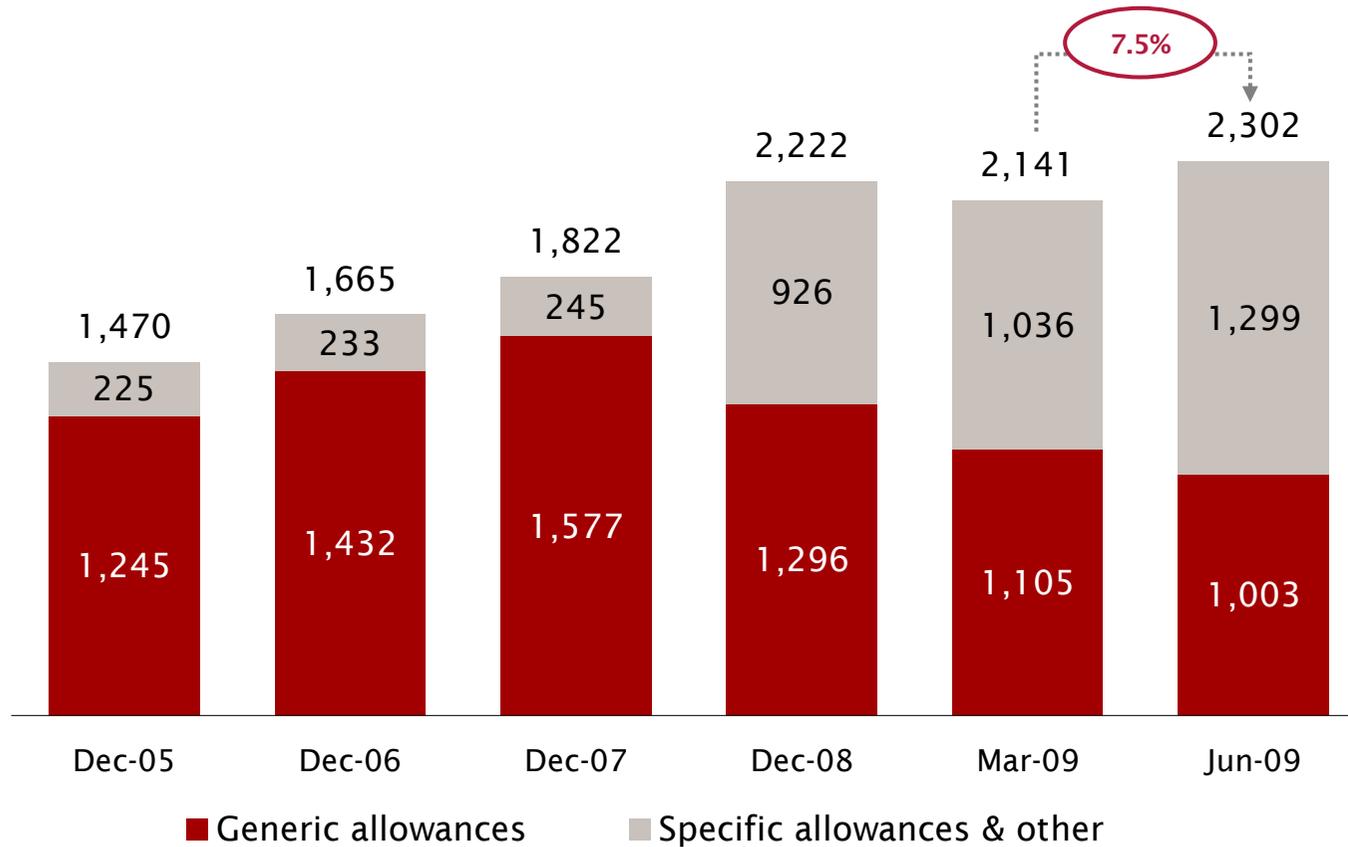




... while we continue to increase provisions

Loan loss allowances

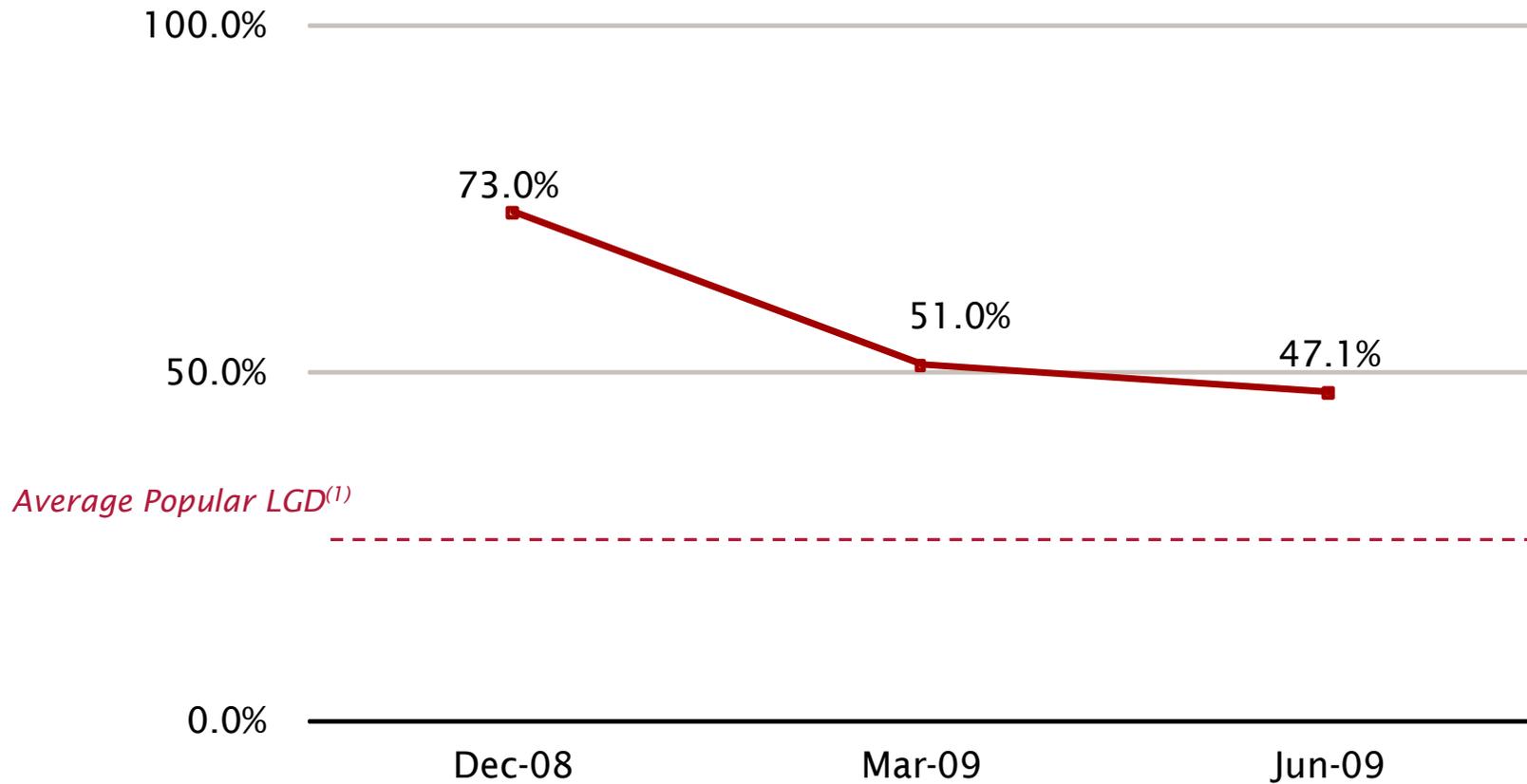
(€ in millions)





The expected loss will be substantially lower than the provisions. Provisions & NPLs \neq losses

