



July – August – September

2007



Banco Popular Group



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JULY - AUGUST - SEPTEMBER 2007

FINANCIAL RESULTS



▶ **Core business growth**

▶ **Funding Strength**

▶ **Branch Network Expansion**

▶ **Earnings**

▶ **Outlook**



Core Business Growth

(€ million)	30.09.07	? %
Total assets managed	123,092	17.7
On-balance sheet total assets	105,103	20.2
Total equity	6,043	11.0
Funds managed:	100,990	20.2
On-balance sheet funds	83,001	24.1
Other intermediated funds	17,989	4.7
Lending to customers (gross)	86,998	17.6
Contingent risks	11,890	13.6
<hr/>		
Customers (thousands)	6,757	3.7
Employees	14,559	3.6
Branches	2,490	2.9



Core Business Growth

- MAJOR LOAN CATEGORIES (*)

September 2007
(Accumulated % change)

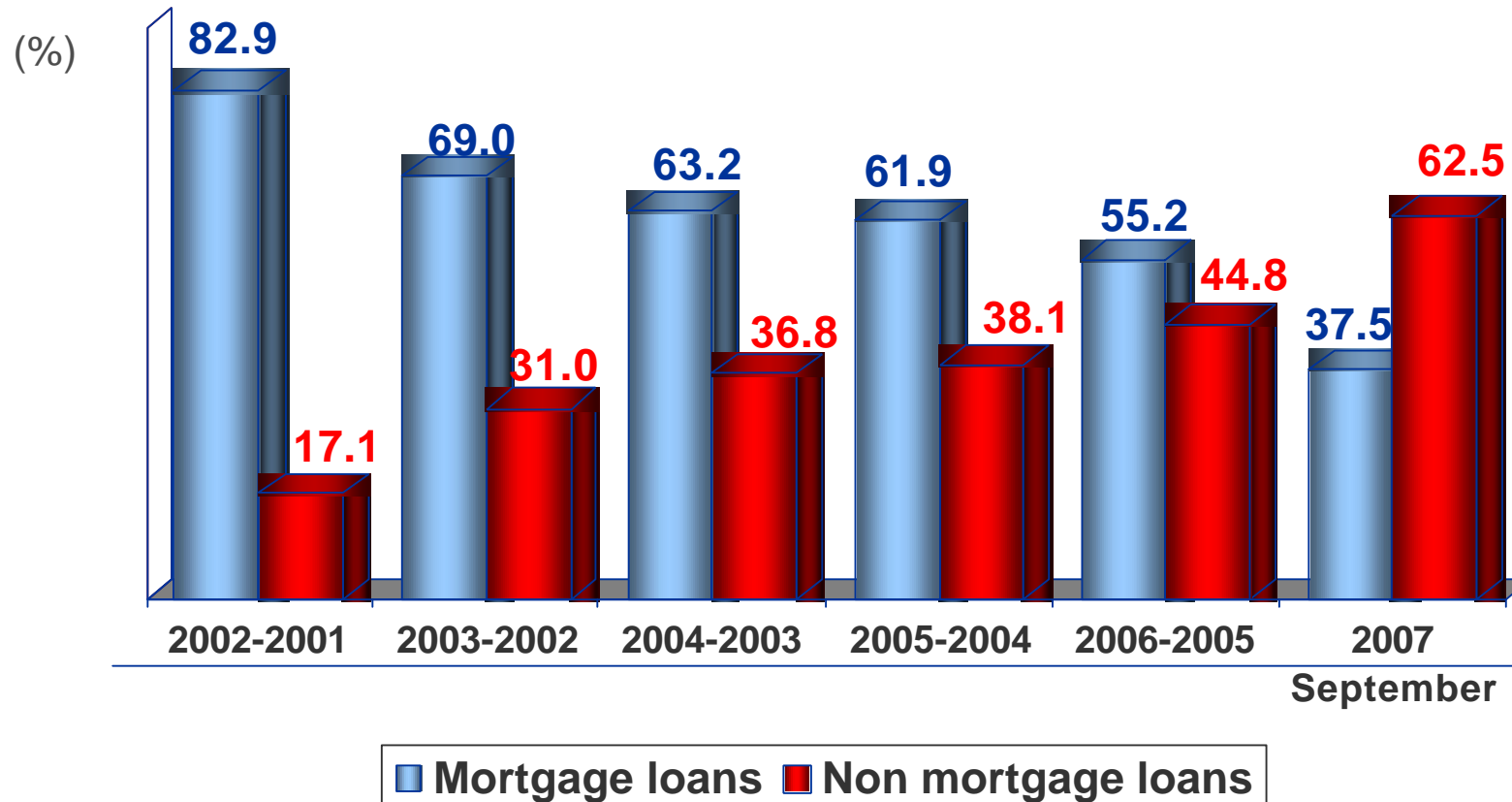
	Growth rate %	% of Total loans
Bill discounting	12.5	9.2
Mortgage loans	12.1	53.4
Loans & overdrafts	26.0	33.0
Leasing	3.8	4.4
TOTAL	15.8	100.0

