

Madrid, 30th January 2009

Financial Results 2008



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Agenda

1. Positioning in the current banking environment
2. Results
3. Business performance
4. Solvency and Liquidity
5. Risk Management
6. Confidence in the future

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1. Positioning in the current banking environment

2. Results

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1

Relative positioning of Banco Popular in the current banking environment

Relative positioning vs peers

1	Capital	→	Strong	✓
2	Liquidity	→	Strong	✓
3	Business	→	Strong	✓
4	Results	→	Strong	✓
5	Asset soundness	→	Strong	✓

1 Strength of capital

*Relative positioning
vs peers*

Relevant aspects

1

Capital

Strong

- **Core capital of 7.1% amongst the highest of European banks without Government backed share issues**
- **Strongest bank in Europe and in America in terms of Tangible Equity / Total Tangible Assets**
- **Prospects of sustained strong capital ratios over the next 2 years despite macroeconomic headwinds**

1 Strength of liquidity

*Relative positioning
vs peers*

Relevant aspects

2

Liquidity

Strong

- Significant reduction in the Commercial Gap of 2,327 M€
- One of the most important second lines of liquidity in Europe, 14,640 M€
- All wholesale financing maturities in excess of one year are guaranteed

1 Strength of business model

*Relative positioning
vs peers*

Relevant aspects

3

Business

Strong

- New loans totalled 37,668 M€ in 2008
- Customer deposits grew by 21.1%

1 Strength of results

*Relative positioning
vs peers*

Relevant aspects

4

Results

Strong

- **Recurrency of all P&L margins with growth rates between 10.4% and 4.2% in the current economic environment**

1 Soundness of assets

*Relative positioning
vs peers*

Relevant aspects

5

**Asset
soundness**

Strong

- 88% of assets are commercial and retail banking loans in the Iberian Peninsula
- NPL ratio of 2.71% in Spain, lower than the domestic financial sector average
- Coverage ratio of 159.4% incl. guarantess and provisions