Coverage ratio evolution

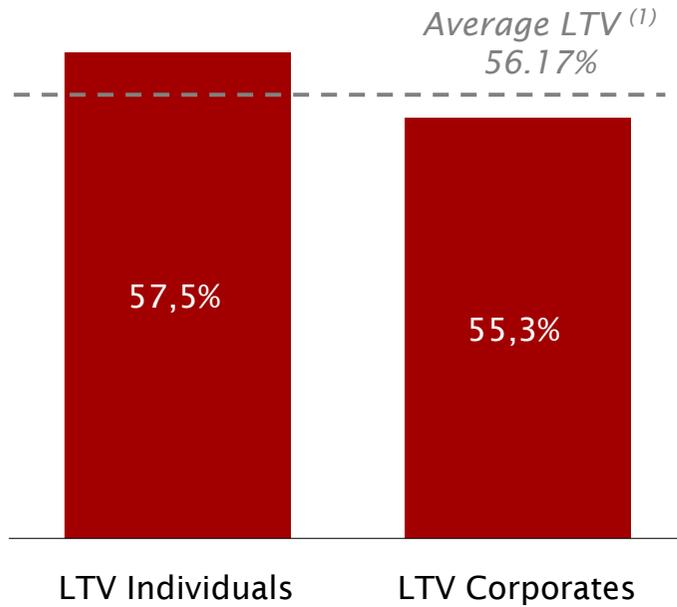


LGD: Loss Given Default. Includes internal IRB models for SME and mortgages and regulatory LGD for the rest of the portfolio.