(*) All loans except NPLs & Repos



Core Business Growth

- CONTRIBUTION TO NET NEW LENDING

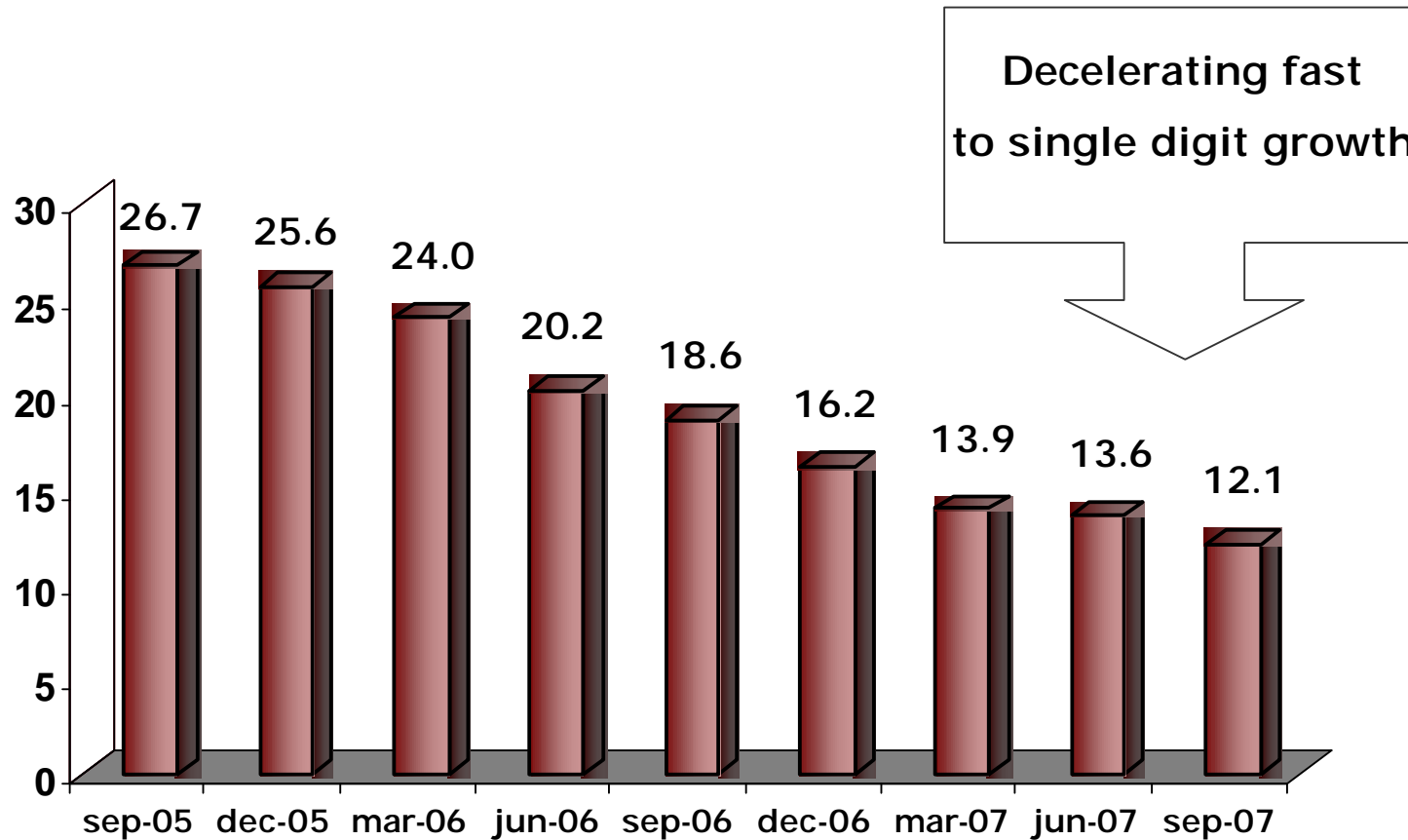


* Adjusted for securitization



Core Business Growth

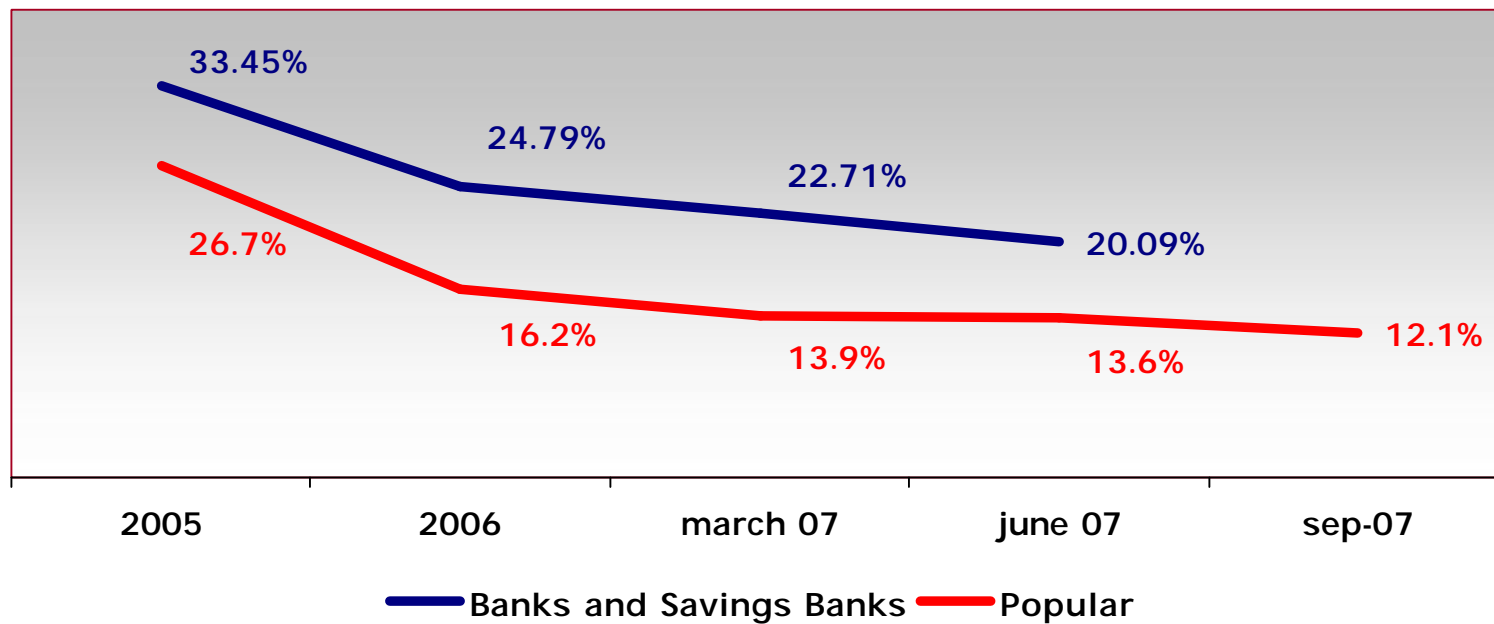
- MORTGAGE LOAN GROWTH (Y-on-Y %)





Core Business Growth

- MORTGAGE GROWTH VS. SECTOR (Y-on-Y % growth)

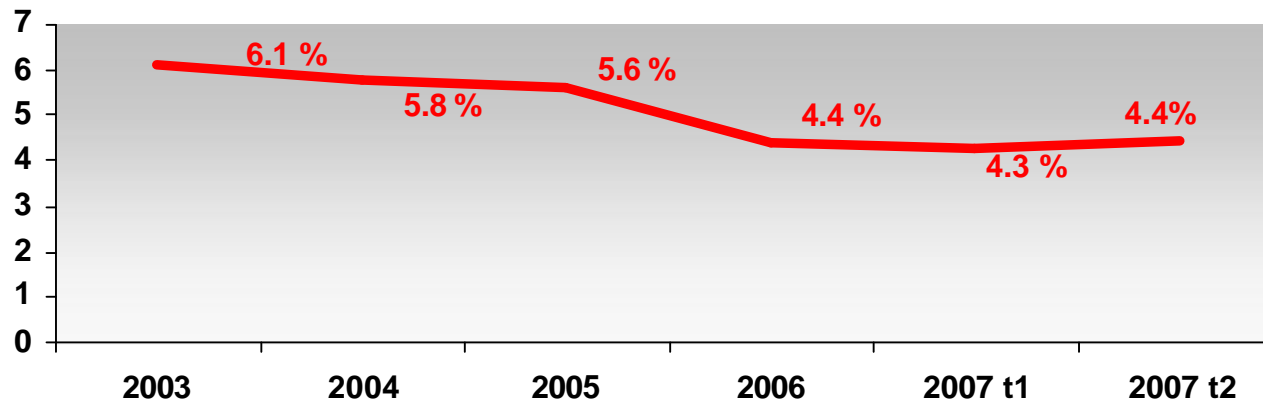


Source: Bank of Spain



Core Business Growth

MARKET SHARE OF CORPORATE RE SECTOR (Total system)



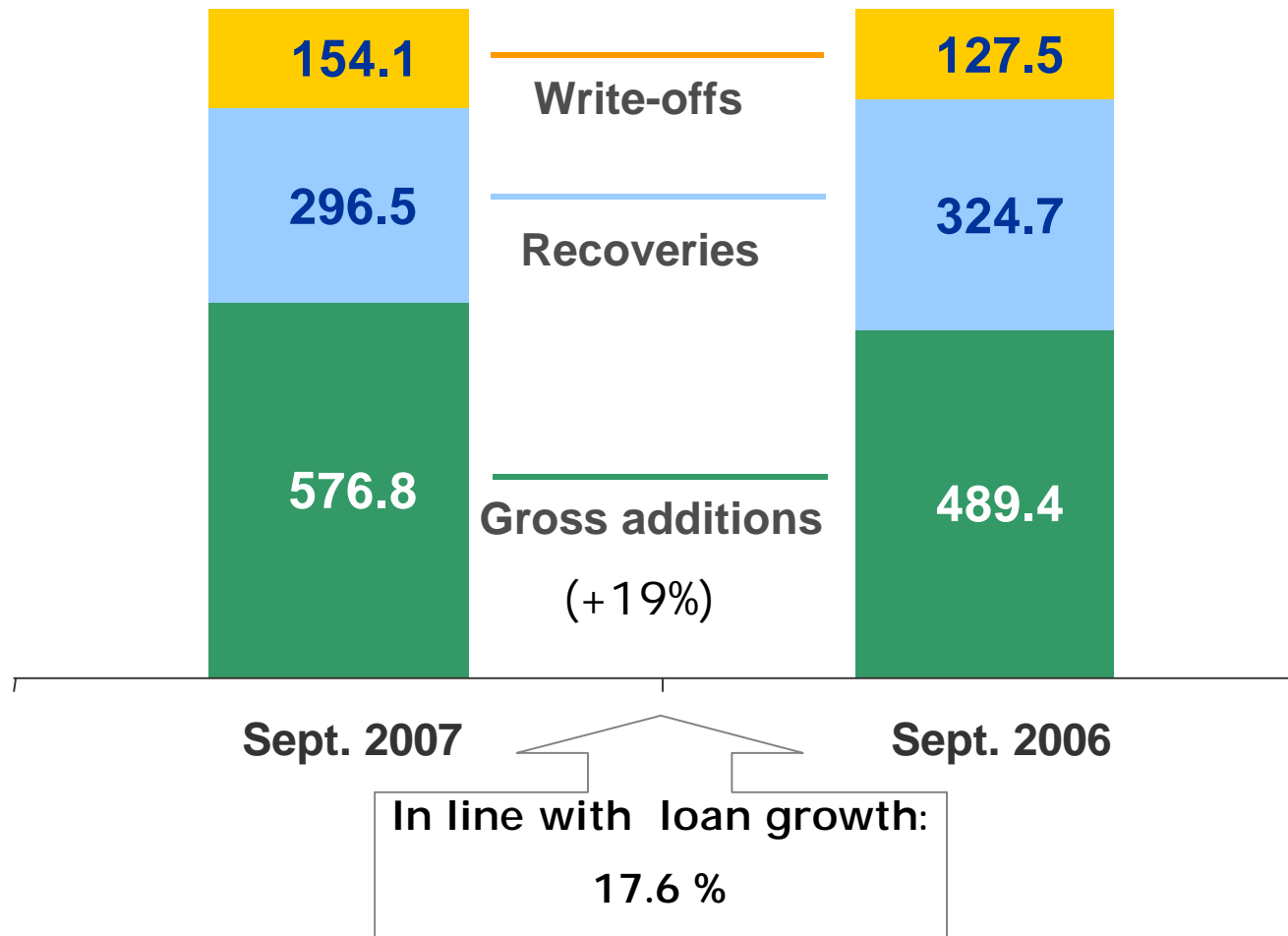
Popular has much less exposure to developers and other real estate companies than the average of the Spanish banking industry

Source: Bank of Spain and T13



Core Business Growth

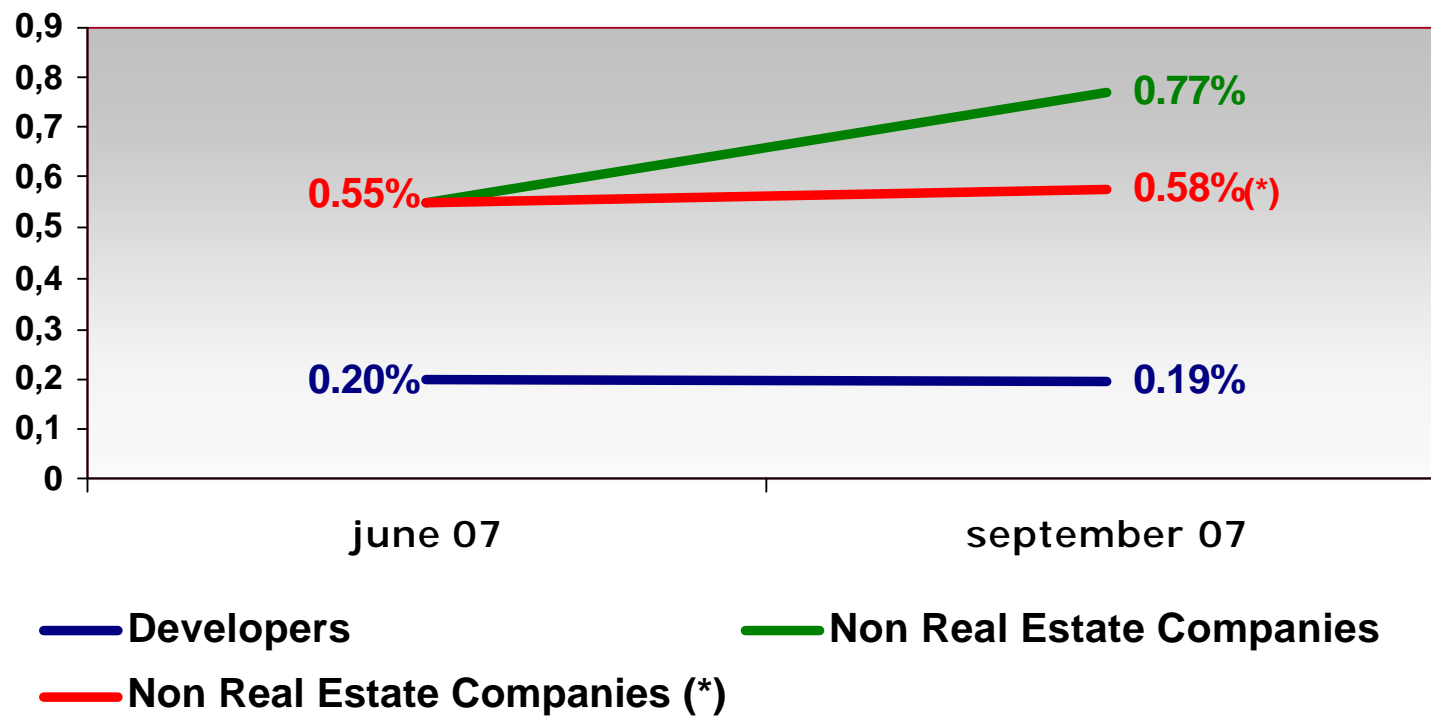
- NPL EVOLUTION





Core Business Growth

- NPLs FOR CORPORATES (%)