Agenda

1. Positioning in the current banking environment

2. Results

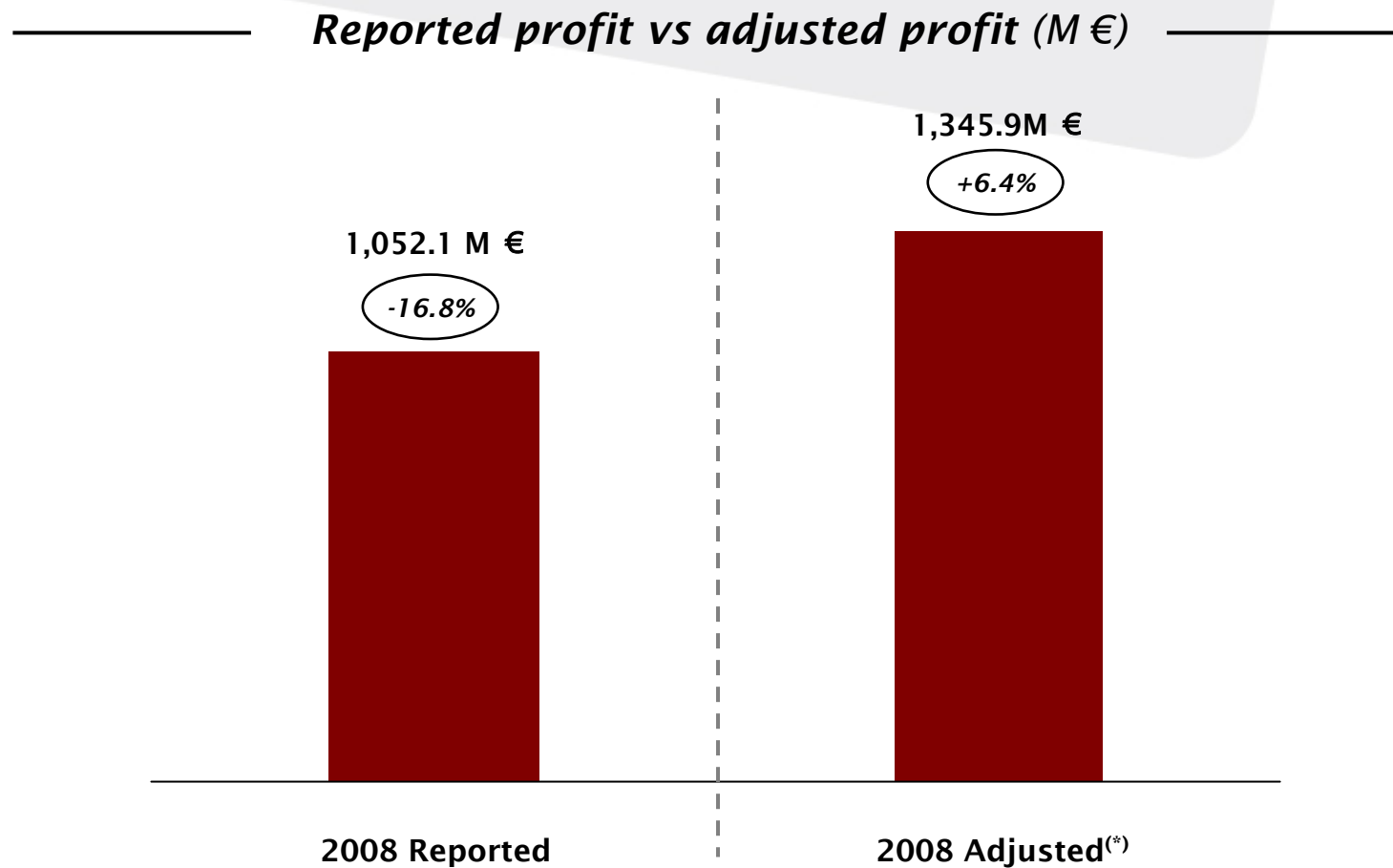
3. Business performance

4. Solvency and Liquidity

5. Risk Management

6. Confidence in the future

2 Attributable profit driven by conservative provisioning policy ...

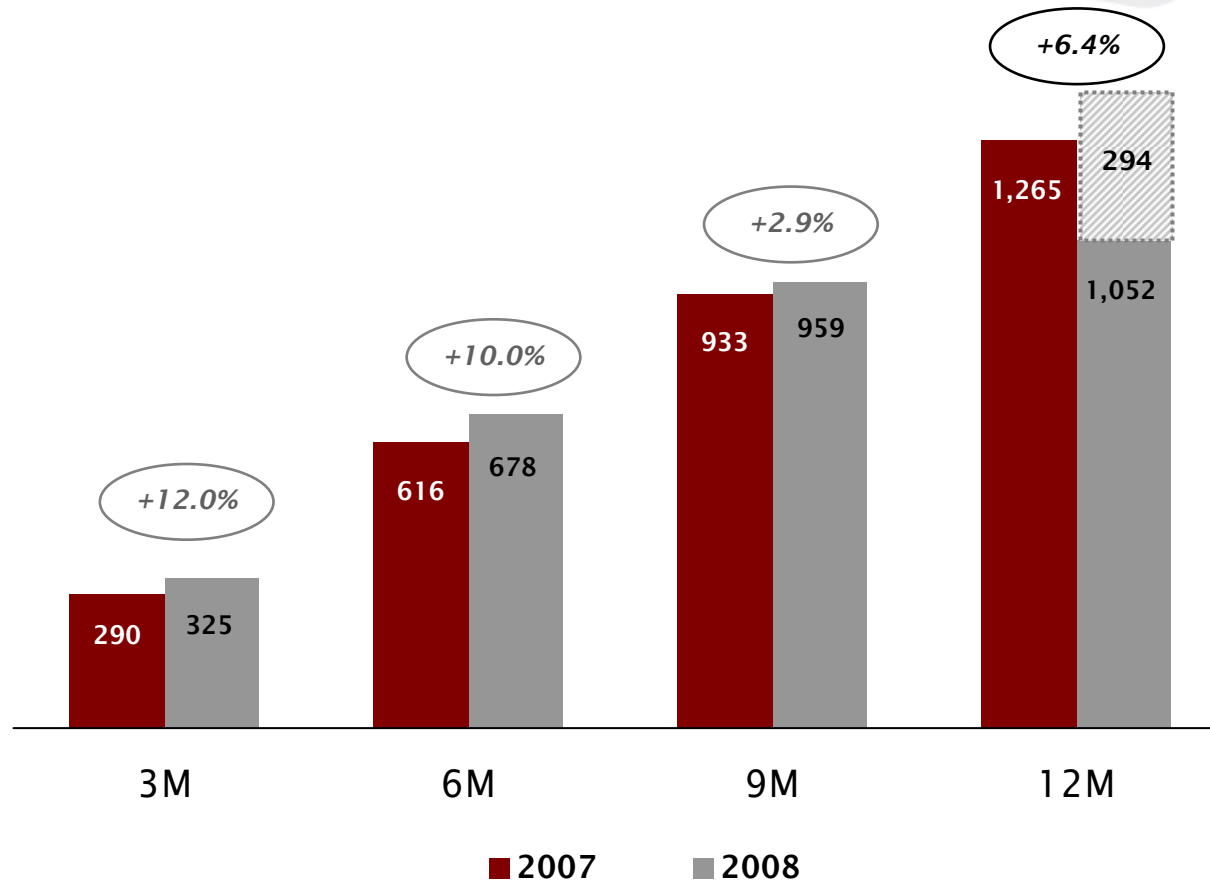


(*) Adjusted profit excludes:

- Extraordinary provisions for NPL of 189 M €.
- Additional recoveries of generic provision of 244 M € allowed by current regulation

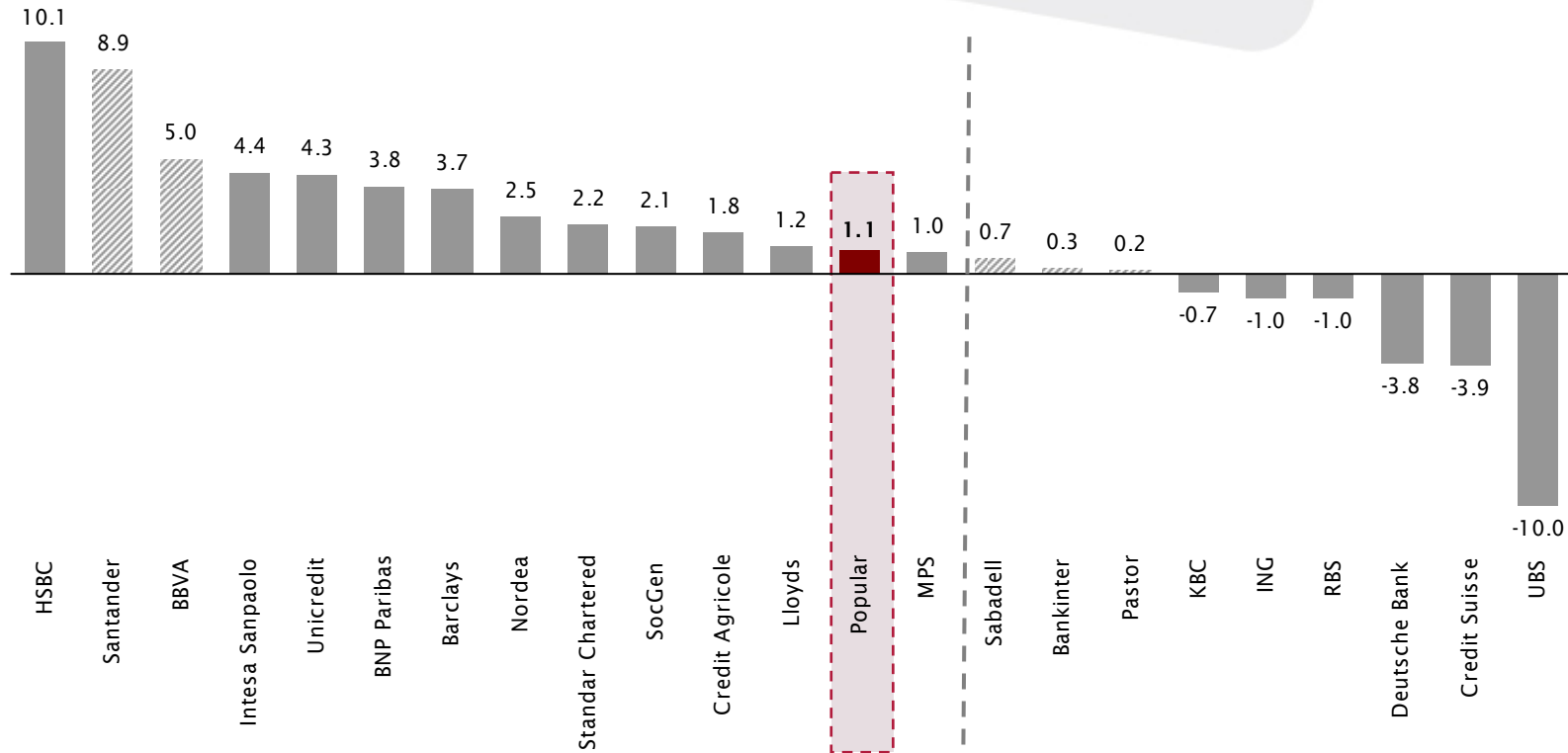
2 ... mainly applied in the fourth quarter of 2008