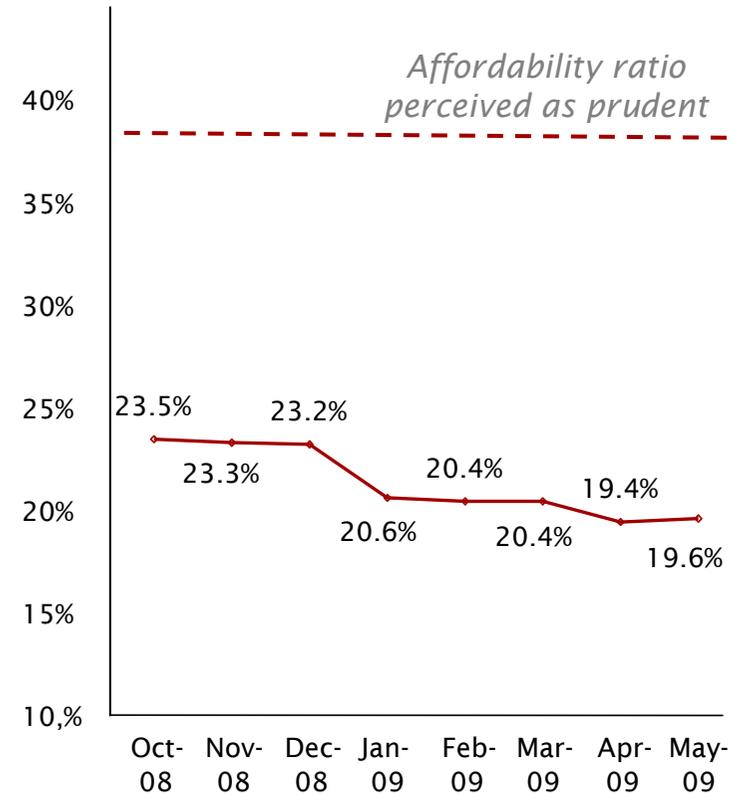
We run a high quality mortgage book

Total mortgage portfolio



Total mortgages	Individuals (%)	Corporates (%)
	46.8%	53.2%

Average affordability ratio ⁽²⁾



(1) LTV: Loan-to-value

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



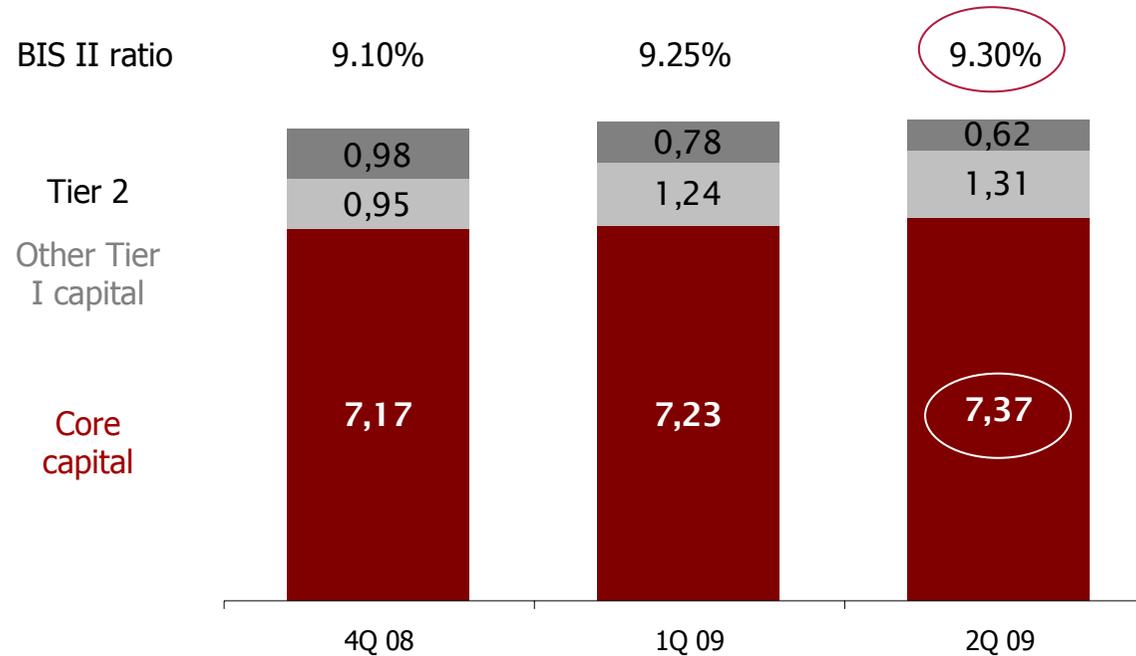
Agenda

- 1. Operating excellence: high margins and outstanding efficiency**
- 2. Business resilience: market share gains and credit growth**
- 3. Asset quality: visible and under control**
- 4. Financial strengths: strong solvency**
- 5. Outlook: excellent competitive position**



We continue to generate core capital organically...