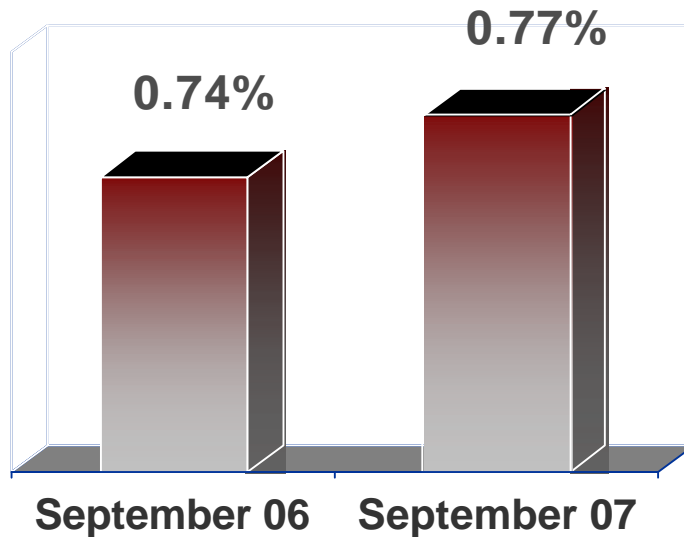


(*) Excluding one specific NPL from a Primary Sector Company

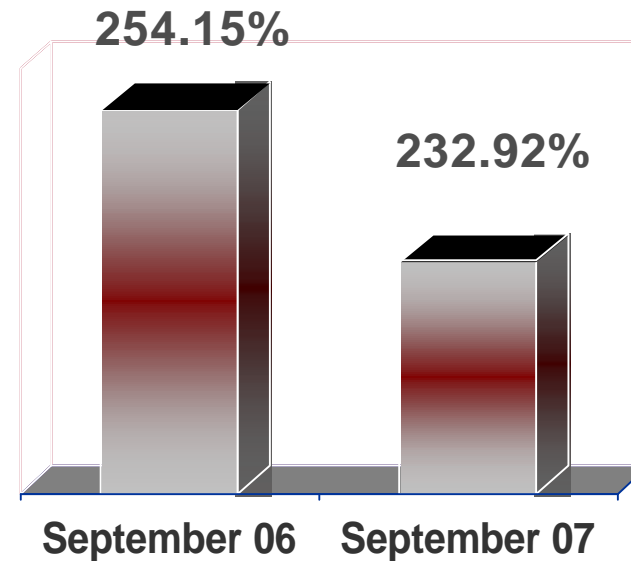


Core Business Growth – Improved asset quality

Nonperforming risk



NPR Coverage





Core Business Growth

- CORE RESIDENT CUSTOMER FUNDING

<i>(September 2007)</i>	Amount (€ million)	Variation %	% of Total
Demand deposits	17,091.5	-1.48	41.48
Time deposits	11,376.6	19.23	27.61
Commercial paper for customers	12,736.2	58.26	30.91
TOTAL	41,204.3	17.94	100.00



Core Business Growth

- FUNDS MANAGED

(€ Million)

	September 07	Var. %
On-balance sheet funds	83,001.0	24.1
Other intermediated funds:	17,989.4	4.7
Mutual funds	12,082.7	1.9
Portfolio asset management	1,763.1	15.2
Pension funds	4,143.6	9.5
Total funds managed	100,990.4	20.2



Core Business Growth

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

(€ million)	Net Asset Value		Improvement in market share	
	Sept 07	% Change	Sep 07	Sep 06
Money market	1,245.7	-16.7		
Bonds	4,037.1	12.9		
Fixed income	5,282.8	4.2	4.61	4.47
Equity	1,432.4	1.8		
Balanced	999.5	-22.8		
Guaranteed	3,094.8	17.4		
Global	811.8	-18.9		
TOTAL	11,621.3	1.8		
		-1.4		

BANCO POPULAR GROUP*
INDUSTRY

Outperformance due to:

Net Inflows

-2.7

-5.1

Management/markets

4.5

3.7

* Excluding BPP. The total amount including BPP amounts to €12,082.7 million (+1.9)

Source: Inverco



Core Business Growth

■ ASSET PORTFOLIO MANAGEMENT

<i>(€ Million)</i>	Sept 07	Sept 06	Change in Amount	%
Discretionary Asset Management				
Popular Gestión Privada	823.9	828.9	-5.0	-0.6
Banco Popular Portugal	218.0	209.1	8.9	4.3
Subtotal	1,041.9	1,038.0	3.9	0.4
HNWI-SICAV				
Sogeval	-	32.0	-32.0	-
Popular Gestión Privada	721.2	460.7	260.5	56.5
Subtotal	721.2	492.7	228.5	46.4
TOTAL	1,763.1	1,530.7	232.4	15.2



Core Business Growth

- PENSION ASSETS UNDER MANAGEMENT

	(<i>€ Million</i>)	Variation			
		Sept 07	Sept 06	Amount	%
Private Plans		3,262.0	2,967.5	294.5	9.9
Corporate Schemes		881.6	815.4	66.2	8.1
Group employees		673.3	632.6	40.7	6.4
TOTAL		4,143.6	3,782.9	360.7	9.5



▶ **Core business growth**

▶ **Funding Strength**

▶ **Branch Network Expansion**

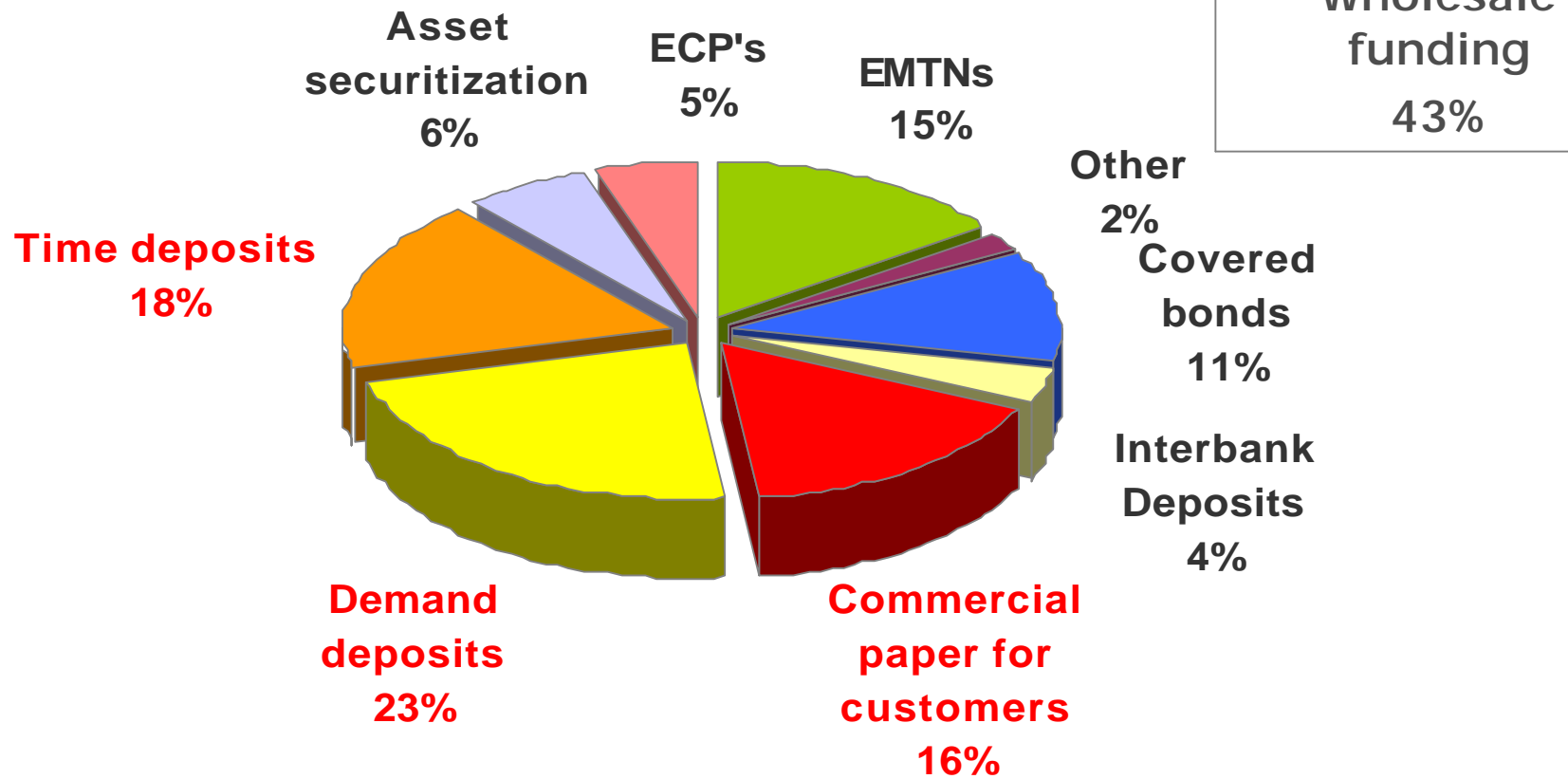
▶ **Earnings**

▶ **Outlook**



Funding Strength

- FUNDING BREAK-DOWN





Funding Strength

- Banco Popular´s growth strategy is backed by a strong liquidity situation due to:
 - Sustained and robust growth since July 2007 in:
 - Pagarés para clientes: Domestic commercial paper placed among **customers** as a tax efficient alternative to time deposits
 - **€ 3 billion added** since July up to current € 12.7 billion
 - ECP´s: Institutional commercial paper
 - **€ 800 million added** since July up to € 4 billion
 - Interbank deposits:
 - Stability of borrowing positions since July
 - Increased **net lending position in the short term**