*Evolution of Group
Attributable Profit (M €)*



2 Despite conservative policies, Banco Popular ranks 13th in Europe and 9th in the Eurozone area by Net Income 2008E

(Billion euros)



Europe's 14th largest banks with 2008E net income in excess of 1,0 bn €

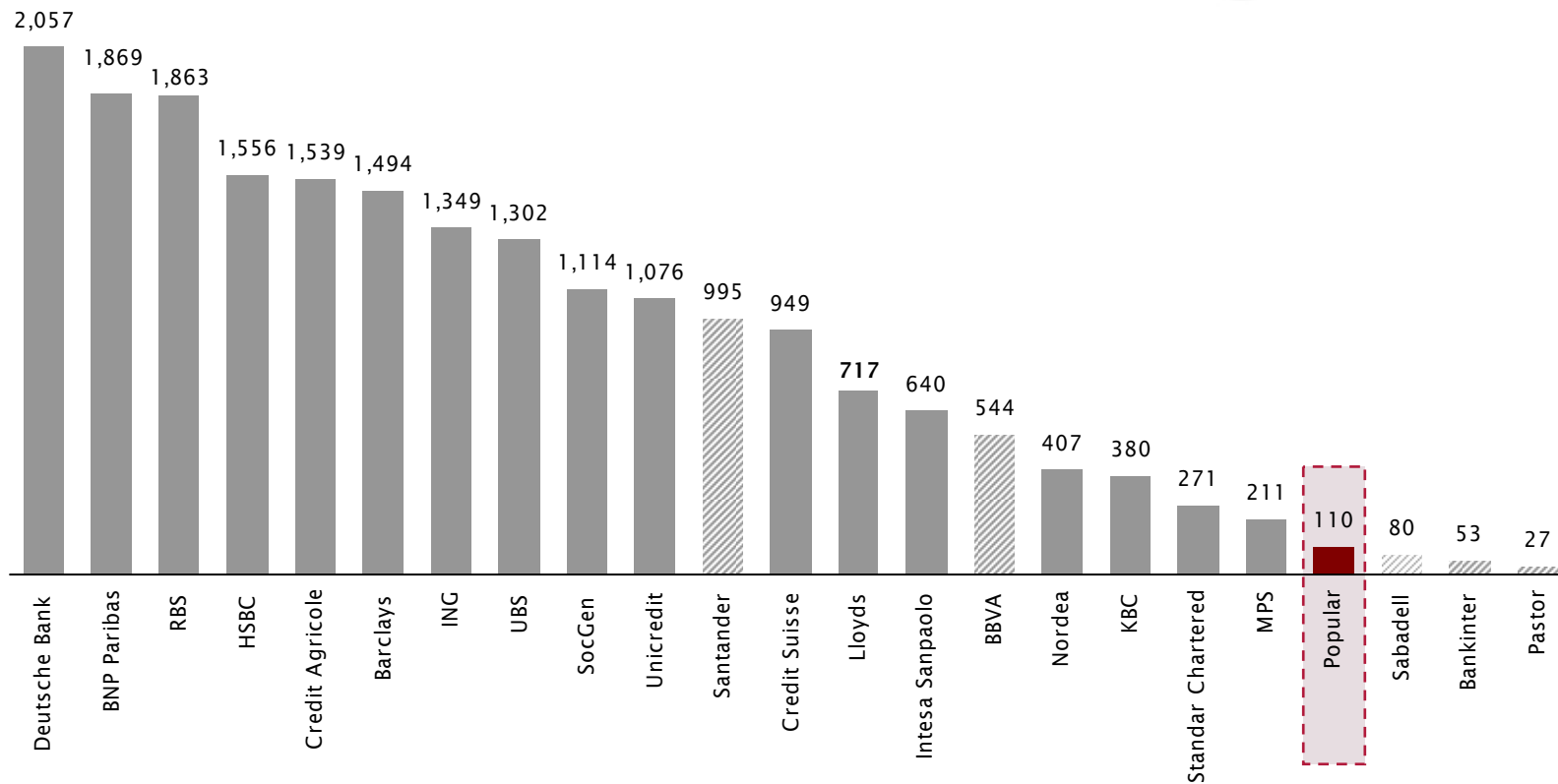
*Includes top 20 European banks by market capitalization + Spanish banks.
Source: Analysts consensus estimates except for SAN, BBVA, SAB, BKT, POP and ING which are actual data.
FactSet as of January 29, 2009.*

2

...well above its relative position by size

20th largest European bank by total assets 2008E

(Billion euros)



Includes top 20 European Banks by market capitalization + Spanish banks.
Source: Analysts consensus estimates except for BBVA, SAB, BKT y POP which are actual data.
FactSet as of January 30, 2009.

