

Madrid, October 24 2008

FINANCIAL RESULTS

Third Quarter 2008



BANCO POPULAR ESPAÑOL
BANCO DE ANDALUCÍA
BANCO DE CASTILLA
BANCO DE CRÉDITO BALEAR
BANCO DE GALICIA
BANCO DE VASCONIA

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Strong performance attributes

1. **Solvency** : among the best in Europe and US.
2. **Efficiency**: most efficient bank in Spain and among best in Europe
3. **Profitability**: best ROA among Spanish banks
4. **Liquidity**: well in excess of all wholesale maturities (under extreme assumptions)
5. **Deposit gathering**: progressively improving market share

Agenda

- 1 Group Highlights
- 2 Business performance
- 3 Earnings
- 4 Conclusions

Agenda

1 Group Highlights

2 Business performance

3 Earnings

4 Conclusions

1

Continued strengthening of the capital base...

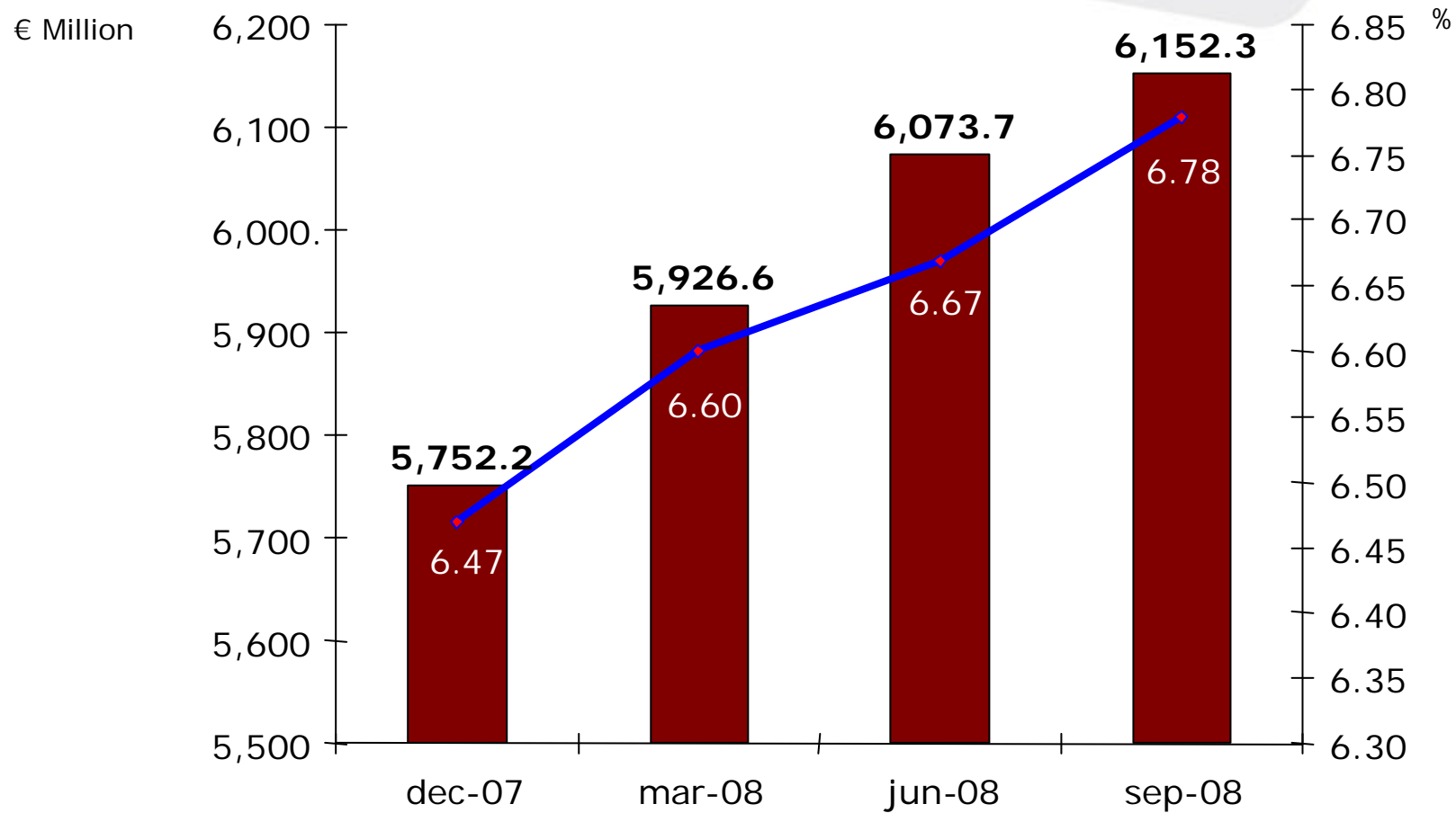
(€ Million)	Sep 08	Dec 07
Total core capital	6,152.3	5,752.2
	6.78%	6.47%
Total Tier I	7,432.1	7,040.2
	8.19%	7.92%
Total Tier 2	1,308.0	1,552.1
	1.44% ⁽¹⁾	1.75%
Computable bis capital	8,704.1	8,592.3
	9.63% ⁽¹⁾	9.67%
Capital base surplus	1,455.6	1,482.2
Total BIS risk weighted assets	90,722.7	88,877.4

(1) Subordinated debt call of €200 million

1

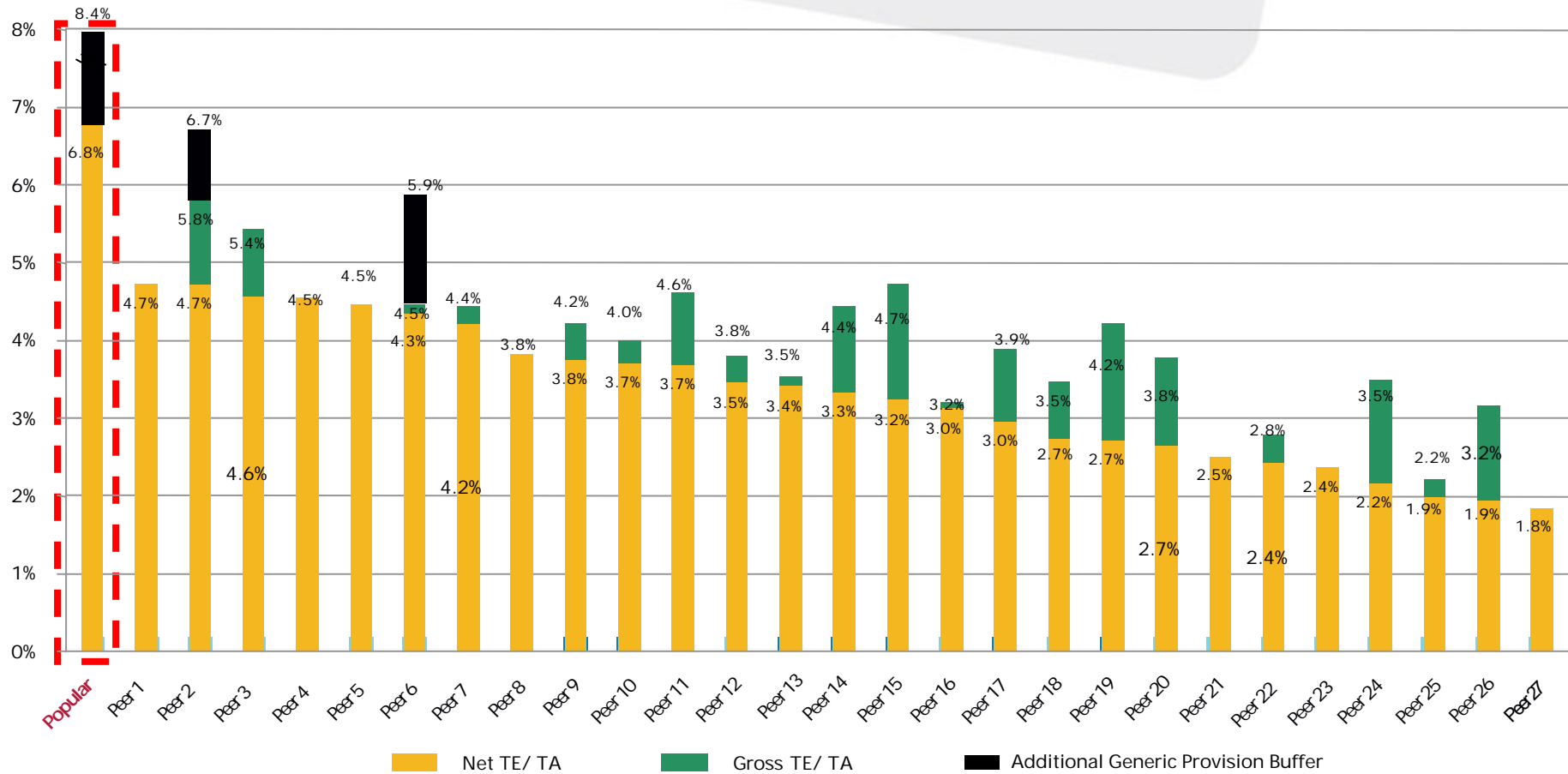
... with Core Tier I at 6.78%, 31 basis points higher than at Dec 2007

Core Capital trending



1

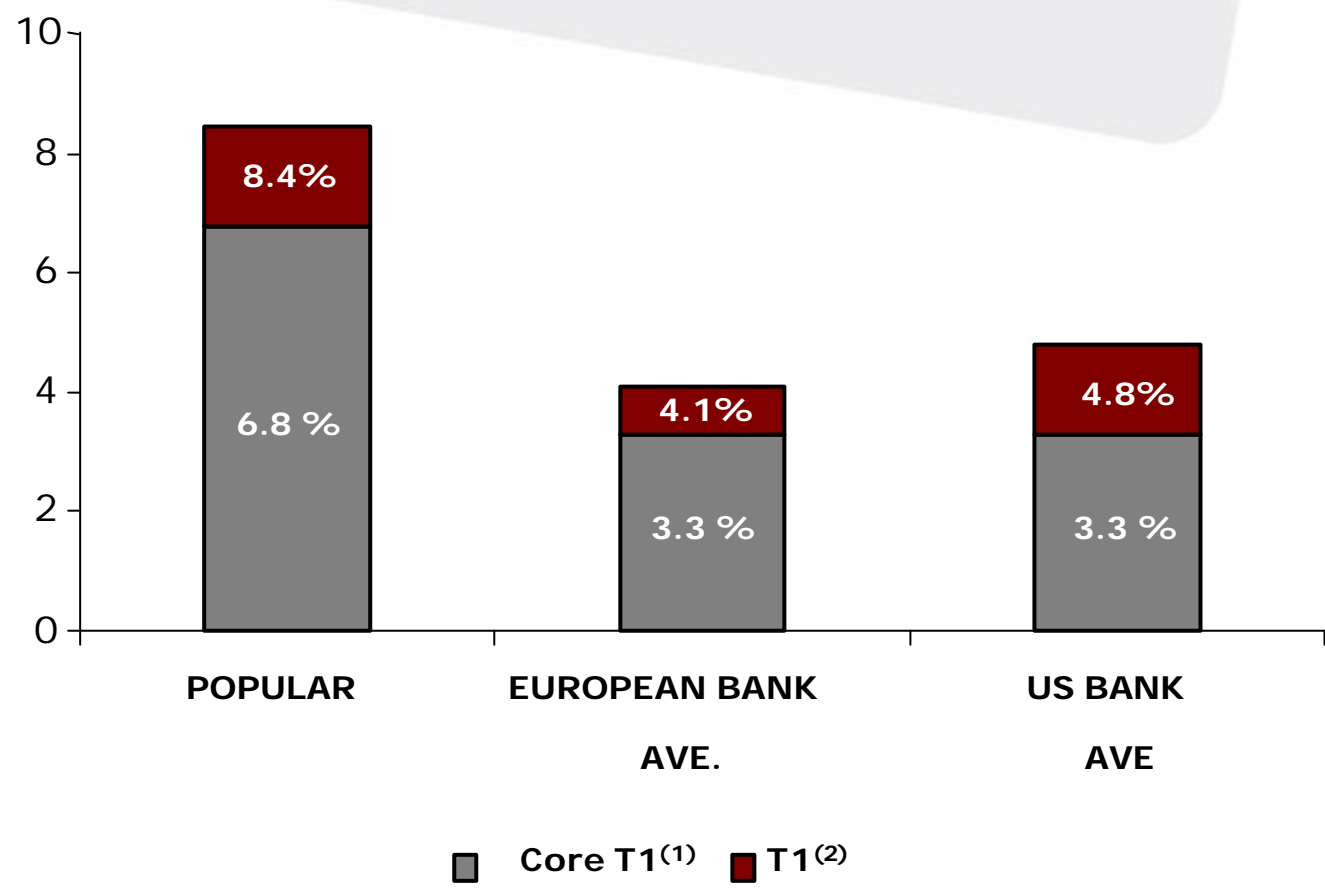
Popular's capital base strongest among european and US banks