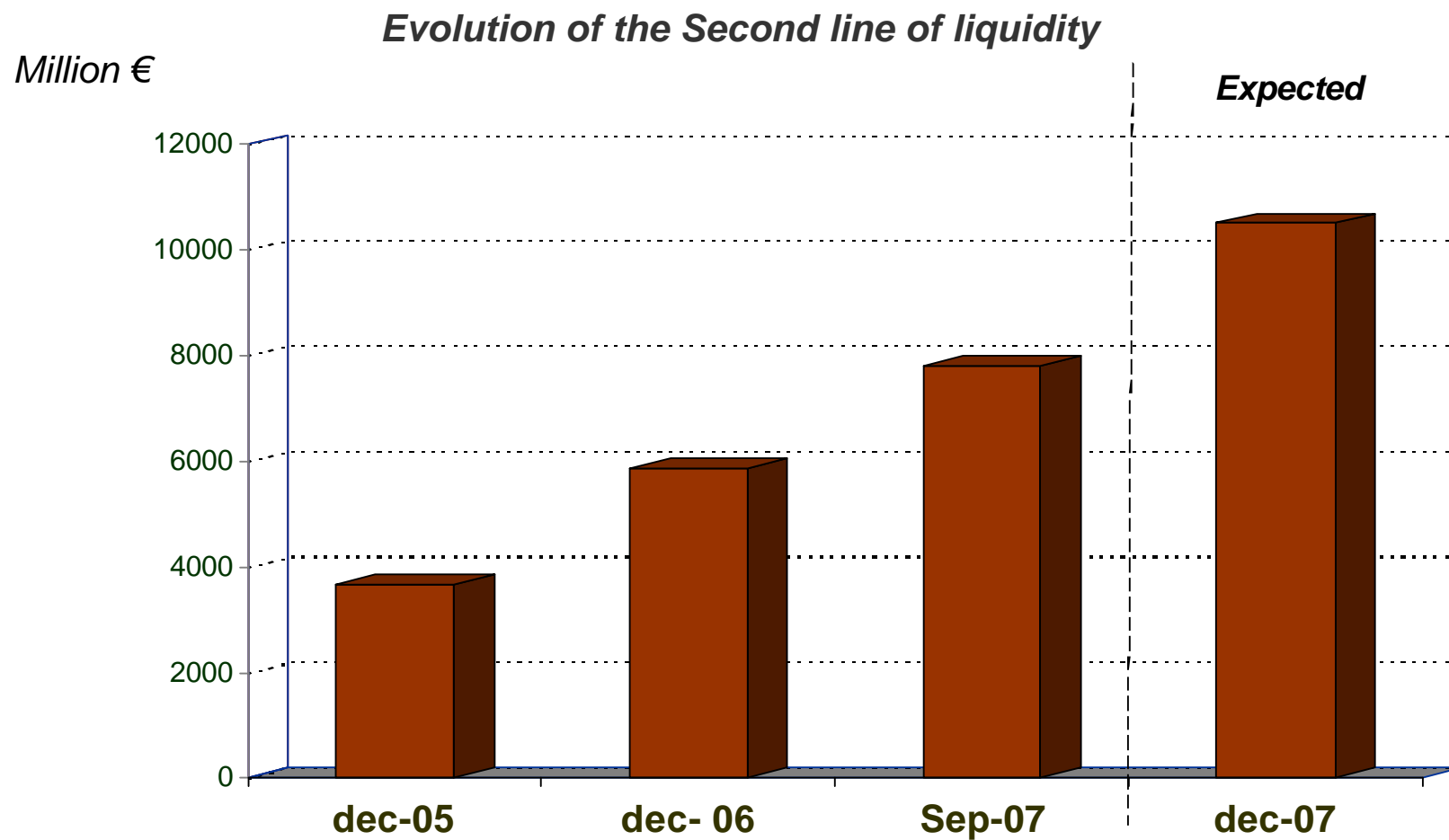
Funding Strength

- Banco Popular´s growth strategy is backed by a strong liquidity situation due to:
 - Strong second line of liquidity composed of bonds and notes that are stocked to be used when convenient in the ECB´s auctions.
 - **€ 7.8 billion** in September 2007
 - **€ 10.5 billion** target as of December 2007
 - Additionally, Popular has not yet used the possibility of making liquid other assets eligible for ECB´s auctions, such as loans to customers
 - Displacement of maturities to future years has resulted in a very low and easily manageable volume of short term amortization
 - **Next 3 months: no maturities** of medium to long term debt
 - **Up to August 2008: only € 1 billion** from medium to long term debt
 - No discounting with ECB on 30 September 2007



Funding Strength

- Strong backing to liquidity

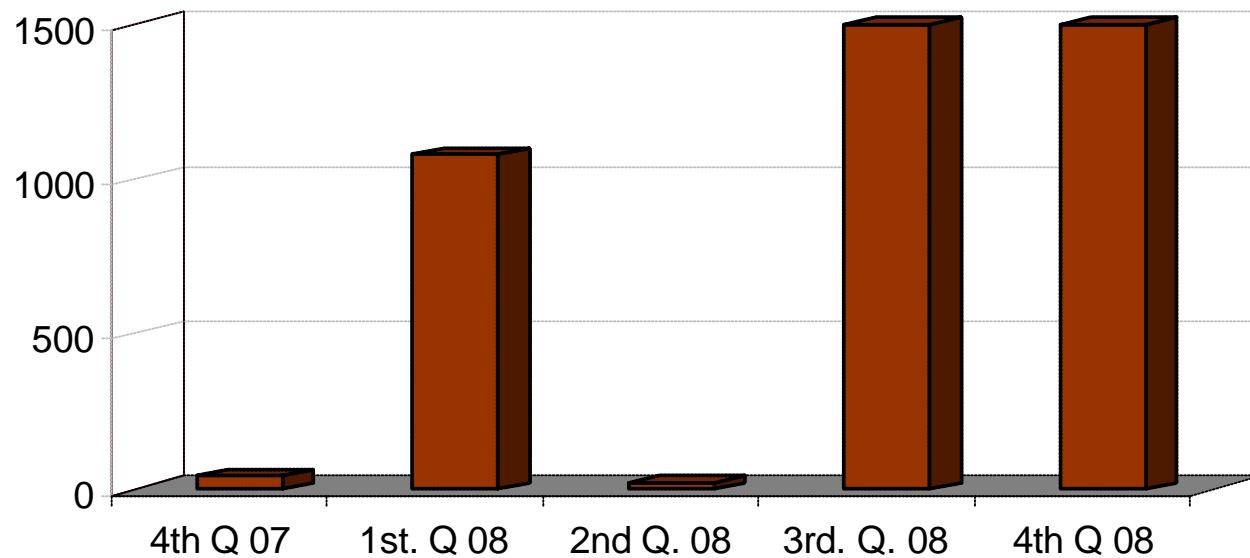




Funding Strength

- Small maturities of Medium to Long term wholesale Funding in 2007 and 2008...