2

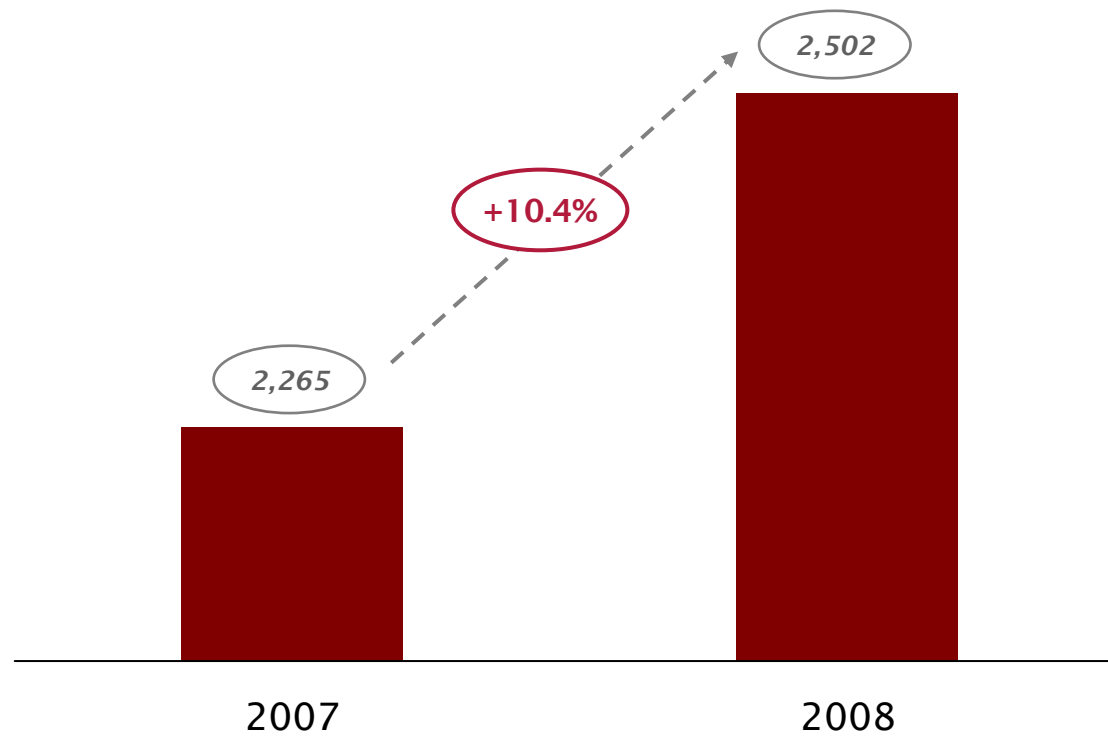
Growth in all margins shows business recurrency

In million euros

	Dec-07	Dec-08	Var (%)
Net Interest Income excl. dividends	2,265.4	2,501.6	10.4%
Net Interest Income	2,320.9	2,520.6	8.6%
Income from equity acc. investments	3.9	14.4	>
Net fees & commissions	876.3	858.6	-2.0%
Income from insurance activities	53.4	49.6	-7.1%
Income from trading and exchange gains (net)	124.6	144.2	15.8%
Gross Income	3,379.0	3,587.3	6.2%
Operating expenses	1,095.4	1,196.5	9.2%
Personnel expenses	747.3	818.1	9.5%
Other operating expenses	348.1	378.4	8.7%
Net Operating Income	2,232.8	2,325.9	4.2%
Impairment charges (net)	321.6	1,086.4	237.8%
Other income (net)	40.6	250.3	516.7%
Profit Before Taxes	1,939.9	1,461.0	-24.7%
Taxes	605,7	390.3	-35.6%
Profit from continued operations	1,334.2	1,070.7	-19.8%
Results from discontinued operations (net)	7.3	40.0	>
Consolidated Profit for the period	1,341.5	1,110.7	-17.2%
Minority interest	76.5	58.6	-23.4%
Net Attributable Profit	1,265.0	1,052.1	-16.8%
Adjusted Net Attributable Profit	1,265.0	1,345.9	6.4%