Notes

- 1. Goodwill/ intangible assets deducted for tangible assets and equity, respectively; mandatory convertibles into common equity included in equity
- 2. Adjusted for subsequent capital raisings
- 3. US gross/net TE adjusted for minorities to make comparable to EU peers
- 4. Assuming 40% of the repo assets as a proxy

1 ...two times the average capital of Europe and US banks



(1) Tangible equity (w/minorities)/Tangible assets

(2) Tangible equity (w/minorities)/Tangible assets

Note: Acc/ to US GAAP)

Source: Morgan Stanley as of 28/08/2008

1

Third bank with lowest leverage among Europeans...

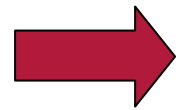
Bank	Core Tier 1 ratio	ML Target Core Tier 1 ratio	Tang equity/ assets ratio	Avg capital jaws 09E & 10E	Rank on Core Tier 1 ratio surplus/ deficit	Rank on Tang equity/ assets ratio	Rank on Capital jaws	Rank of Ranks
Julius Baer	11.2%	11.0%	5.2%	37.2%	12	9	1	1
Mediobanca	10.3%	8.0%	15.4%	2.0%	1	1	24	2
Banco Popular	6.6%	6.5%	6.0%	5.1%	14	3	10	3
BPM	6.1%	6.0%	6.3%	2.9%	15	2	19	4
Sabadell	6.2%	6.5%	5.6%	5.5%	25	5	9	5
Intesa	5.7%	6.0%	5.3%	3.7%	22	8	16	6
DnB NOR	6.5%	6.8%	4.3%	4.3%	20	15	12	7
Dexia	11.0%	9.0%	0.9%	6.5%	3	42	4	8
Banesto	6.2%	6.5%	3.9%	4.3%	21	17	13	9
NBG	8.3%	8.0%	4.9%	-0.5%	7	12	33	10
Handelsbanken	5.8%	5.7%	3.5%	2.5%	10	24	22	11
UBS AG	9.3%	9.0%	1.6%	3.9%	8	35	14	12
S E B	7.5%	7.8%	3.0%	4.9%	19	28	11	13
MPS	6.9%	7.0%	5.1%	-0.2%	18	10	32	14
Piraeus	7.6%	7.5%	5.6%	-8.3%	13	6	41	14
Nordea	6.5%	7.5%	3.8%	6.2%	37	19	6	16
KBC	6.7%	7.0%	3.6%	3.3%	23	23	17	17
Bank of Ireland	5.7%	6.5%	3.1%	9.6%	36	27	3	18
CS Group	8.7%	8.5%	1.7%	2.4%	9	34	23	18
Banco Popolare	6.0%	6.0%	4.8%	-1.4%	17	13	37	20
Danske Bank	8.0%	7.5%	2.3%	0.4%	4	33	31	21
BBVA	6.1%	6.8%	4.0%	2.9%	34	16	20	22
HSBC	7.9%	7.5%	3.5%	-7.9%	5	25	40	22
B&B	9.2%	9.0%	3.0%	0.6%	11	29	30	22
Bankinter	5.7%	6.5%	3.7%	3.8%	35	21	15	25
AIB	6.0%	6.5%	5.5%	-1.0%	29	7	35	25
SocGen	7.1%	7.0%	2.7%	1.6%	16	31	26	27
Standard Chartered	6.5%	7.0%	3.9%	1.3%	27	18	28	27
Alpha Bank	6.9%	7.5%	5.6%	-2.9%	31	4	38	27
Credit Agricole	6.5%	7.0%	1.5%	6.1%	28	37	8	27
BNP Paribas	6.2%	6.5%	2.5%	3.0%	24	32	18	31
Commerzbank	8.7%	7.0%	2.9%	-22.0%	2	30	42	31
UniCredit	6.0%	6.5%	3.7%	1.7%	30	20	25	33
Anglo Irish Bank	5.8%	7.5%	4.7%	2.9%	40	14	21	33
Barclays	6.3%	6.0%	1.6%	-1.0%	6	36	34	35
EFG Eurobank	6.9%	7.7%	5.0%	-5.8%	32	11	39	37
Deutsche Postbank	3.9%	6.0%	1.3%	16.6%	42	39	2	38
Deutsche Bank	7.1%	8.7%	1.3%	6.4%	39	41	5	39
HRX	6.3%	8.6%	1.3%	6.1%	41	40	7	40
Erste Bank	6.3%	7.0%	3.7%	-1.1%	33	22	36	41
Fortis	5.6%	6.0%	1.5%	1.4%	26	38	27	41
Swedbank	6.0%	7.0%	3.3%	1.2%	38	26	29	43

* Merrill Lynch Report, September 22, 2008.

1

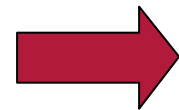
... thus one of the banks with less capital needs in the future

On the bases of:



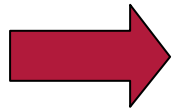
Tier 1 - Objective Target 1 ⁽¹⁾

14
(out of 43)



Tangible Equity / Assets

3
(out of 43)



△ % Equity (retained earnings)
- △ % RWA

10
(out of 43)

Rank
of
Ranks

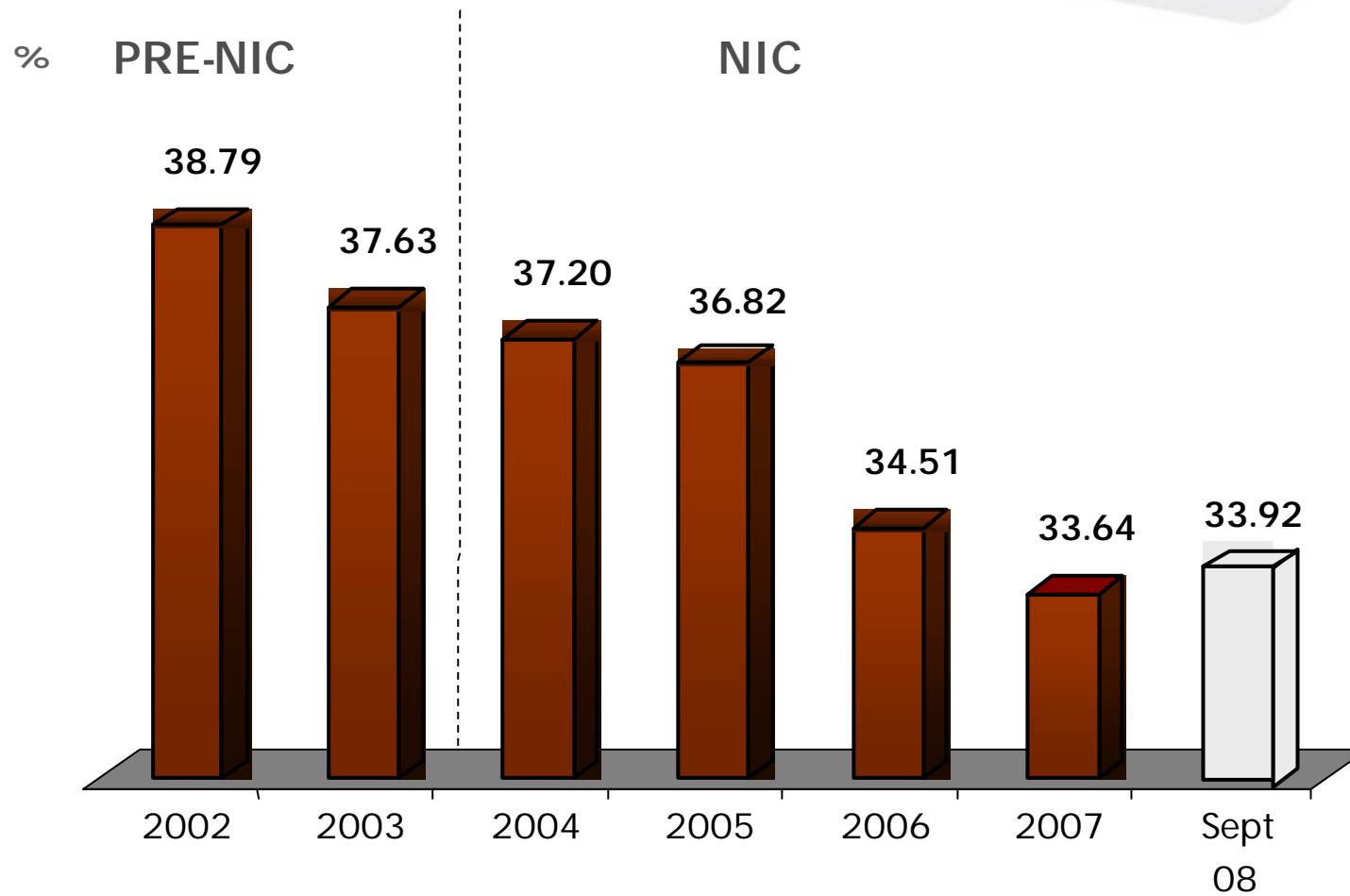
3

(out of 43)

(1) Desirable Tier 1 Core acc/. Merrill Lynch.