Low funding requirements from maturities



Fully covered with 2nd liquidity line



▶ **Core business growth**

▶ **Funding Strength**

▶ **Branch Network Expansion**

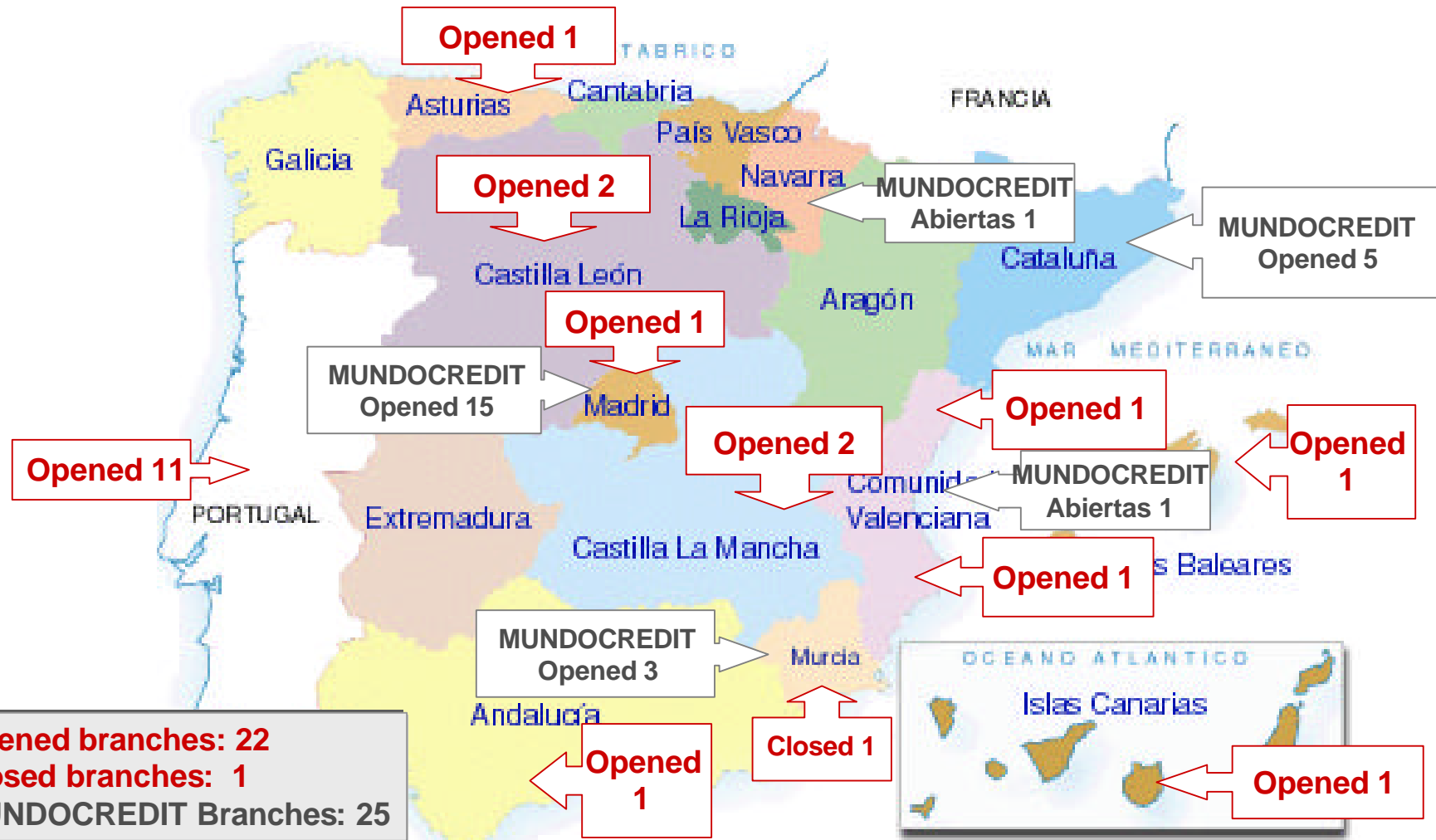
▶ **Earnings**

▶ **Outlook**



Branch Network Expansion

NETWORK ADJUSTMENTS THROUGH SEPTEMBER 2007





Branch Network Expansion

- EXPANSION PLAN DECEMBER 2007



TOTAL: 59 branches



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



Earnings

(€ Million)	Sept 2007	Δ y-on-y (%)	Ex-BME (%)
Net interest revenue	1,730.4	12.2	
Revenues from equity method entities	3.4	>	
Net fees	657.1	2.3	
Insurance business	38.2	27.4	
Asset trading	61.2	35.8	
Exchange gains (net)	39.5	6.4	
Gross Income	2,529.9	10.1	11.5
Operating cost	818.7	6.4	
Personnel expenses	559.5	6.9	
Other general administrative expenses	259.2	5.4	
Net Operating Income	1,673.5	12.7	14.9
Profit Before Taxes	1,438.5	11.8	14.3
Corporate income tax provision	452.1	5.7	
Consolidated profit for the period	986.4	14.8	17.4
Income attributed to minority interests	57.3	11.3	
Profit attributed to the Group	929.1	15.0	17.7



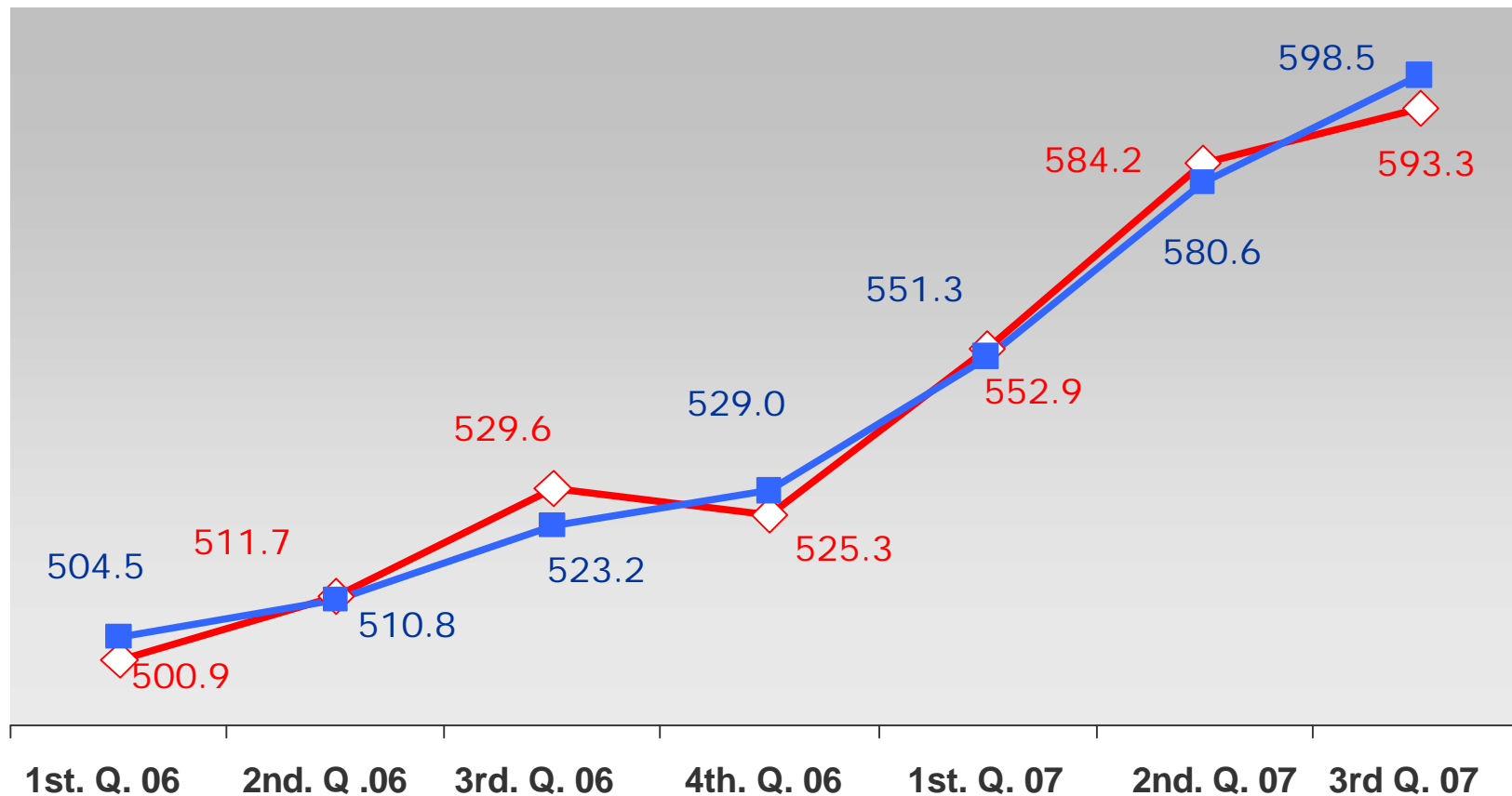
- **IMPACT OF RECENT MARKETS TURMOIL**

Banco Popular has no Subprime/SIVs/ Conduits exposure and it has not suffered any impact as a result either on its EPS or NAV



Earnings

■ NET INTEREST REVENUE



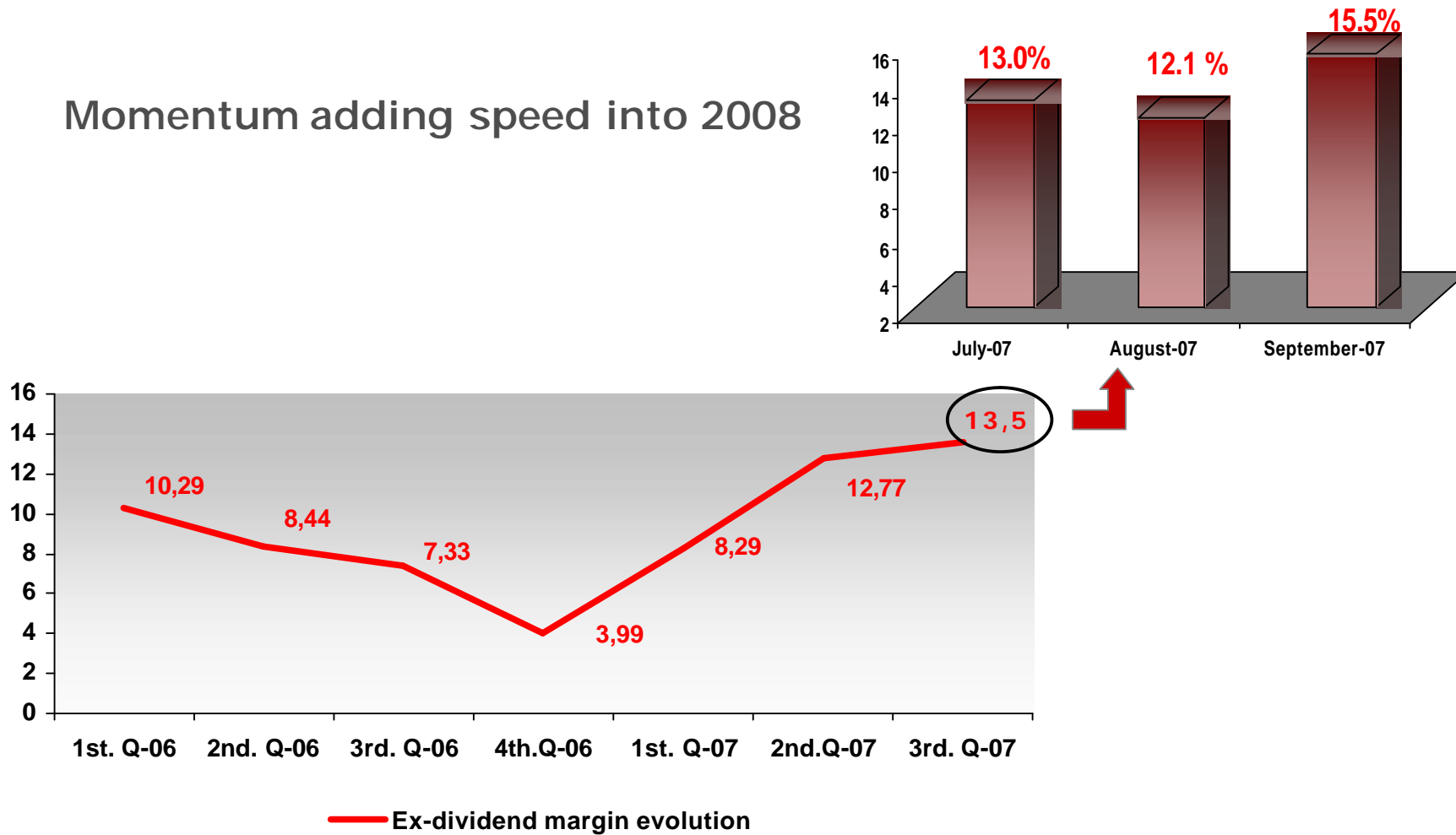
■ Trending of Net Interest Income excluding dividend income seasonality
■ Net Interest Income