2 Reflected in the growth of net interest revenue

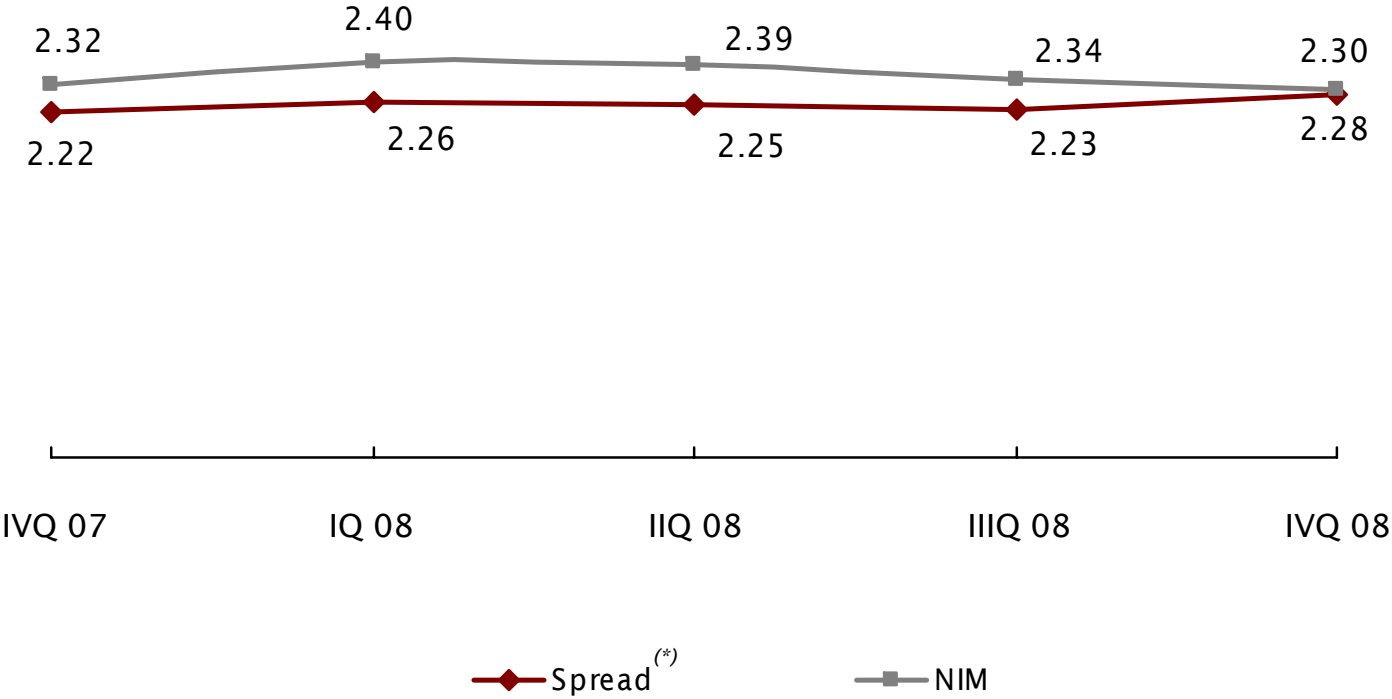
Evolution of Net Interest Revenue exc. dividends (M €)



2

Financial margins remain stable despite higher wholesale and retail funding costs ...

Evolution of Financial Margins (%)

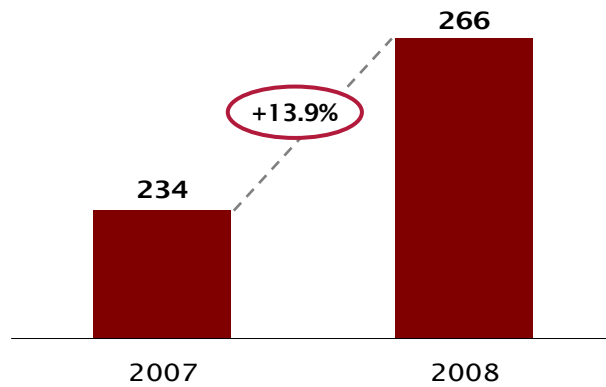


^(*) Interest earning assets - Interest bearing liabilities

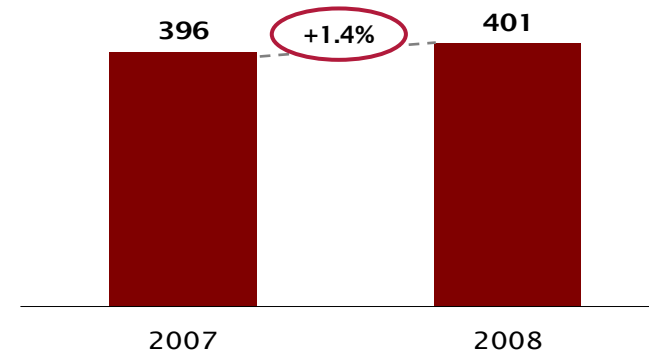
2 Strength of fee & commission income based on risk transactions and management services

Evolution of Net Fees & Commission Income

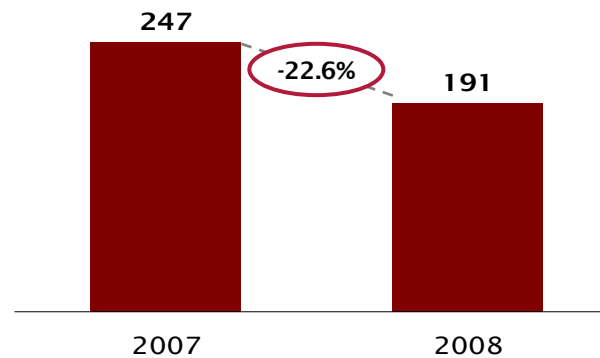
Commissions from risk transactions (M €)



Commissions from management services (M €)



Asset management fees (M €)