Capital ratios evolution

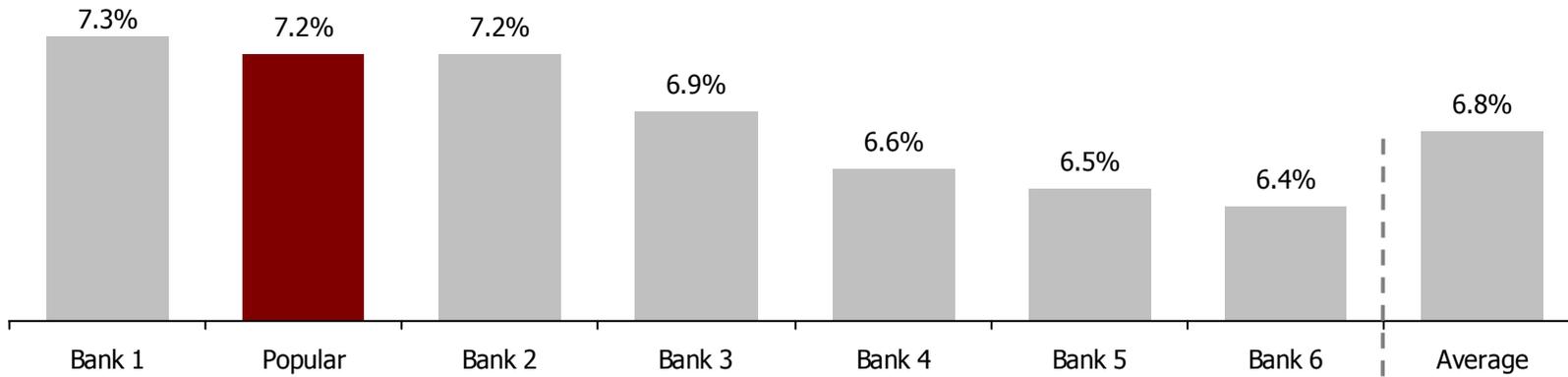


RWA (M €)	92,129	91,757	89,497
-----------	--------	--------	--------

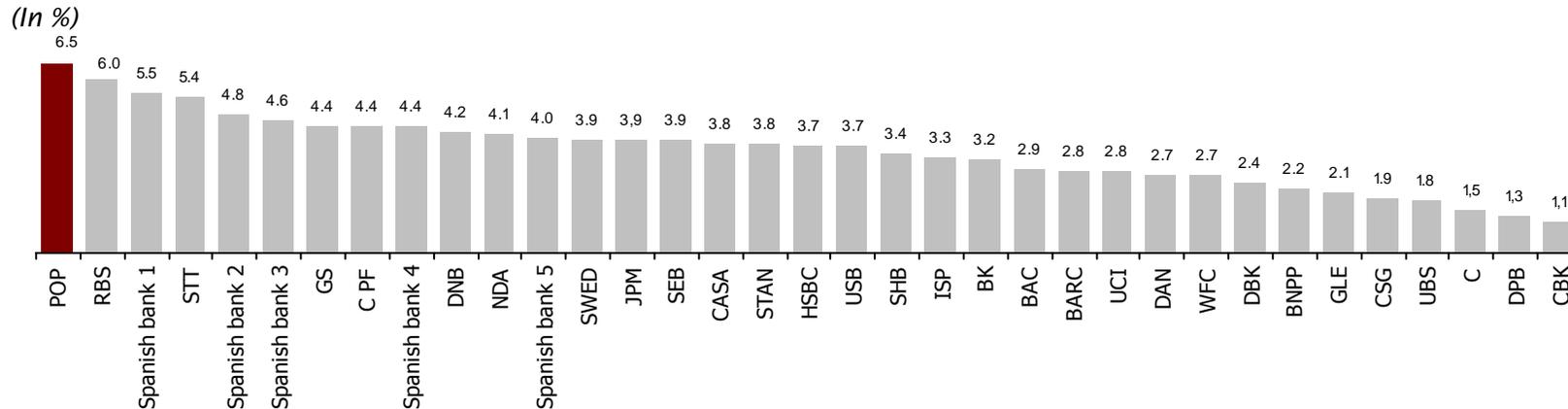


...whilst we are among the Spanish banks with the highest capital ratios

Core capital of Spanish banks (Q1 2009)



Tangible equity / tangible total assets



Source: Morgan Stanley, 26 May 2009.



Agenda

- 1. Operating excellence: high margins and outstanding efficiency**
- 2. Business resilience: market share gains and credit growth**
- 3. Asset quality: visible and under control**
- 4. Financial strengths: strong solvency**
- 5. Outlook: excellent competitive position**



1H 09 results: reinforcing our best in class practices

Demonstrated operating excellence

- ✓ Best in class margins
- ✓ Best efficiency levels in Europe at 28%
- ✓ 1H09 Pre-provision profit of 1.4 bn € (+19% YoY)

Business resilience

- ✓ Focus on what we do best: our core business
- ✓ Market share gains both in deposits and assets
- ✓ Balance sheet growth

Asset quality visible and under control

- ✓ Active risk management
- ✓ Lowering NPL entries and high recovery ratio
- ✓ Expected losses below provisions

Financial strength

- ✓ Strong revenue generation
- ✓ Surplus capital to weather the storm and take advantage of market opportunities



Banco Popular is well placed to benefit from a new competitive landscape

2009 Outlook

➔ Still operating in an adverse economic environment

➔ Pre-provision profit for the full year will keep improving: close to double digit growth

➔ We do not expect NPL to go over 5-5.5%

➔ We are determined to help our clients through the adverse cycle



Appendix - Summary income statement

(€ in millions)

	June 08	June 09	Change
Net interest income	1,254	1,417	13.0%
Net fees and commissions	442	389	(12.0%)
Trading and other operating income	135	241	78.3%
Total revenues	1,831	2,047	11.8%
Operating expenses	(584)	(579)	(0.9%)
<i>Personnel expenses</i>	(397)	(389)	(1.9%)
<i>Administrative costs</i>	(187)	(190)	1.2%
Depreciation and amortization	(52)	(51)	(2.0%)
Pre-provisioning profit	1,195	1,417	18.6%
Financial assets impairment	(466)	(821)	76.2%
Other provisions	(7)	16	NM
Net operating income	722	612	(15.2%)
Other non-operating income	191	11	(94.2%)
Profit before tax	913	623	(31.8%)
Income tax	(237)	(172)	(27.6%)
Discontinued operations	40	-	NM
Consolidated profit for the year	716	451	(37.0%)
Minority interest	(38)	(9)	(77.5%)
Stated net income	678	443	(34.7%)
Recurrent earnings	497	540	8.7%



grupobancopopular.es



grupobancopopular.mobi



902 301 000