Earnings

NET INTEREST REVENUE TREND EX-DIVIDENDS

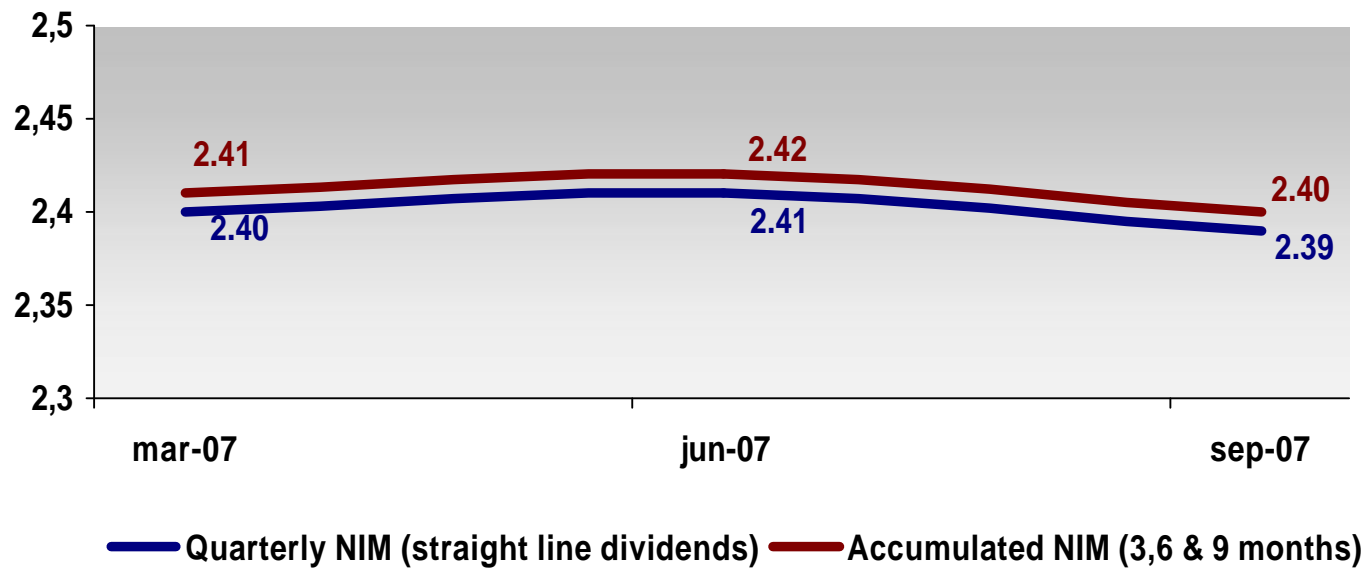
Momentum adding speed into 2008





Earnings

- NET INTEREST MARGIN (%)





Earnings

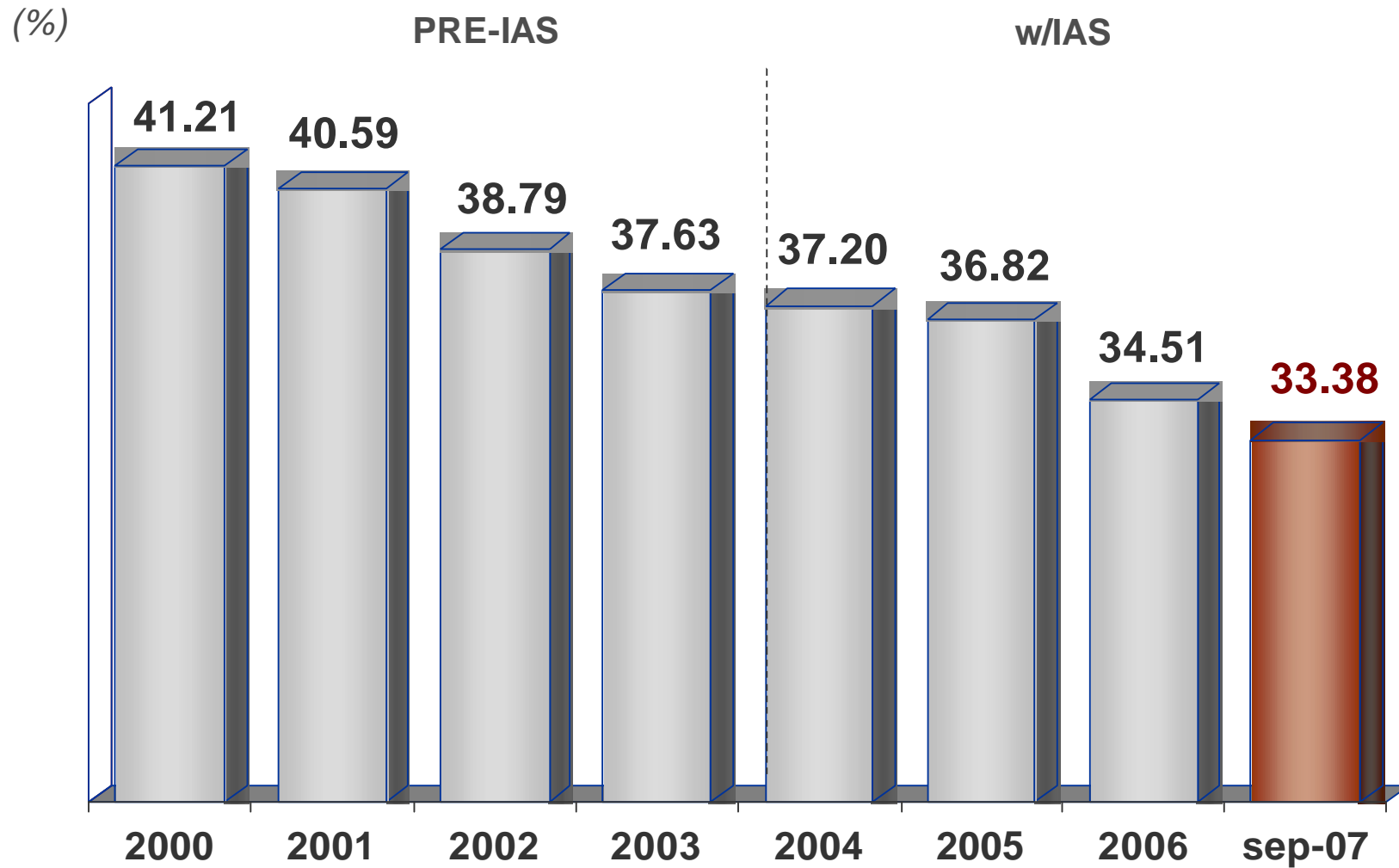
■ FEE INCOME GROWTH

<i>Sept 2007</i>	Year-on-year (%)	As % of total fees
Loan-related fees:	6.6	11.9
Bill discounting	4.4	5.4
Other	8.6	6.5
Fees from guarantees	7.5	14.3
Collection & card-related	-8.6	25.2
Forex & securities dealing	37.4	3.1
Customer financial asset mgt:	5.1	27.9
Securities portfolio	5.1	3.6
Mutual funds & pension plans	5.1	24.3
Account mgt. fees and other	3.8	17.6
TOTAL	2.3	100.0



Earnings

- COST/INCOME RATIO EVOLUTION





Earnings

■ NON-PAYROLL EXPENSES

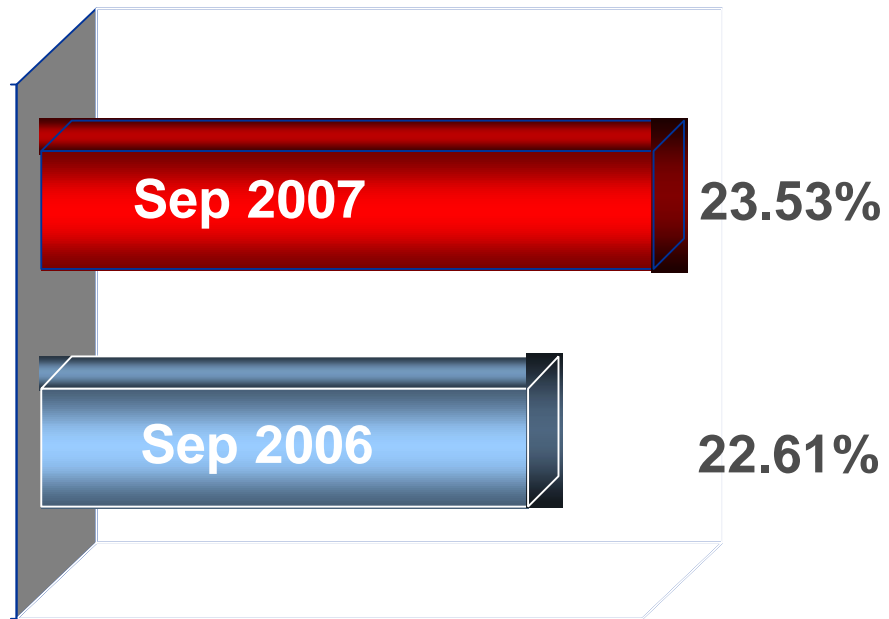
<i>(€ Thousand)</i>	Sep. 07	% variation	As % of total expenses
General Expenses	259,179	5.4	100.0
ComunesRents and common services	40,980	5.5	15.8
Communications	18,891	-18.5	7.3
Maintenance of premises & equipment	17,559	3.1	6.8
IT and other technical expenses	55,636	12.8	21.5
Office supplies	5,727	13.0	2.2
Technical reports and legal expenses	11,346	40.9	4.4
Advertising	29,592	-5.7	11.4
Insurance	3,376	-6.1	1.3
Security and fund transport services	14,461	-2.5	5.6
Travel	9,101	8.3	3.5
Property taxes, VAT and other	37,938	15.3	14.6
Other general expenses	14,572	10.1	5.6