1 Brilliant cost/income can be maintained/improved

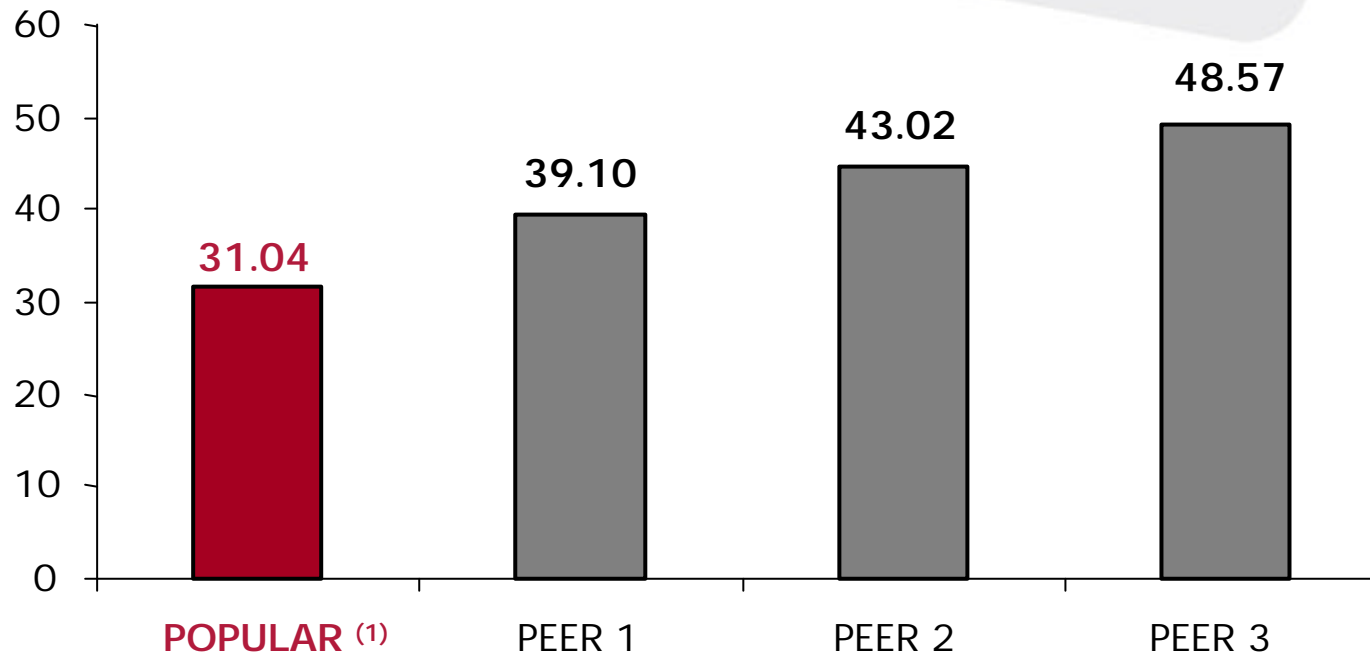
COST/INCOME RATIO EVOLUTION



1

... being the most efficient bank in Spain and among the best in Europe

Cost/Income ratio (%)



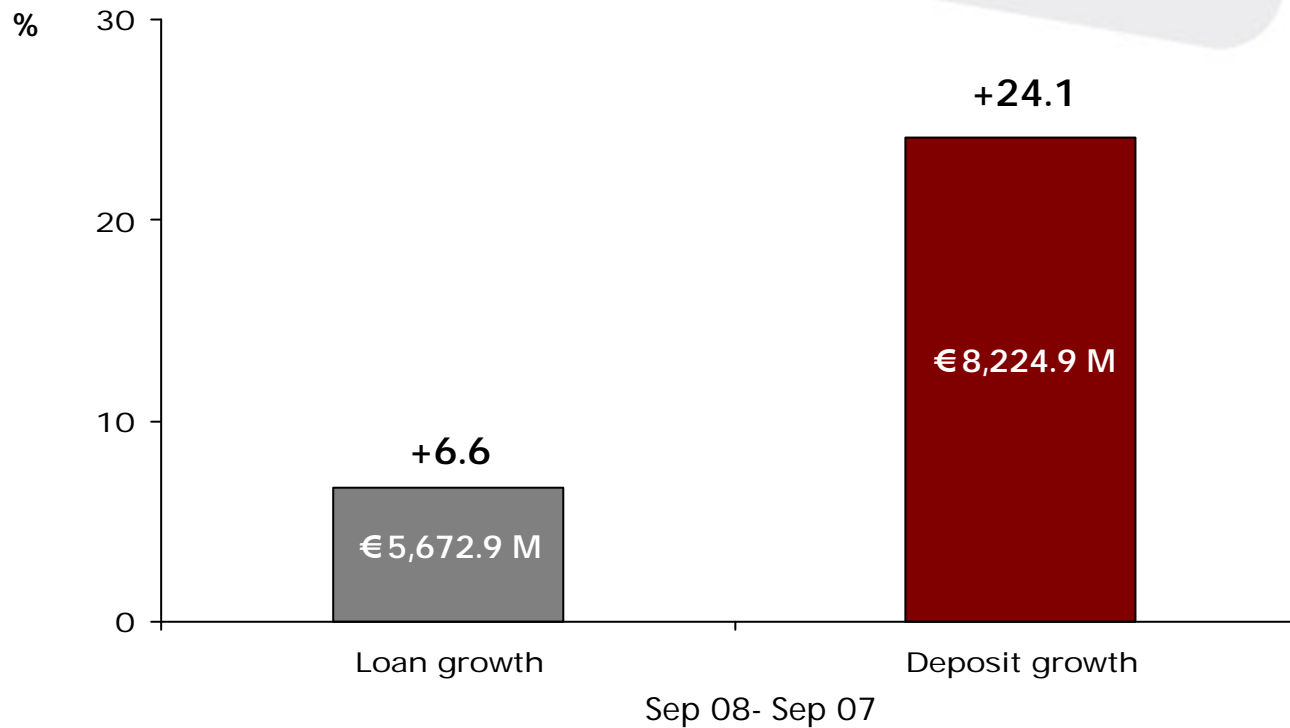
Note: As of september 2008

Cost/income ratio w/o depreciation in the cost base

Source: Q 3 2008 report

1

Deposit growth is four times loan growth...



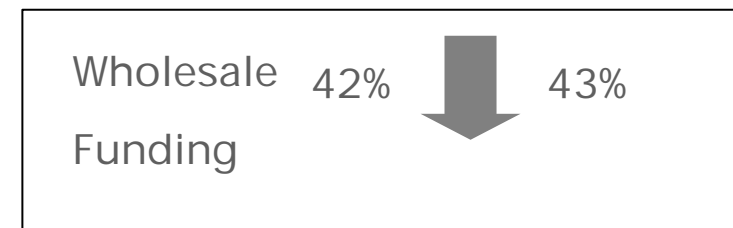
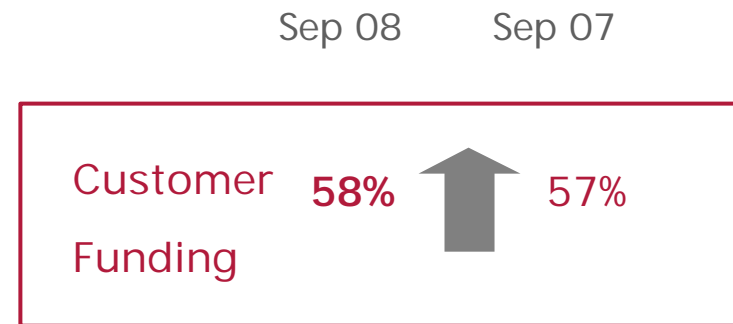
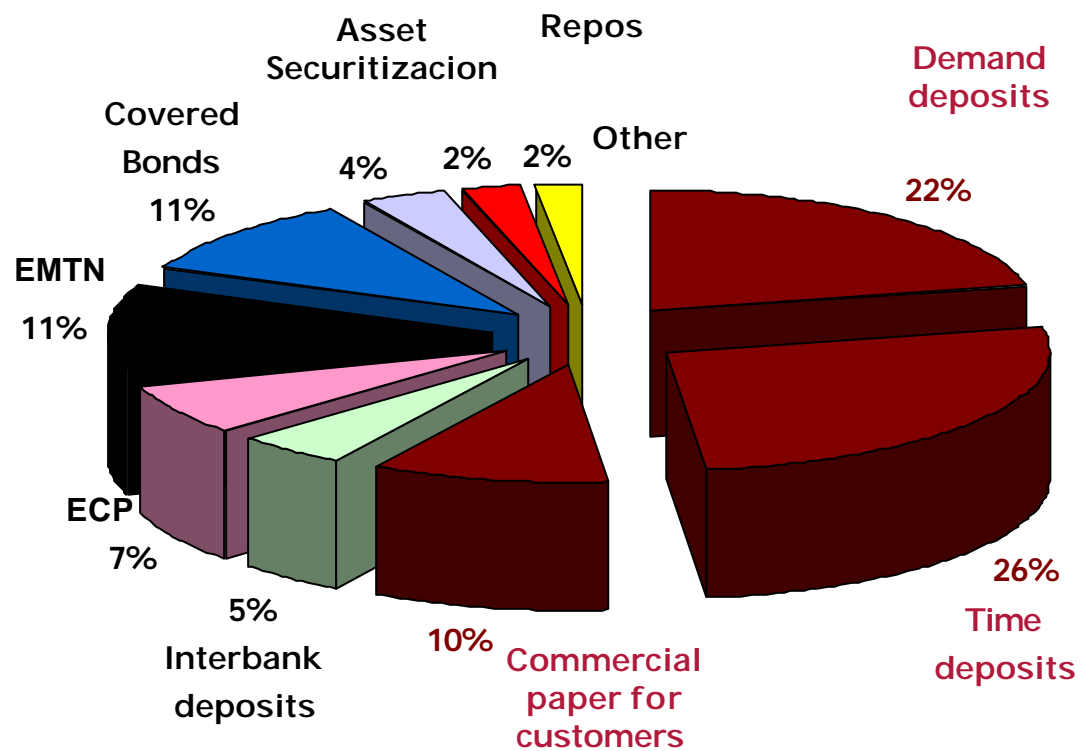
This causes a reduction of € 2,552 m in the Commercial GAP