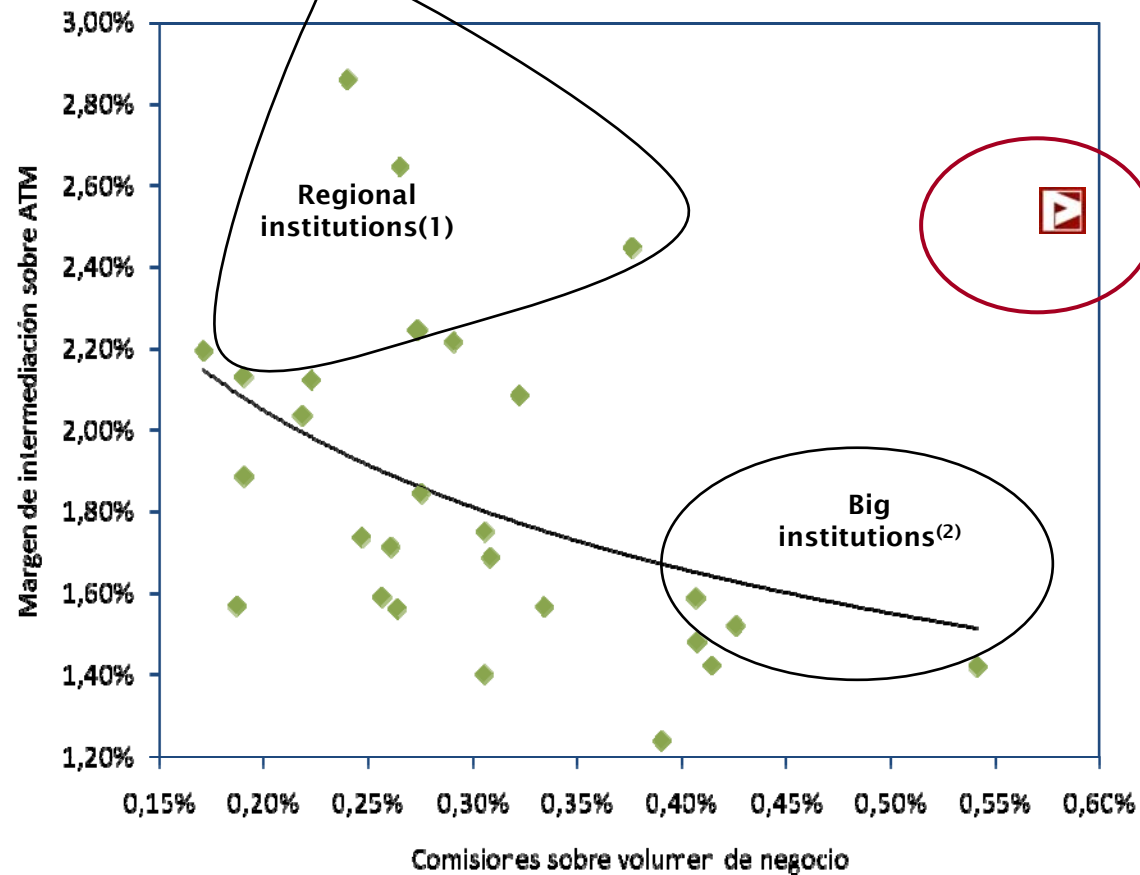
2

Spanish financial institutions have focused on growth rather than management of margins and prices

Popular shows the best ratio of Net Interest Margin / Comissions amongst Spanish banks and savings banks

Benchmark of net interest revenue / average tangible assets and fees & comissions / business volume

(Data as of December 2007)