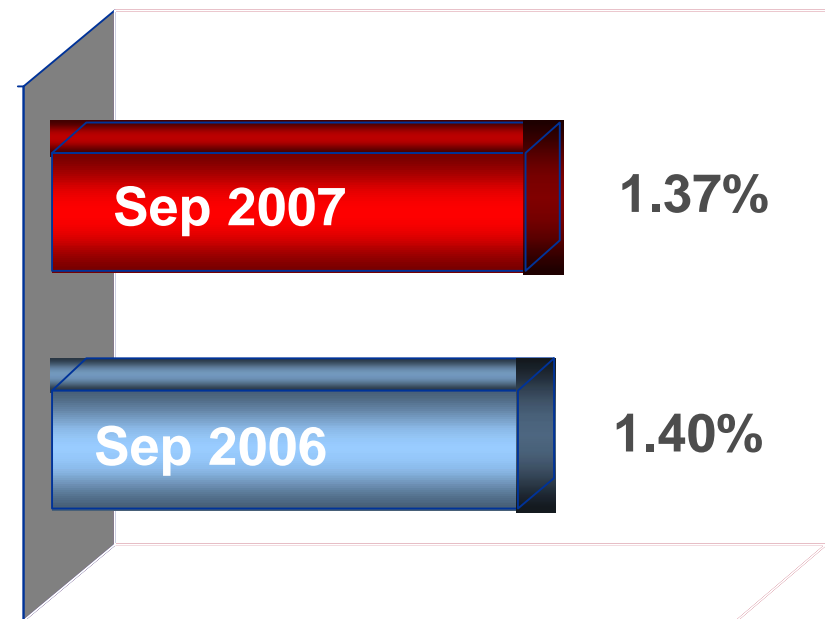
Earnings

- PROFITABILITY

ROE



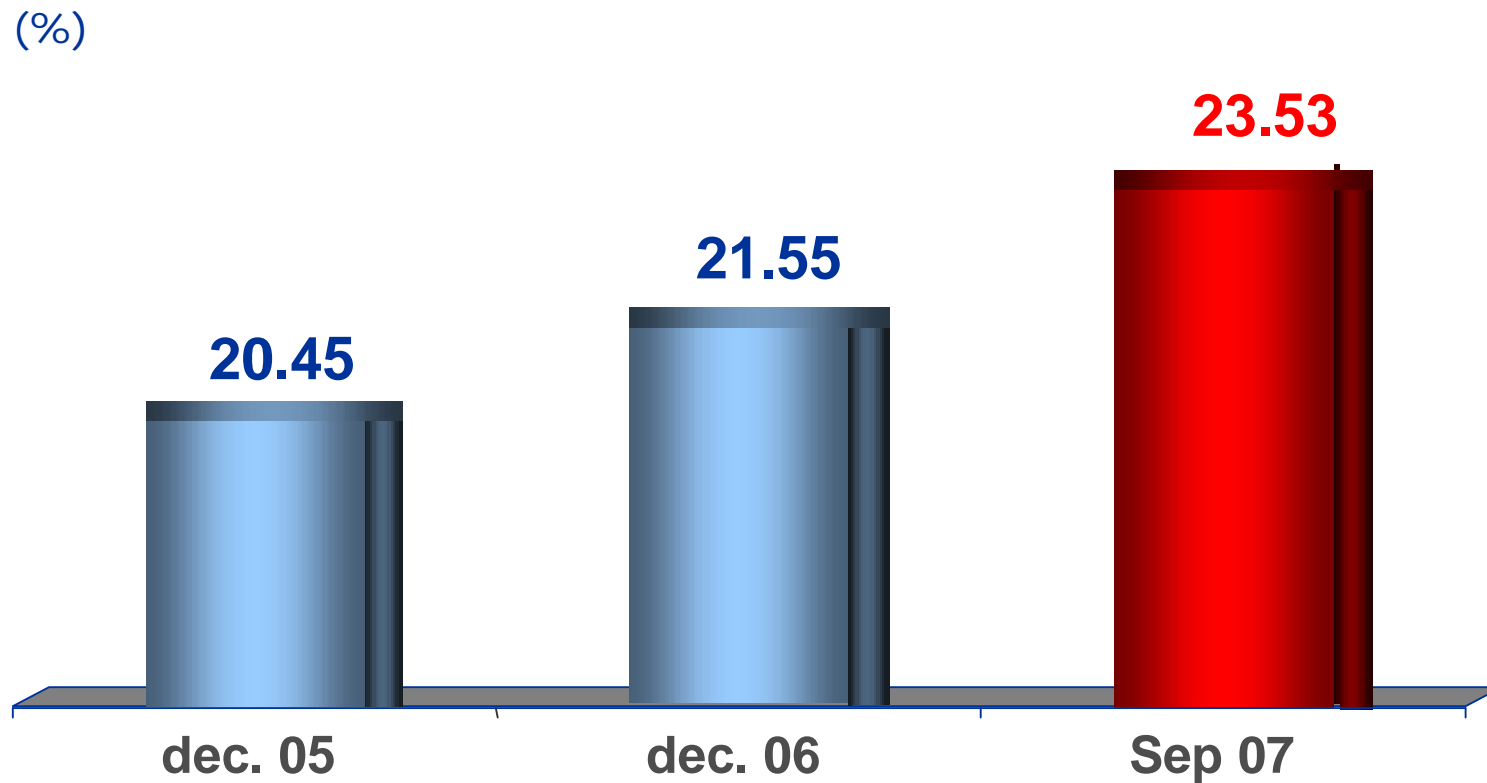
ROA





Earnings

- ROE EVOLUTION





Earnings

- SECTOR COMPARISON; RETURN & EFFICIENCY

ROA

Banco Popular	
September 07	1.37 %

Ave. Banks Dec. 06: 1.13%
Ave. Savings Banks Dec. 06: 1.01%

Cost/Income Ratio *

Banco Popular	
September 07	30.48 %

Ave. Banks Dec. 06: 41.54%
Ave. Savings Banks Dec. 06: 41.09%

Consolidated data

** Cost base excludes depreciation*

Source: AEB & CECA



Earnings

- SOLVENCY

(€ Million)

	<i>September 07</i>	<i>June 07</i>
Total core capital	5,682.1 6.66%	5,519.2 6.59%
Total Tier I Capital	6,970.1 8.17%	6,807.2 8.13%
Total Tier 2 Capital	1,512.9 1.77%	1,493.6 1.79%
BIS computable capital	8,483.0 9.94%	8,300.7 9.92%
Total BIS risk weighted assets	85,313.3	83,713.6



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

▶ **Outlook**



Scenarios for the next 3 years

- Modelling of the foreseeable economic and competitive conditions in the medium term shows that BPE can deliver at least

an average EPS growth rate in the mid-teens in 2007-2009

- The bank maintains its 3 year-old strategy of reducing dramatically its exposure to the residential sector and slowing down its overall growth rate to levels in which there will be

capital generation in 2008-2009



Outlook

- Strong net income growth in a range of conservative scenarios

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Hypothesis*</u>			
▪ GDP	3.7 - 3.9	2.8 - 3.3	< 2.8
▪ Loan growth	15% - 16%	8% - 10% - 12%	7% - 9%
▪ Customer funding	12% - 14%	10% - 12%	10% - 12%
▪ Reduction of retail deposits spread	5 - 10 bp	20 bp	

<u>Results</u>		Average 2008-2009
▪ Net interest revenues	13% - 14%	Low to Mid-teens
▪ EPS	>18%	Mid teens
▪ Attributable net income target	€1,260 M	
▪ Capital generation		40 - 70 bp