Note: w/o Repos

1

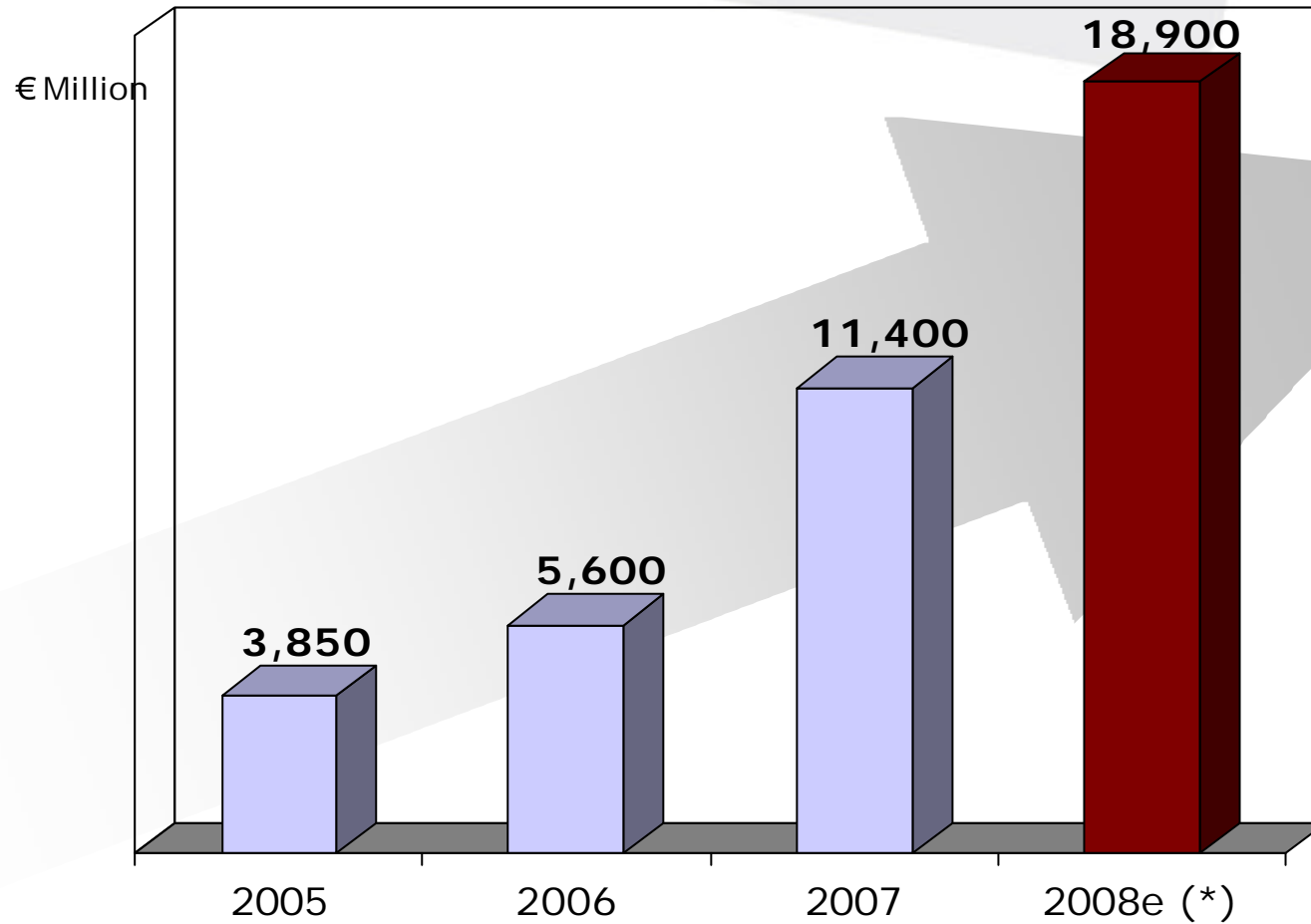
... and reduces reliance on wholesale funding

Funding breakdown



1

Additionally Popular will boost ECB-eligible assets to € 18.9 bn by year-end...

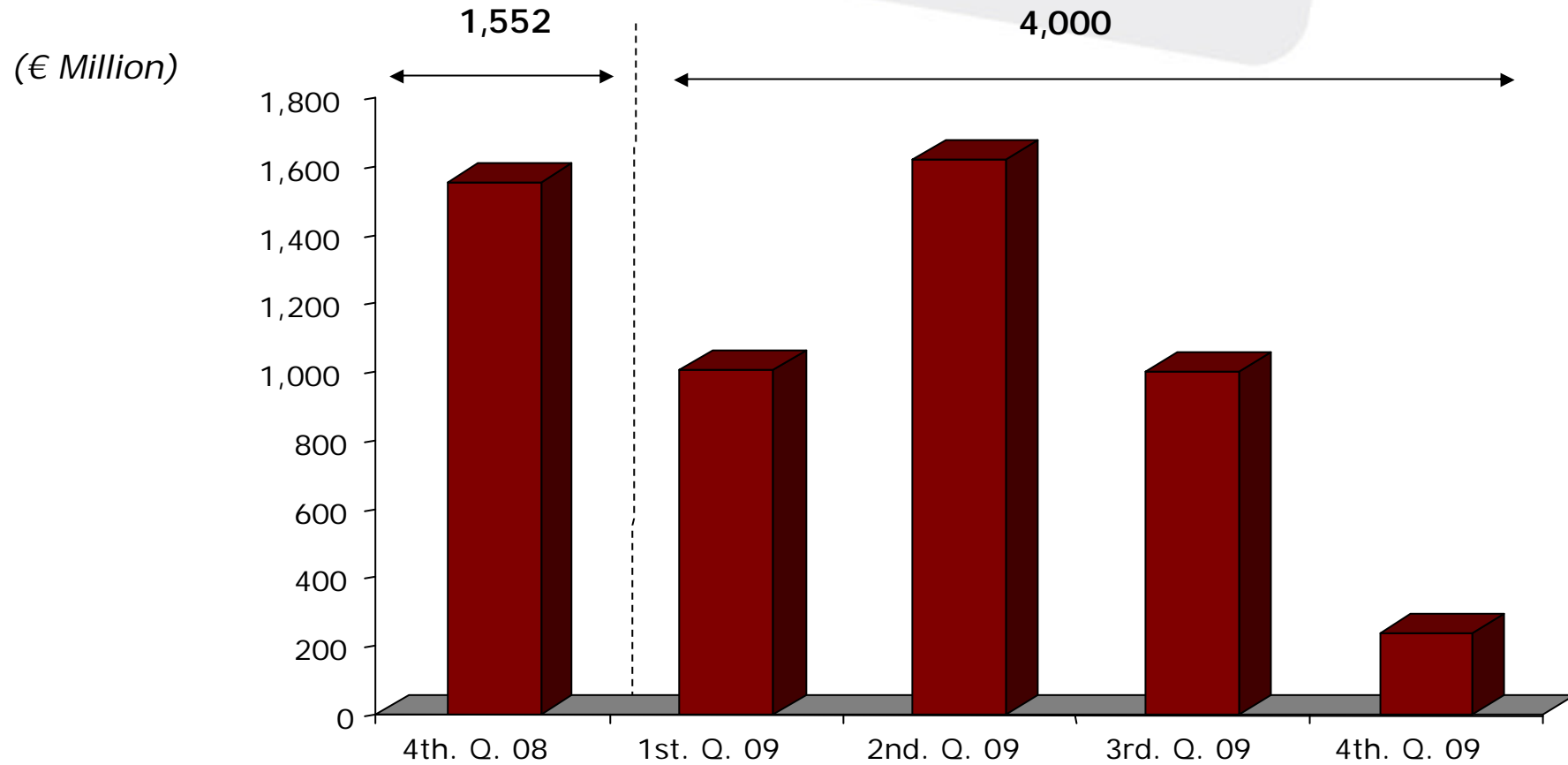


As of September 30, 2008, w/haircuts.

1

... well in excess of bond maturities

Maturities of notes and covered bonds



1

2nd line of liquidity is well above all wholesale maturities under extreme scenarios of non-renewal

€ Million	Maturities	
	2008	2009
Interbank deposits (net)	-2,847	-1,190
E.C.P.	-5,219	-1,034
EMTN	-1,552	-3,668
Covered bonds	0	-325
TOTAL MATURITIES	-9,618	-6,217
2nd line of liquidity (*)	18,889	
Currently	12,689	
Additional ECB- eligible assets	6,200	
TOTAL AVAILABLE w/o ROLLOVERS	18,889	
Cash investments maturing in Q4 2008	660	
2008 year-end net excess funding		9,434
Excess Funding available year-end	9,931	3,212

(*) ECB eligible, w/ haircuts
As of september 30,2008

Additionally B. Popular could draw € 6.5bn-7.5 bn from facilities at State level

1

Banco Popular continues to outperform in profitability vs. sector in Spain

ROA

Banco Popular

1.27 %

Ave. Banks^(*):

1.21%

Ave. Saving^(*):

1.07%

ROE

Banco Popular

21.56 %

Ave. Banks^(*):

20.01%

Ave. Savings^(*):

18.56%

Cost/Income Ratio

Banco Popular

31.04 %

Ave. Banks^(*):

37.10%

Ave. Savings^(*):

42.69%

(*) As of March 2008

Note: Consolidated data

Source: AEB, CECA

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2**Loans are growing 5% year-on-year ...**

<i>Sep 08</i>	Growth rate %	% of Total
Bill discounting	-16.7	7.3
Mortgage loans	7.2	54.5
Loans & overdrafts	8.3	34.0
Leasing	-1.0	4.2
TOTAL	5.0	100.0