⁽¹⁾ Entities operating in regional markets

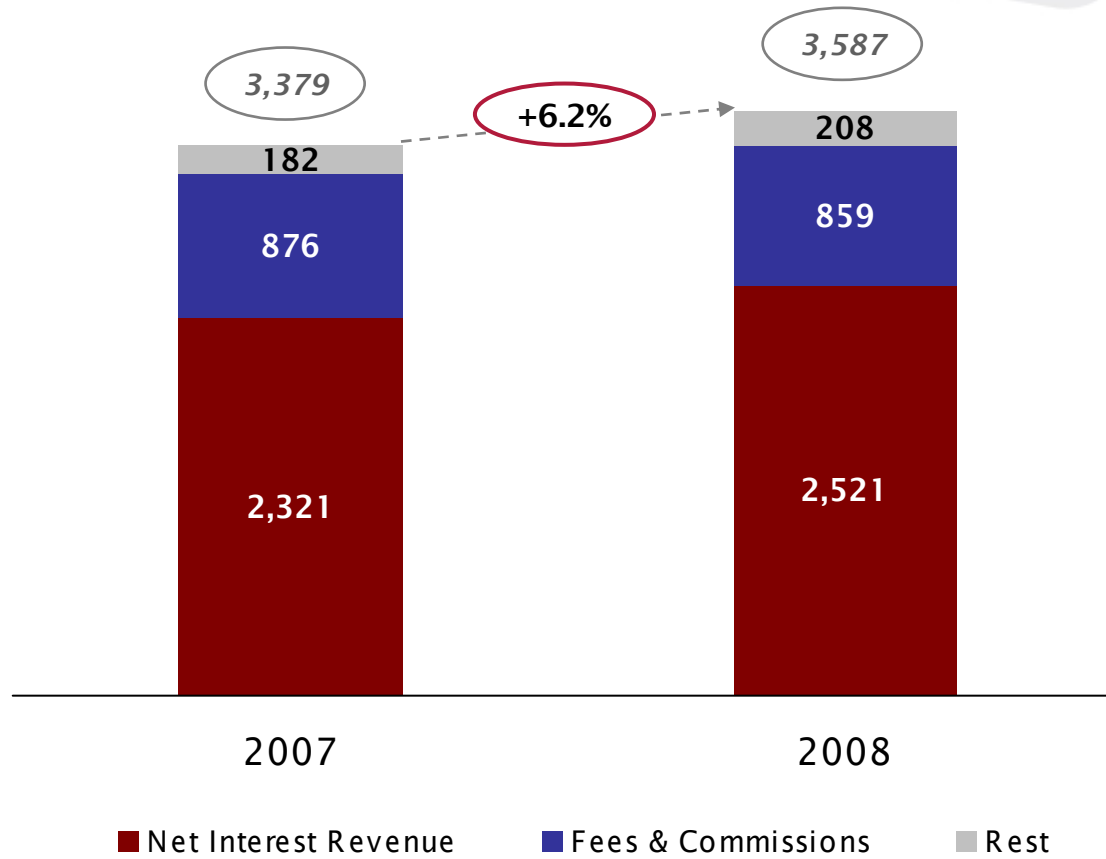
⁽²⁾ Big banks and savings banks

Source: Market study Deloitte

2

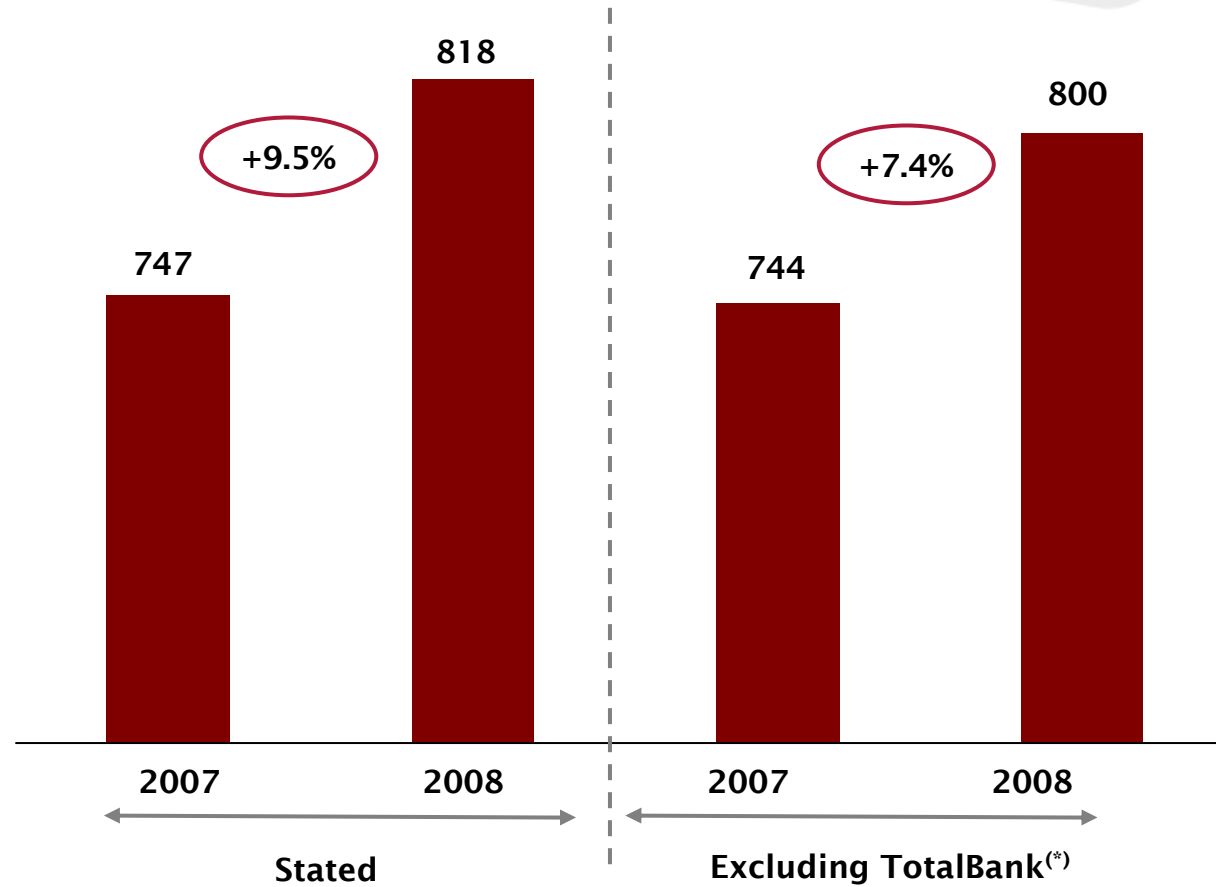
Total revenues are recurrent and show growth potential

Evolution of Gross Income (M €)



2 Personnel expenses conditioned by the integration of TotalBank

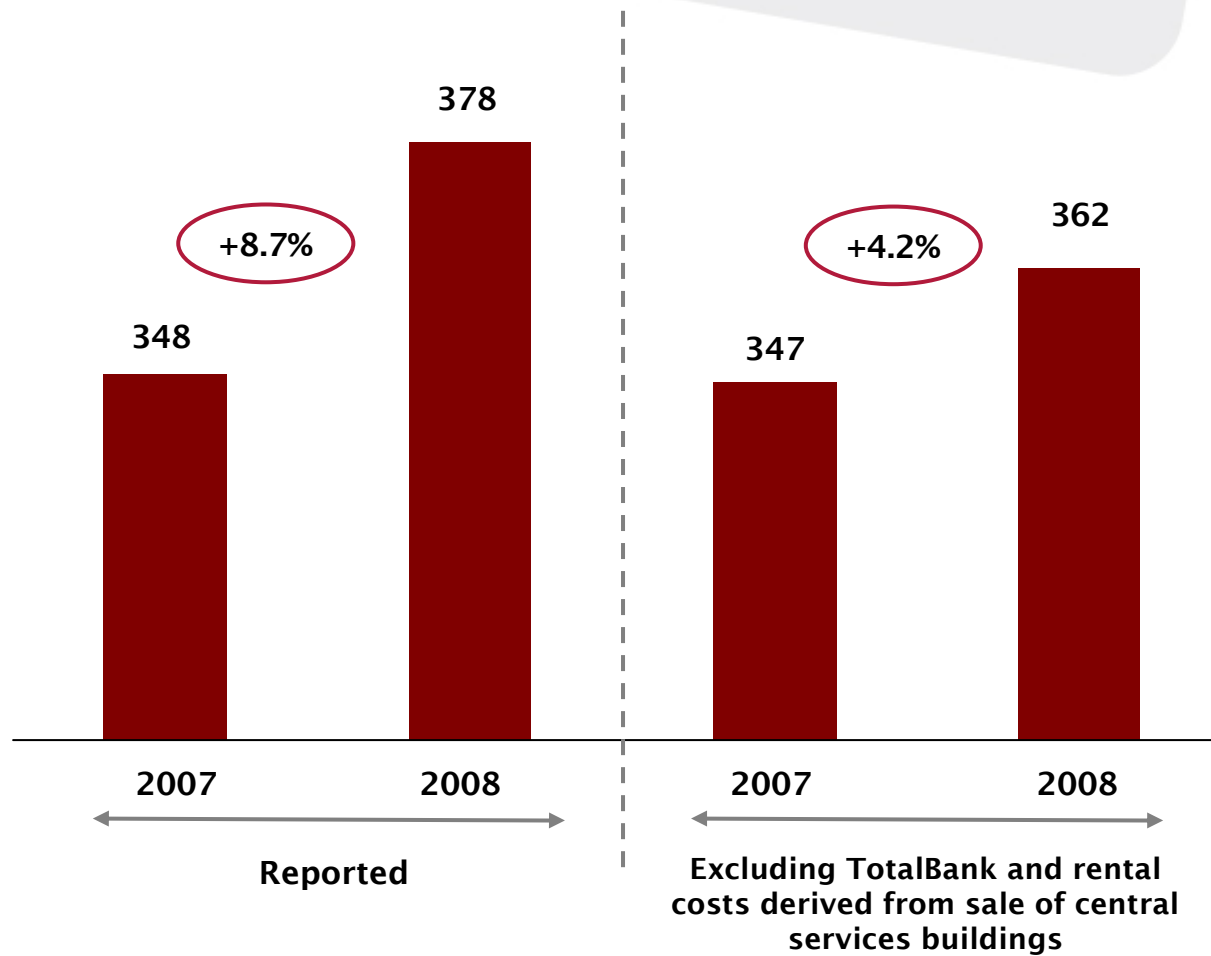
Ordinary YoY growth driven by 3.4% growth of total employees and 4.0% growth of salaries (M €)