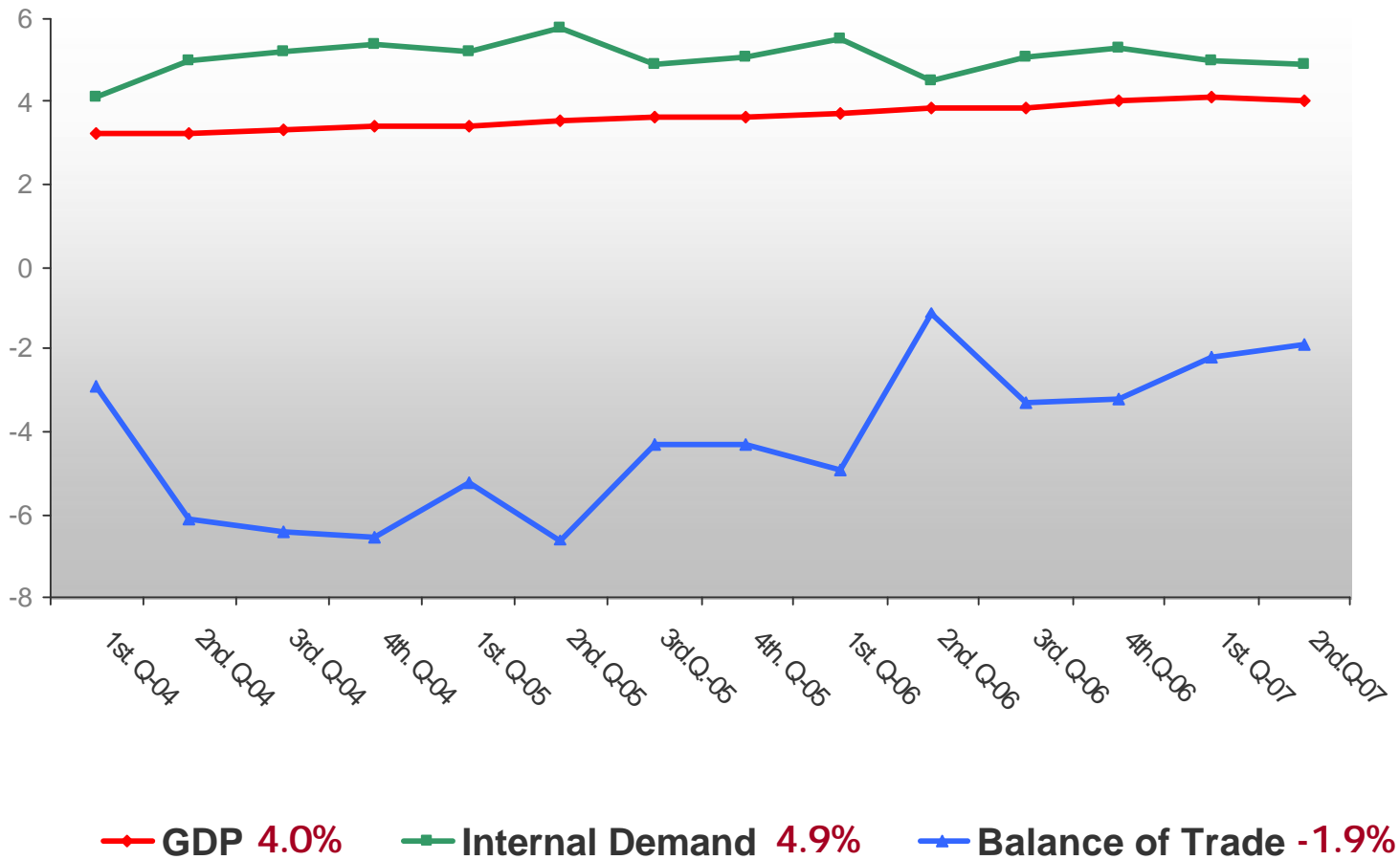
* Interest rate curve used for modelling: forward rate curve on September 11th 2007

JULY - AUGUST - SEPTEMBER 2007

ANNEX



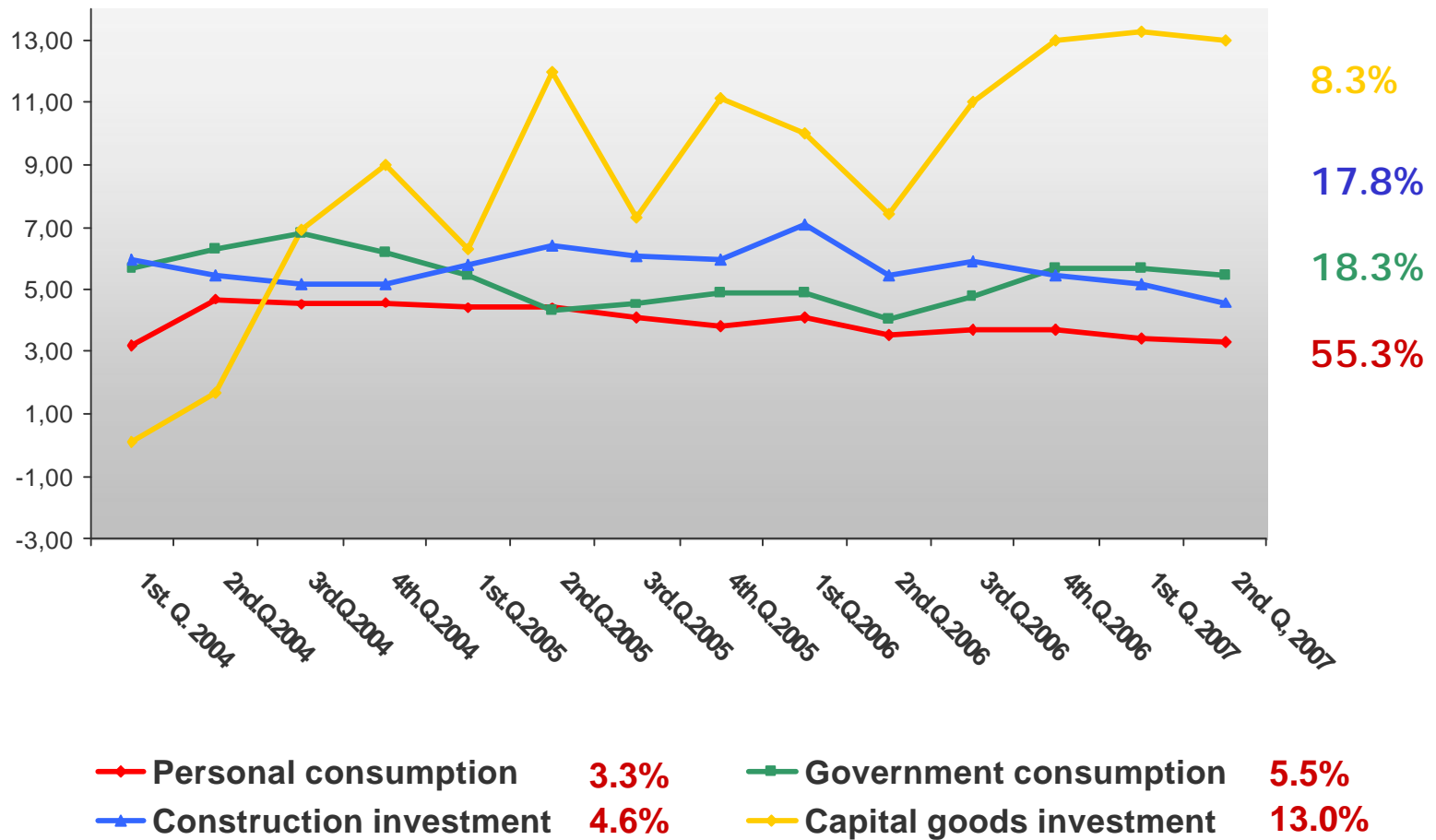
Macroeconomic Parameters in Spain



Source : INE



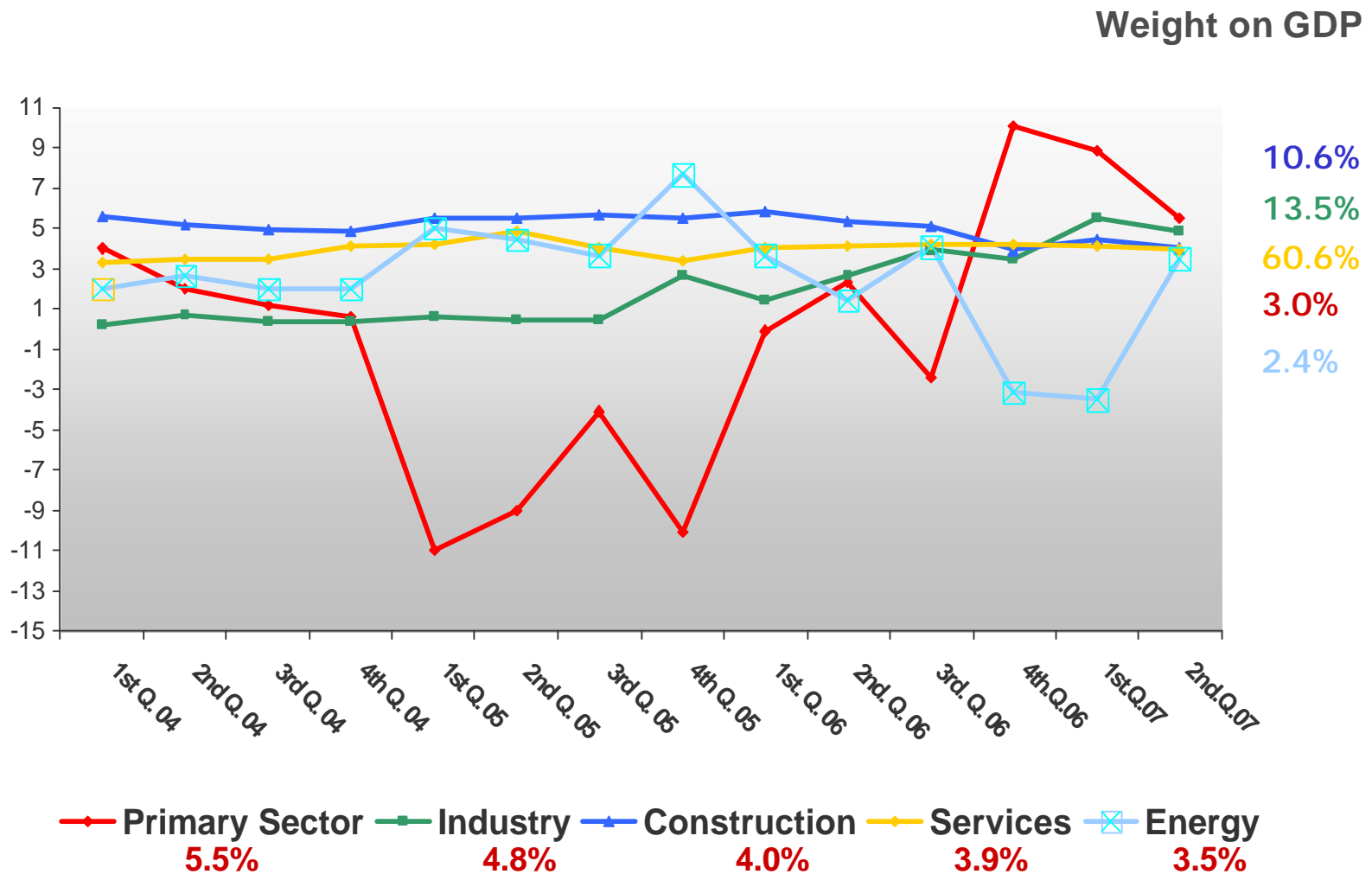
Macroeconomic Parameters in Spain



Source: INE



Macroeconomic Parameters in Spain



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