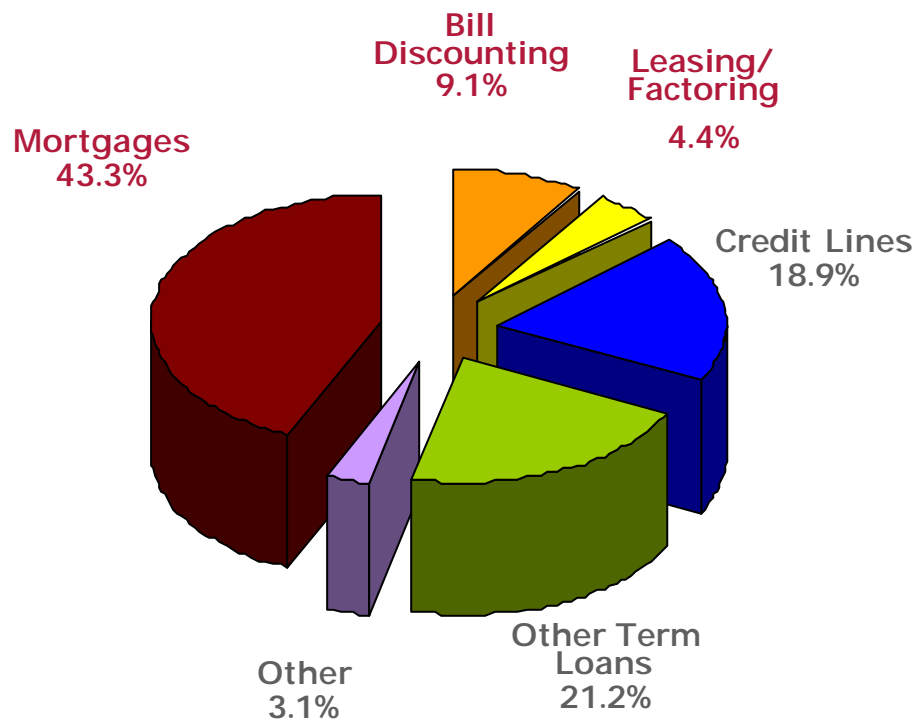
Note: w/o Repos and NPLs

2

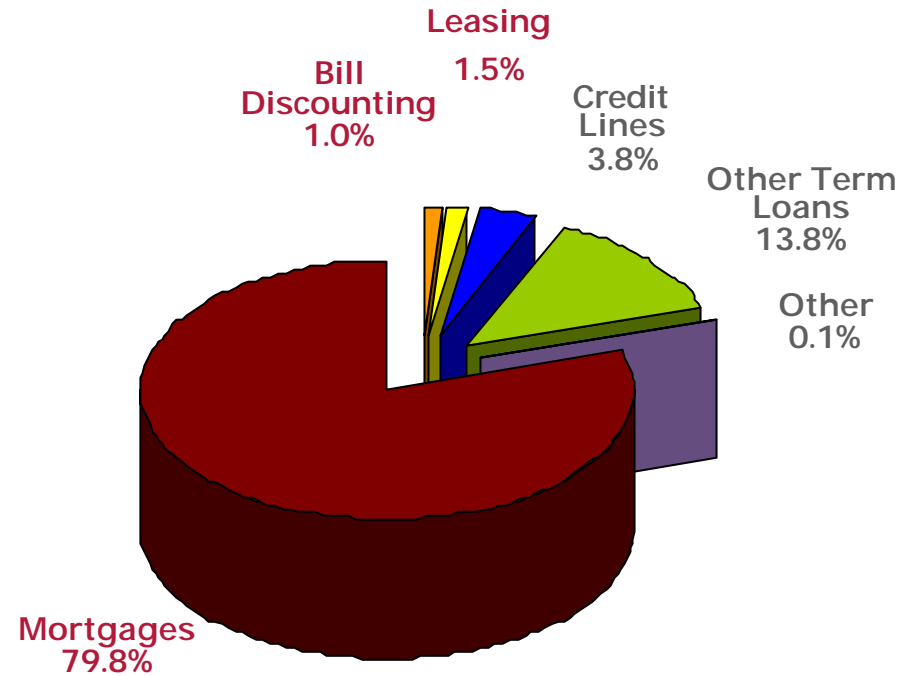
... and are well collateralized

Corporates

Individuals



Total w/ collateral: 56.8%

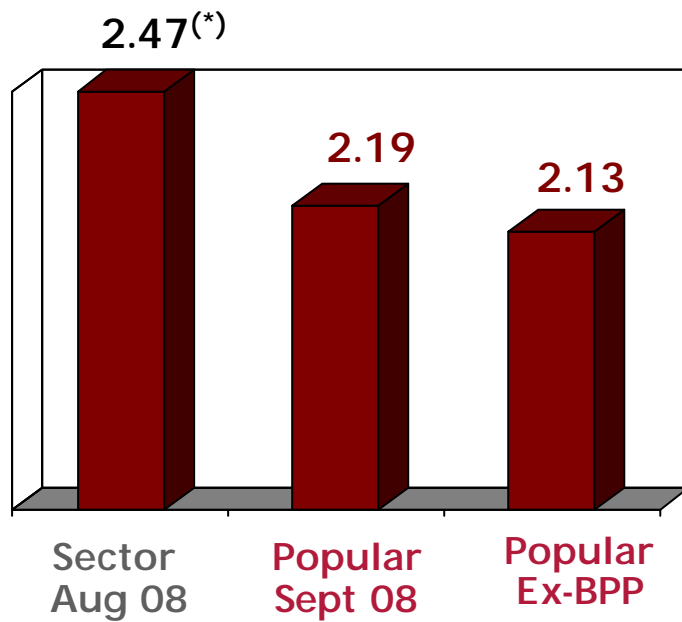


Total w/ collateral: 82.3%

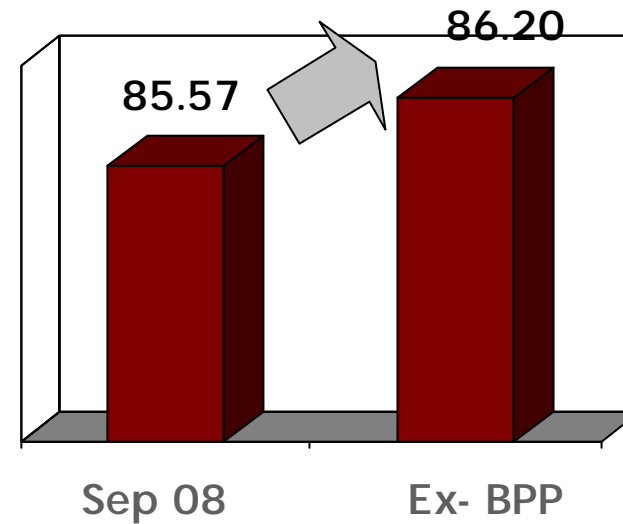
2

Banco Popular's NPLs are lower than the Industry Averages

Nonperforming risk(%)



NPR Coverage(%)

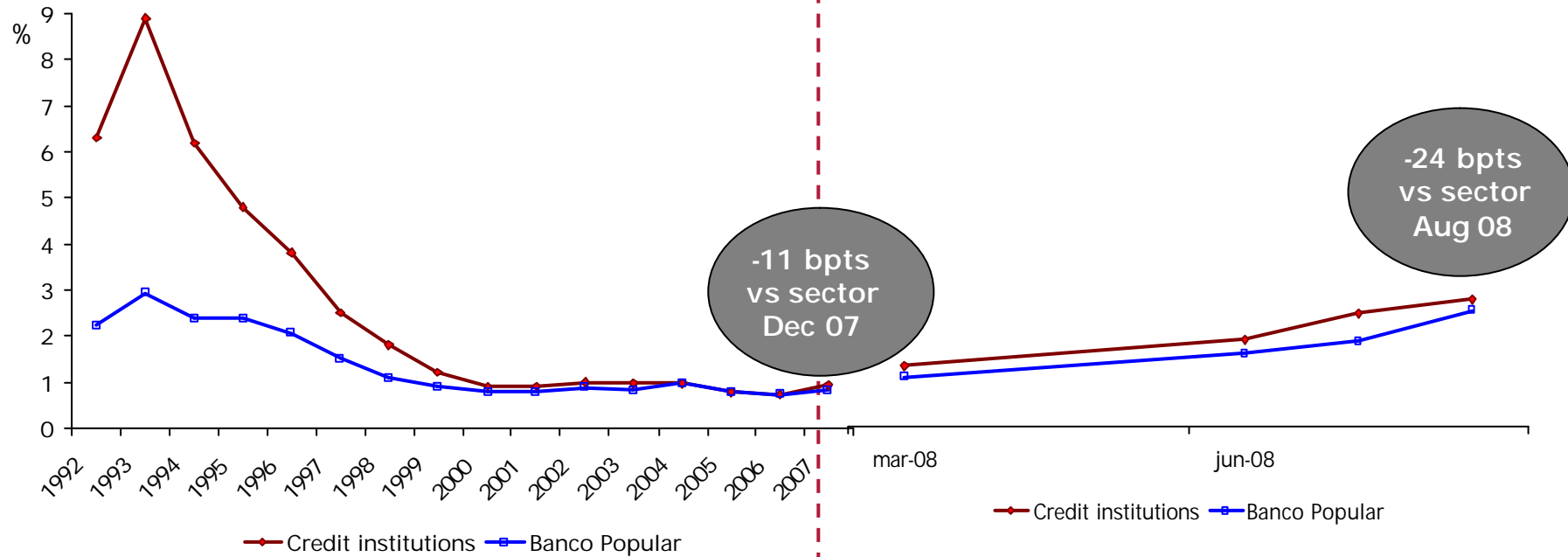


(*) Ave. Banks and Saving Banks. Credit institutions

2

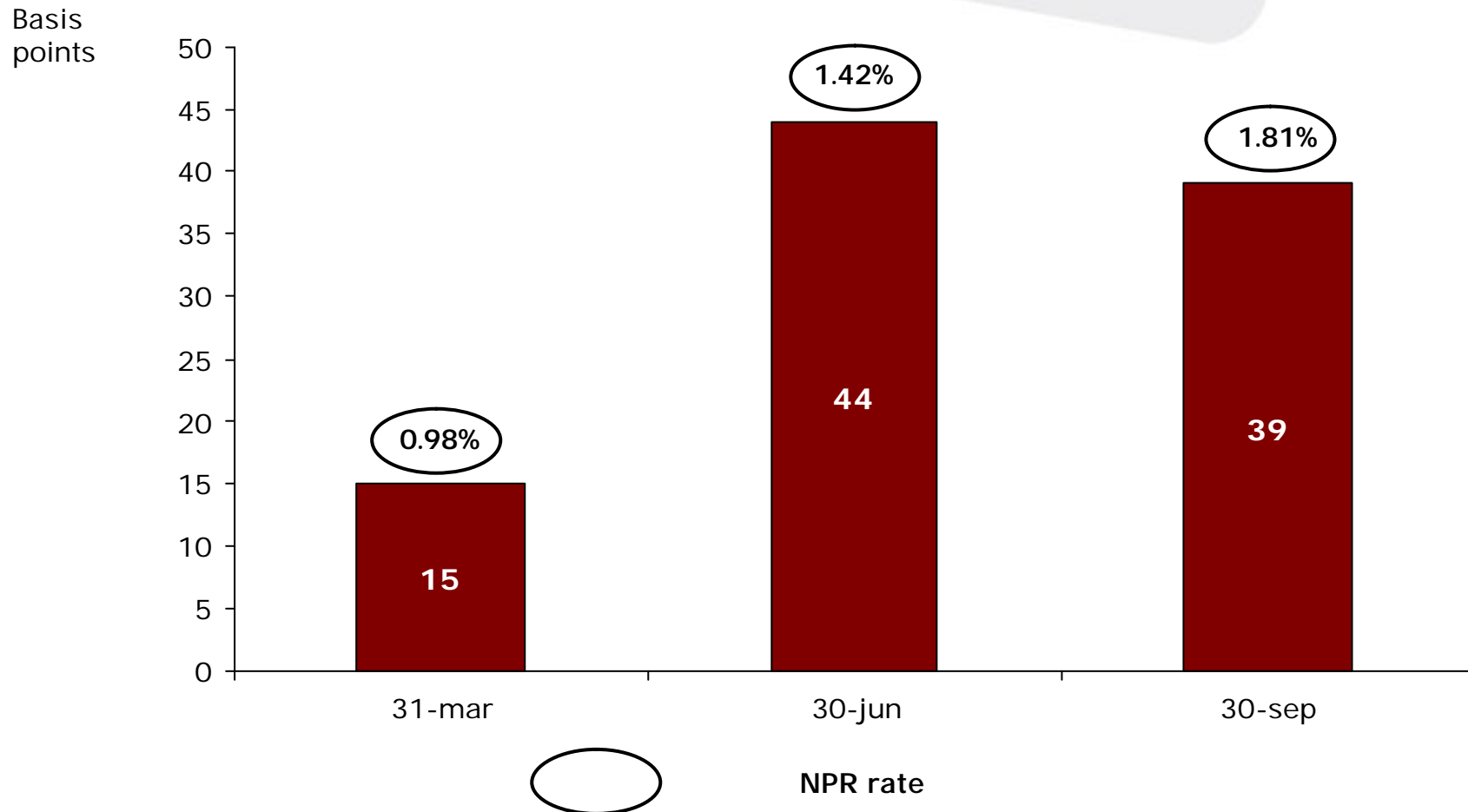
... and gap vs. industry widens as slowdown in the economy deepens...

NPRs



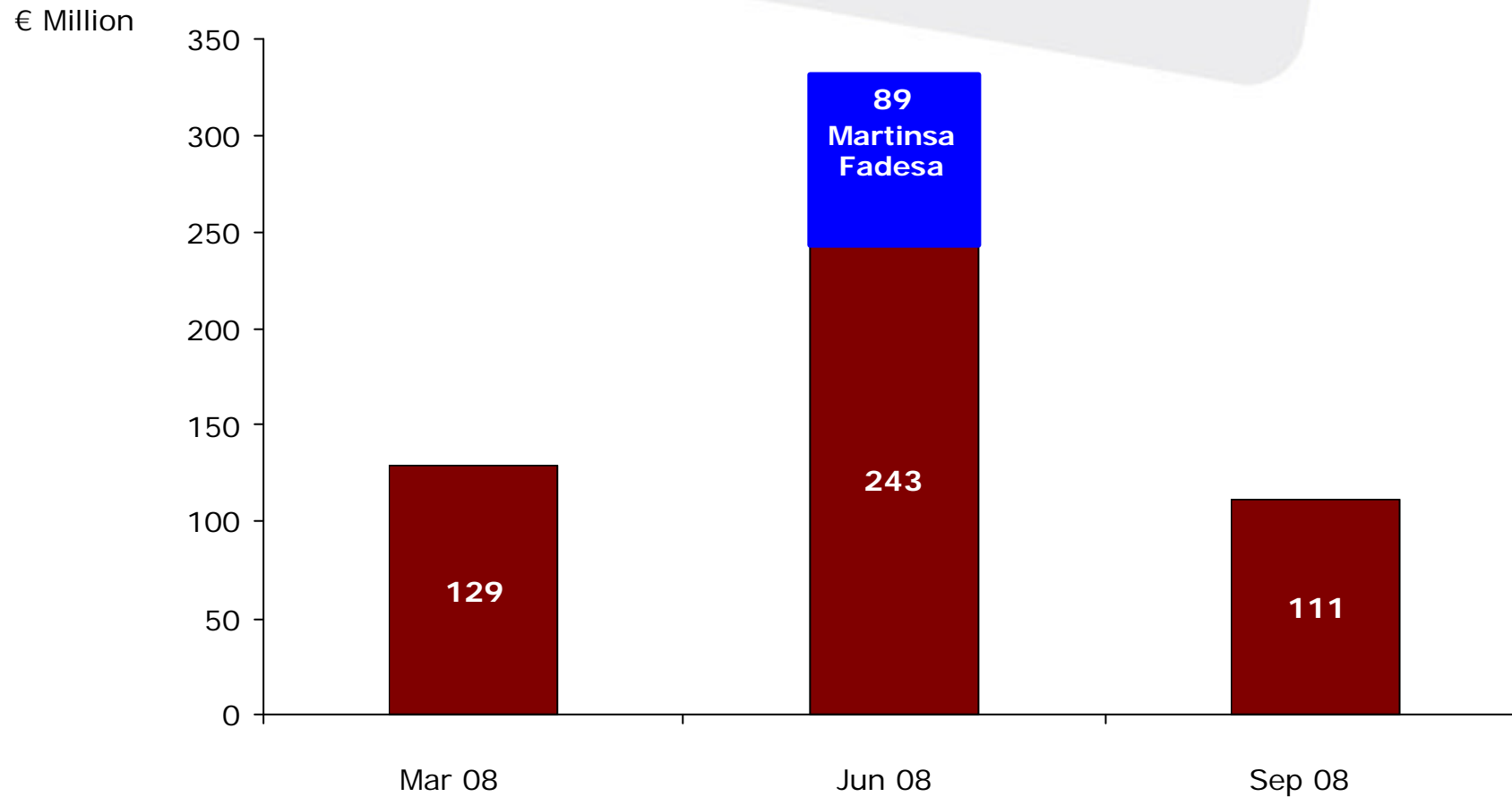
2

... with an 39-bpt-increment from the preceding quarter, ex Martinsa-Fadesa



2

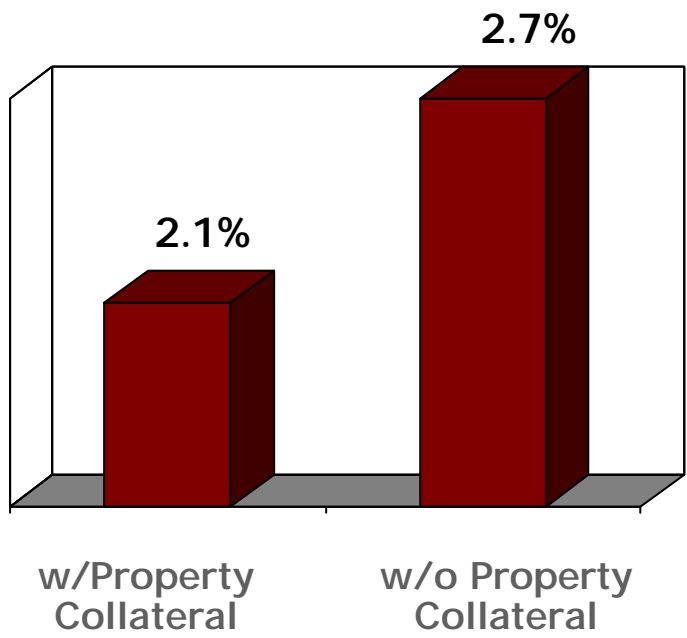
... and slowdown in the rate of growth in the LLC excluding Martinsa-Fadesa...



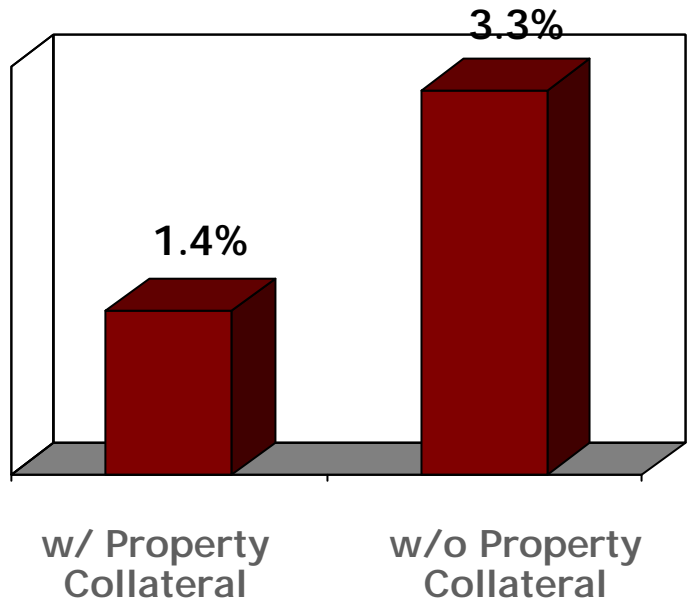
2 ... with a moderate NPR in mortgage to individuals and corporates

Corporates

Individuals



NPR : 2.2%



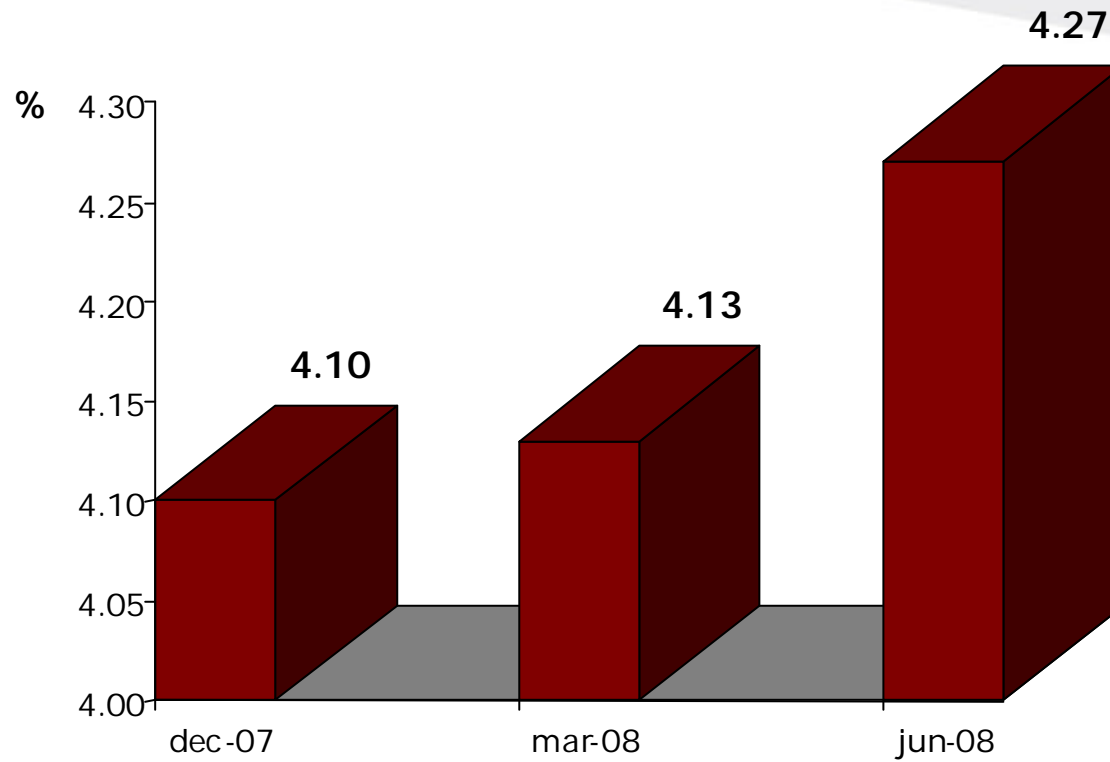
NPR : 1.8%

2 Demand and time deposits are growing at 24.1%

(€ Million)	30.09.08	% Change	% Total
Demand deposits and Time deposits	42,102.5	24.1	82.7
Commercial paper for customers	8,817.6	-31.6	17.1
TOTAL	50,920.1	9.0	100,0

2

With an improvement in market share of 17 bpts in deposit gathering...



2

...as a result of strong commercial action...

Deposit gathering

Commercial action

€3,100 MILLION

Of time deposits
in last quarter

+74,000 Payroll accounts

+115,000 Saving accounts

* Spanish network



€650 million gathered in
deposits from outside the group
in september

2

...focused especially on personal banking ...

Growth
More clients. More business

261,174 Households
(YTD +30.6%)

26,700 €M assets
u/mgt

Exclusive products

- Specialised offering
- Segmented commercial actions

High degree of **linkage** and **profitability**
of personal banking clients

Agenda

1 Group Highligts

2 Business performarce

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3

A solid P&L account...

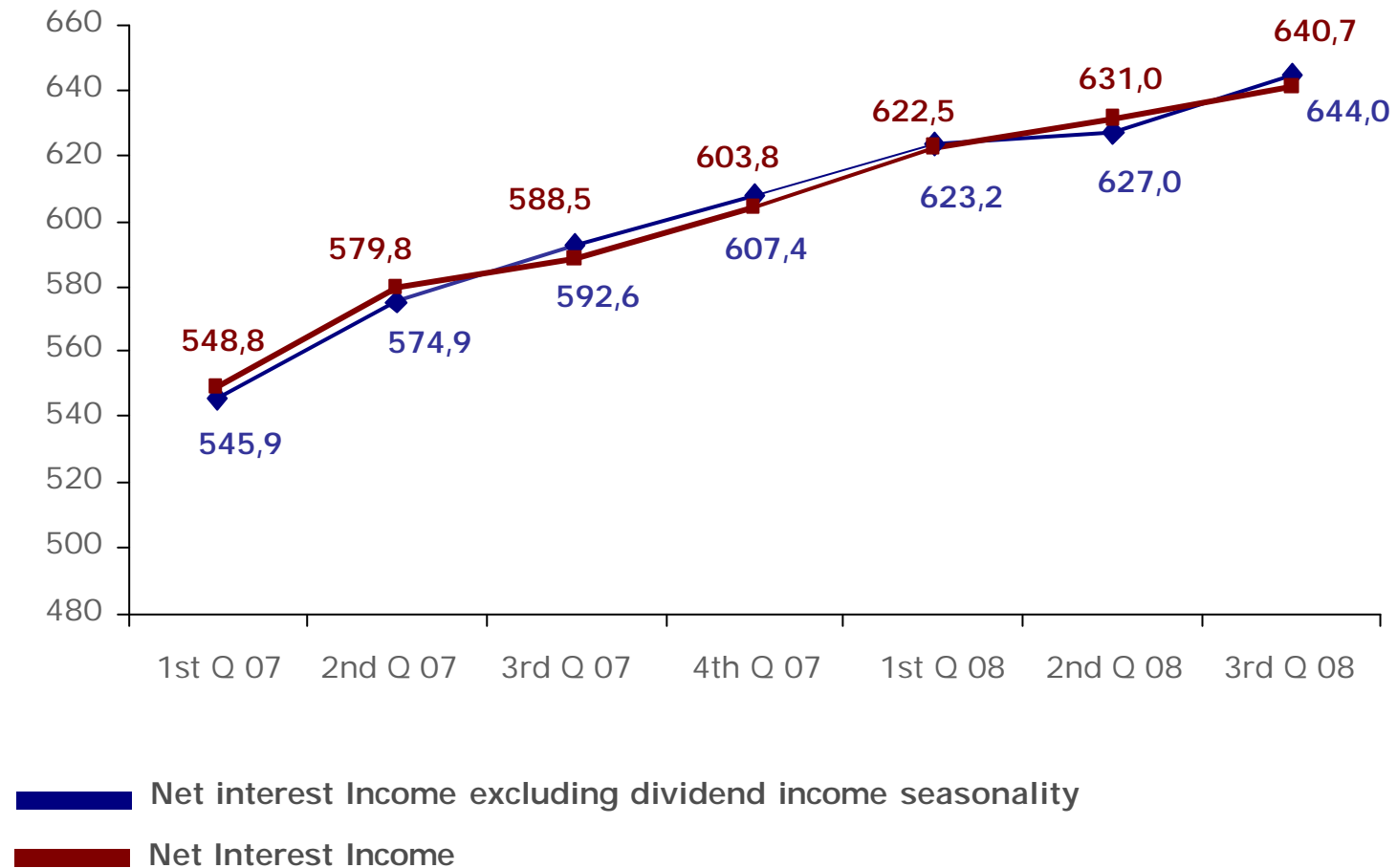
<i>(€ Million)</i>	Sep. 2008	Δ y-on-y (%)
Net interest revenue	1,894.2	10.3
Revenues from equity method entities	1.7	>
Net fees	645.9	-1.0
Insurance business	37.9	-1.0
Asset trading and exchange gains (net)	115.8	15.0
Gross Income	2,695.5	7.3
Operating cost	879,5	8.7
Personnel expenses	607,3	9.7
Other general administrative expenses	272,2	6.3
Net Operating Income	1,769.0	6.3
Impairment charges	624,0	>
Other income (net)	209.8	>
Profit Before Taxes	1,330.7	-7.0
Corporate income tax provision	359,7	-20.0
Consolidated profit for the period	1,011.1	2.5
Income attributed to minority interests	54.6	-4.7
Profit attributed to the Group	956,5	3.0

3

... is well supported by revenues from recurring business

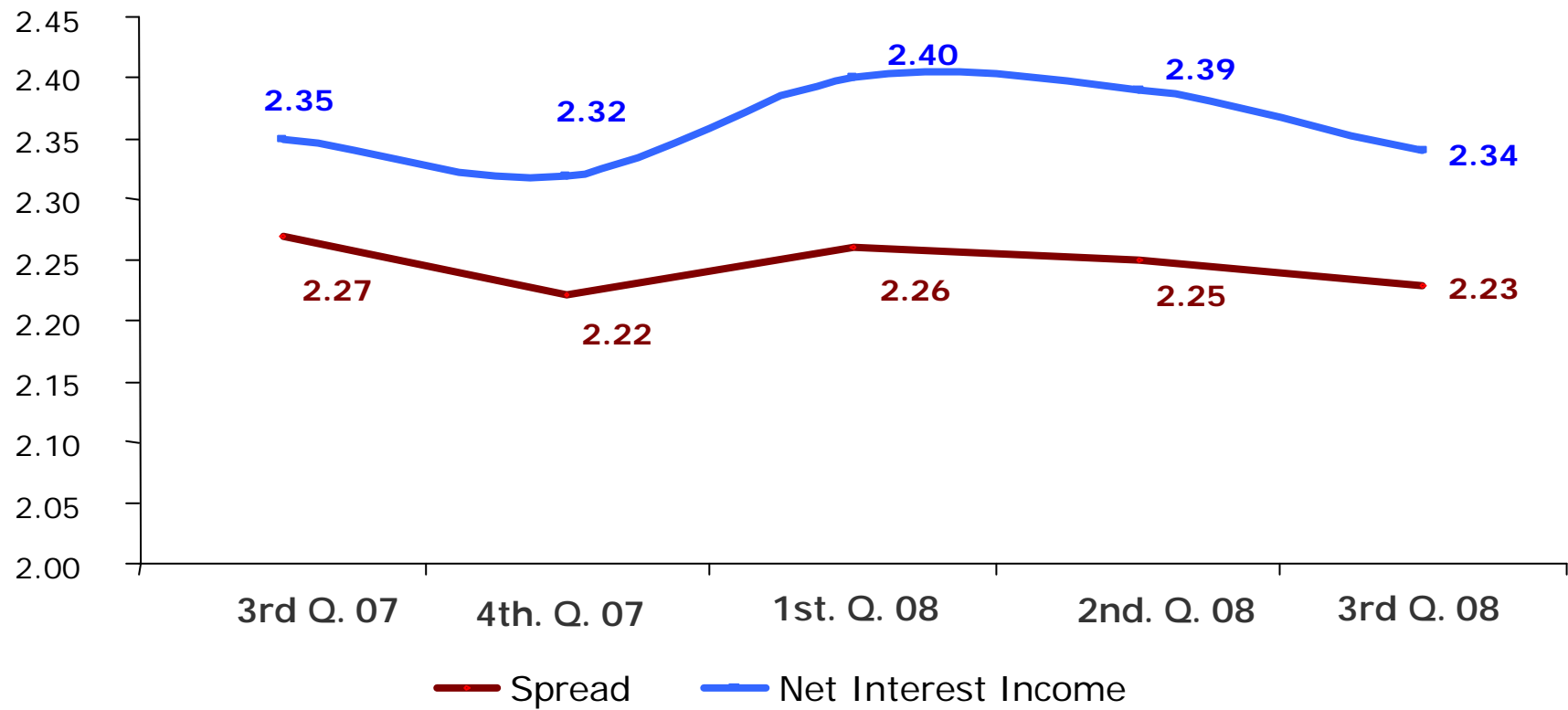
TRENDING OF NET INTEREST INCOME

(€ Million)



3

With stable margins



Agenda

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4

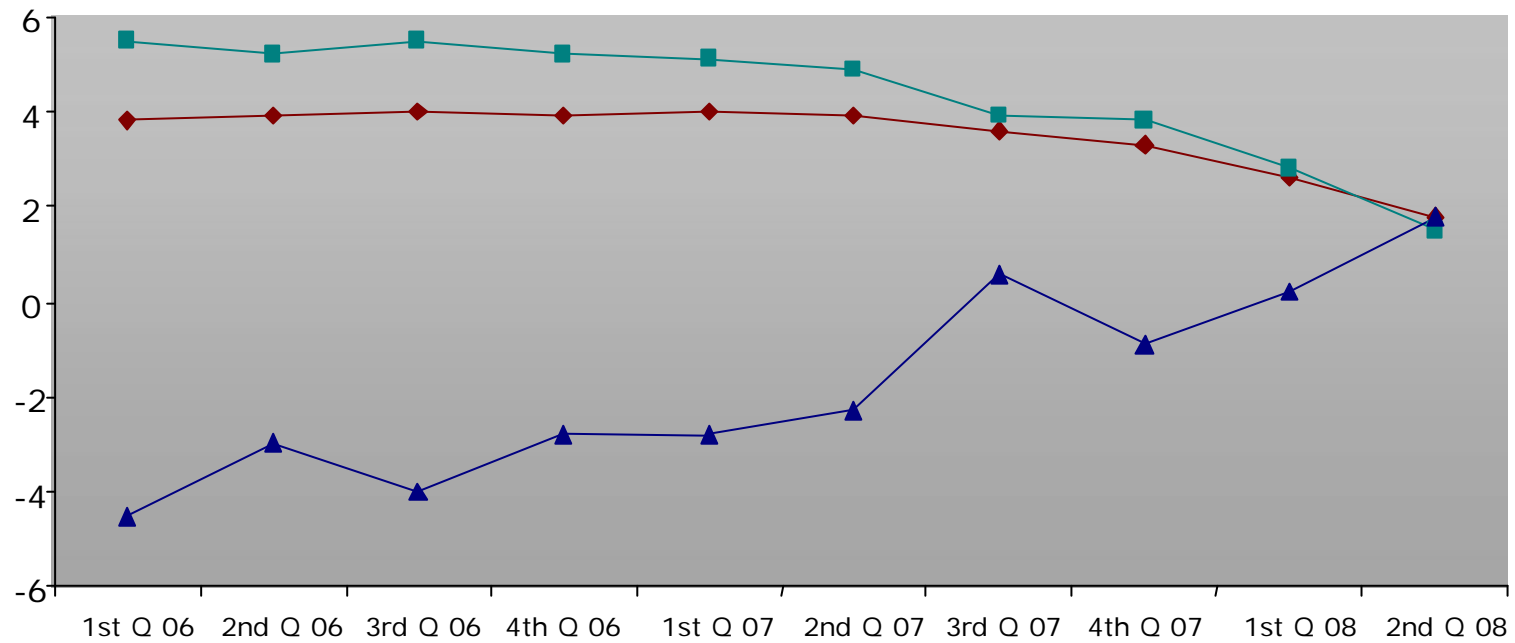
All showing an outstanding positioning in:

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5. **Deposit gathering**: progressively improving market share



ANNEX

Macroeconomic Parameters in Spain

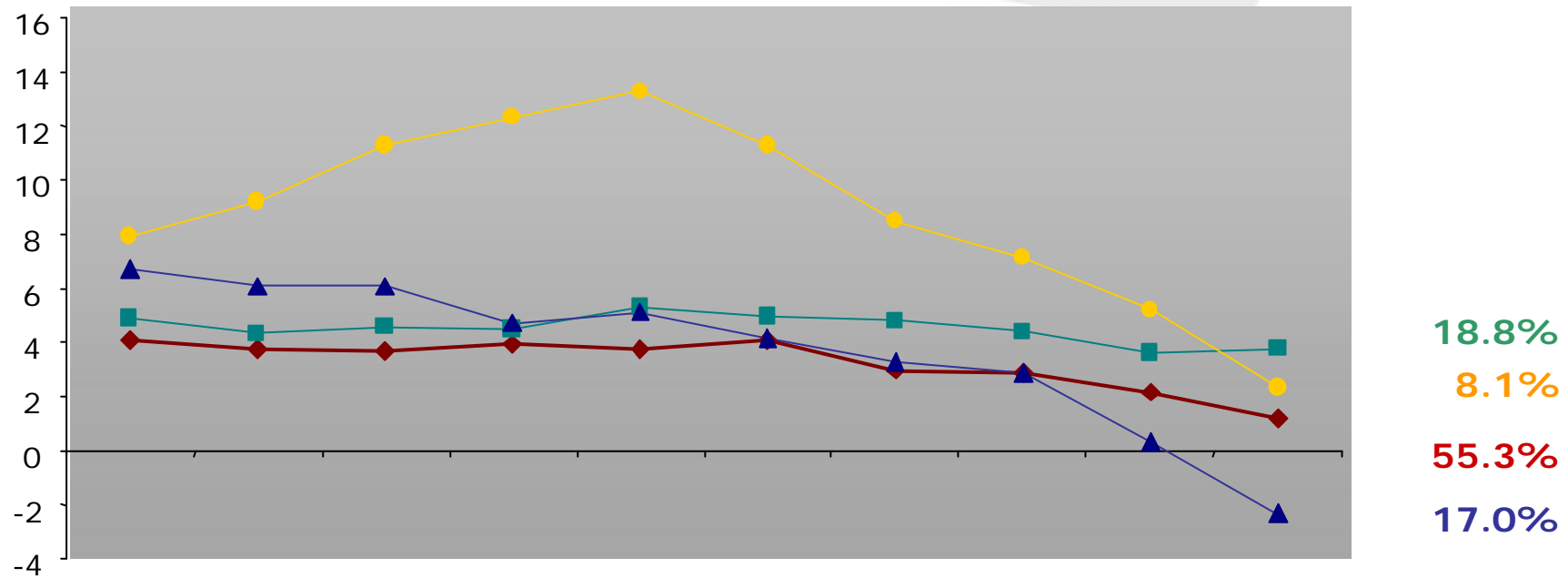


◆ GDP 1.8% ■ Internal Demand 1.5% ▲ Balance of trade 1.8%

Macroeconomic Parameters in Spain

GDP COMPONENTS (Demand sourced)

Weight on GDP



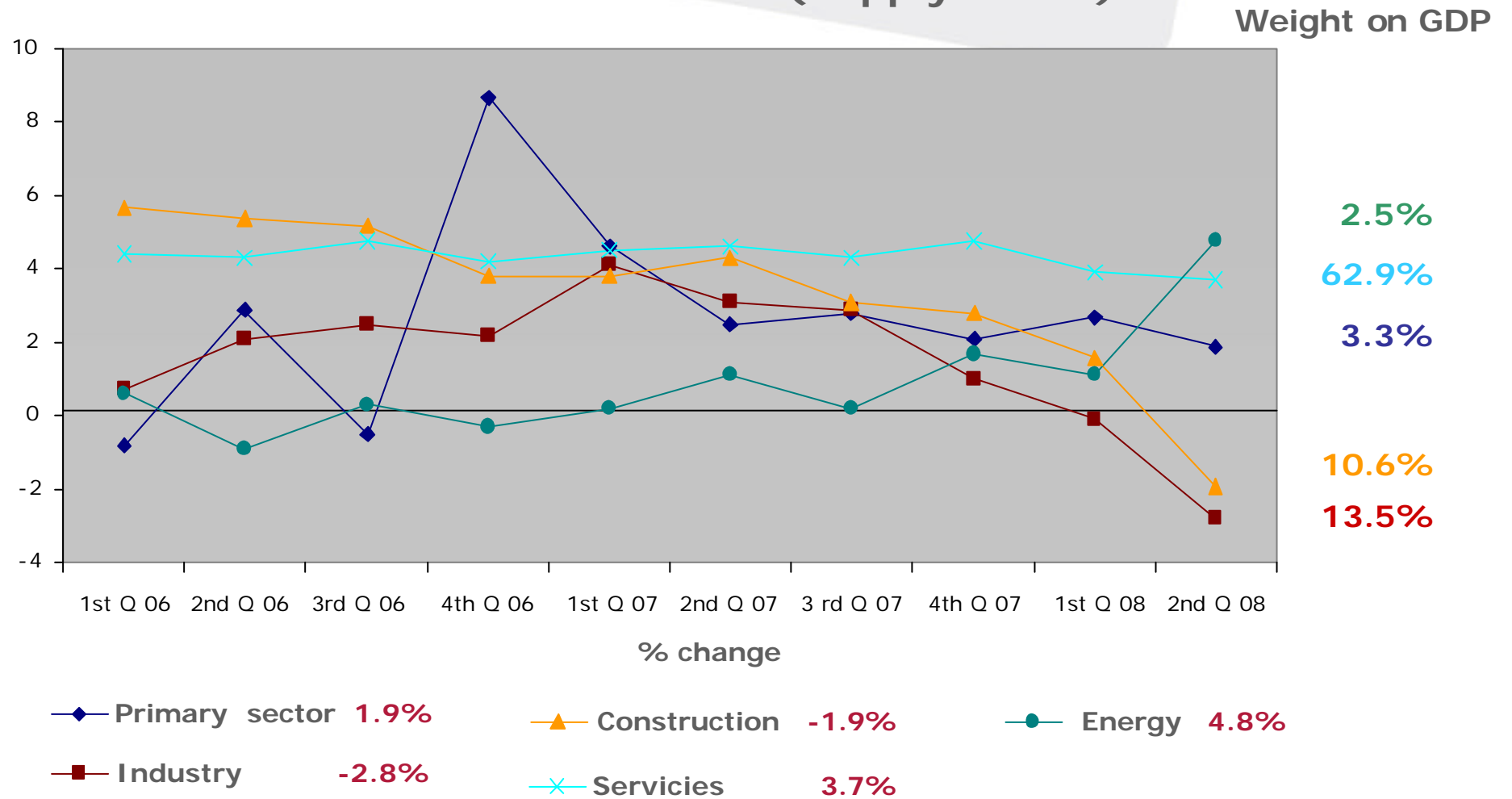
18.8%
8.1%
55.3%
17.0%

% change

Personal consumption	1.2%	Construction investment	-2.4%
Government consumption	1.3%	Capital goods investment	2.3%

Macroeconomic Parameters in Spain

GDP COMPONENTS (Supply based)



Source: INE

Macroeconomic Parameters in Spain

GDP Forecasts (2008)

	F.M.I.	FUNCAS	S&P
SPAIN	1.4	1.1	1.3
ITALY	0.2	0.5	0.1
GERMANY	2.0	1.8	1.7
UK	1.8	1.7	1.5
FRANCE	1.3	1.6	1.5

GDP Forecasts (2009)

	F.M.I.	FUNCAS	S&P
SPAIN	-0.2	-0.5	0.5
ITALY	-0.2	n.a	0.6
GERMANY	1.0	n.a	1.2
UK	1.8	1.7	1.5
FRANCE	0.2	n.a	1.3

As of F.M.I. (7-10-2008)

As of FUNCAS (4-9-2008)

As of S&P (September 2008)

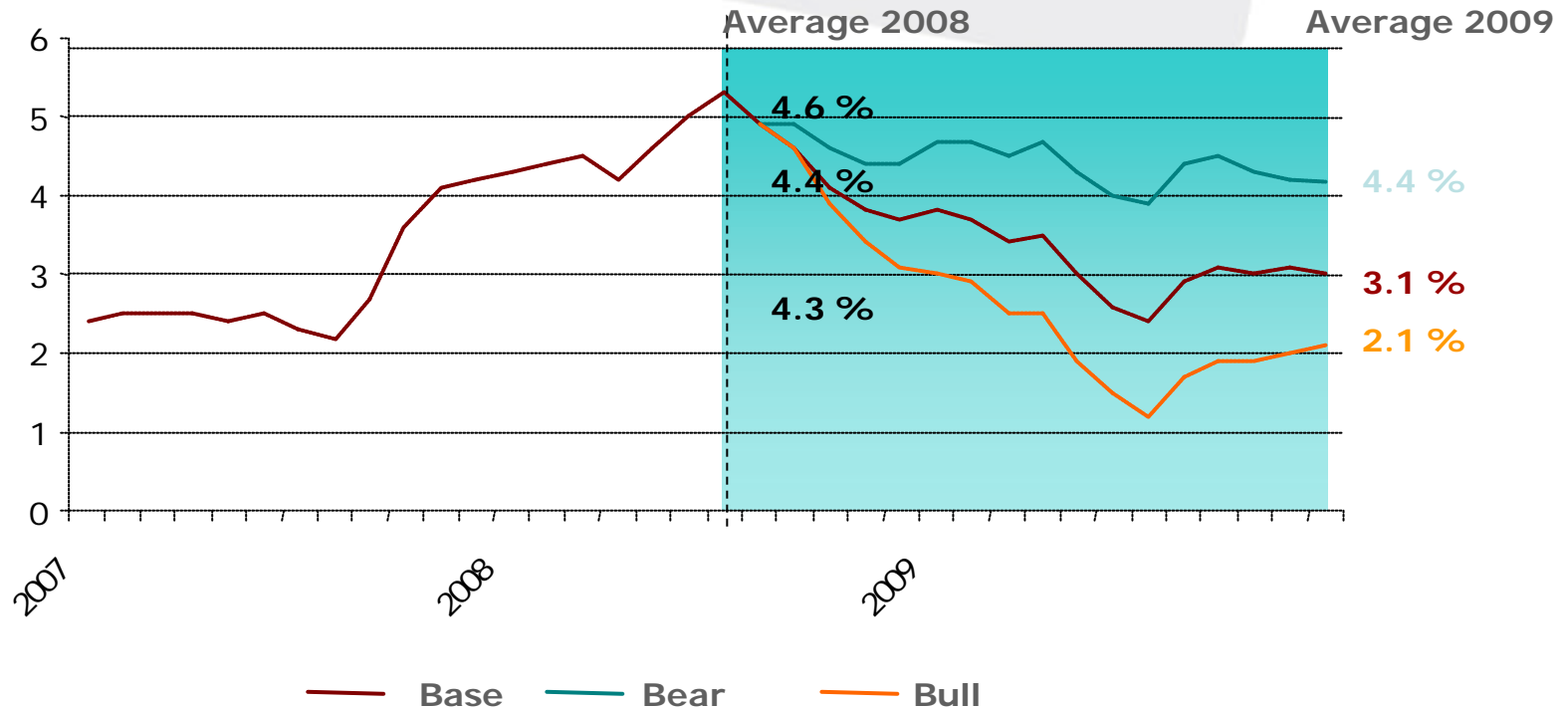
Macroeconomic Parameters in Spain

Labor market

	Job creation (y-on-y)	Job creation (Tho)	Unemployment rate
2007	3.1%	475	8.3%
1 Q 08	1.7%	-75	9.6%
2 Q 08	0.3%	23	10.4%
3 Q 08	-0.7%	-58	11.2%
4 Q 08	-1.8%	-259	12.6%
2008	-0.1%	-368	10.9%

Macroeconomic Parameters in Spain

Spanish CPI Forecast (in %)



Base — Oil around \$112/barrel through 2009

Bear — Oil around \$150/barrel through 2009

Bull — Oil around \$80/barrel through 2009

Considering a progressive €/ \$ depreciation to a rate of \$130 by dec 2009

Source: INE and FUNCAS

Macroeconomic Parameters in Spain

Forward rates

Market is discounting pronounced drop in rates

Inverted yield curve at year-end

	30/09/ 08	31 /12 /08	Diff
3-mos	5.14 %	4.52 %	-0.62 %
12-mos	5.47 %	3.94 %	-1.53 %
<hr/>			
Spread	0.33 %	-0.58 %	

Source: Liffe Futures (6/10/2008)



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