(*) Totalbank contribution since November 2007

2 Gen & Admin expenses influenced by non-recurrent elements

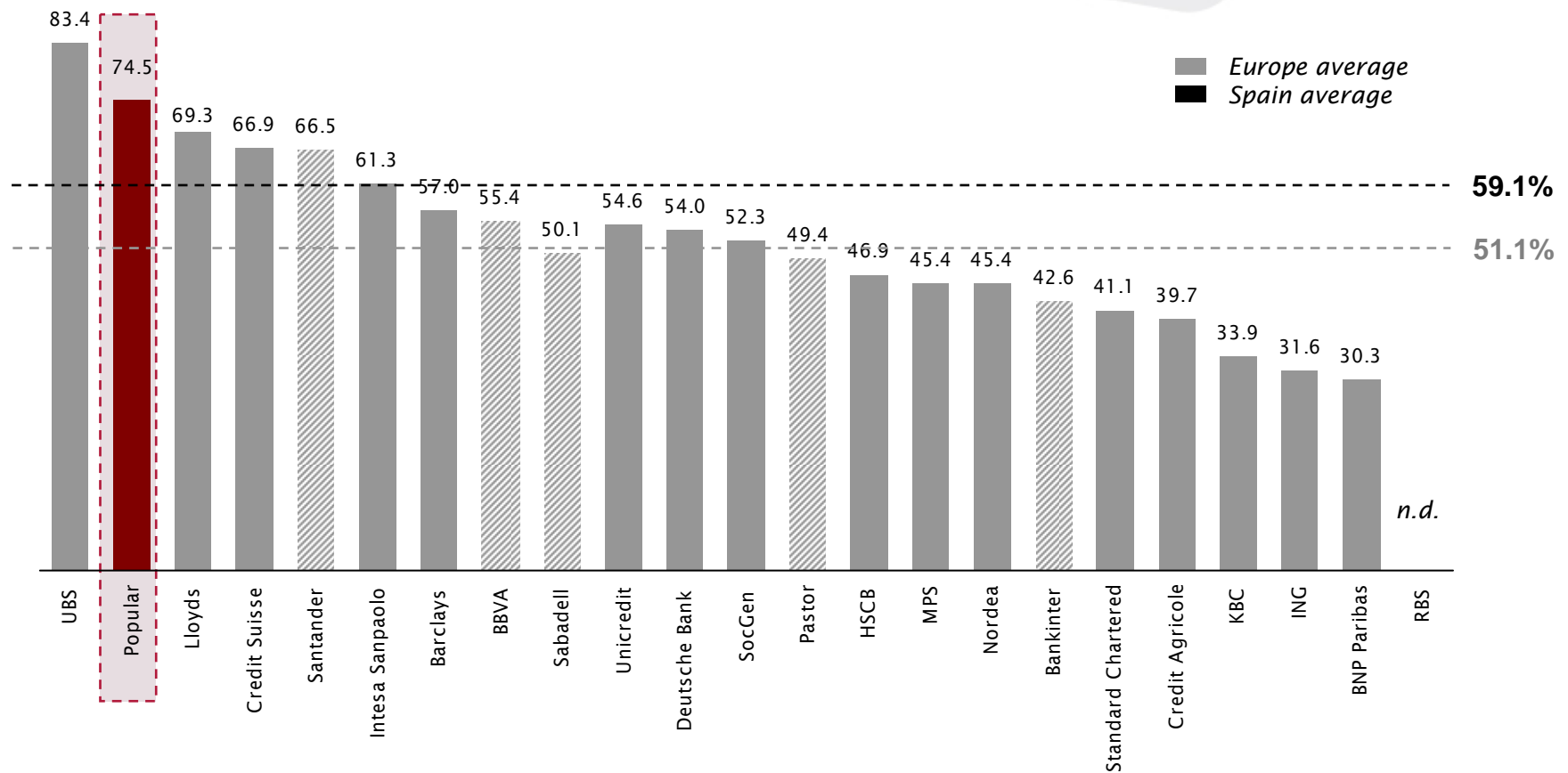
Popular maintains its successful cost control policy (M €)



2

High coverage of operating expenses with fees & commissions, amongst the best in Europe

2008E Fees & Commissions / 2008E Operating Expenses (%)

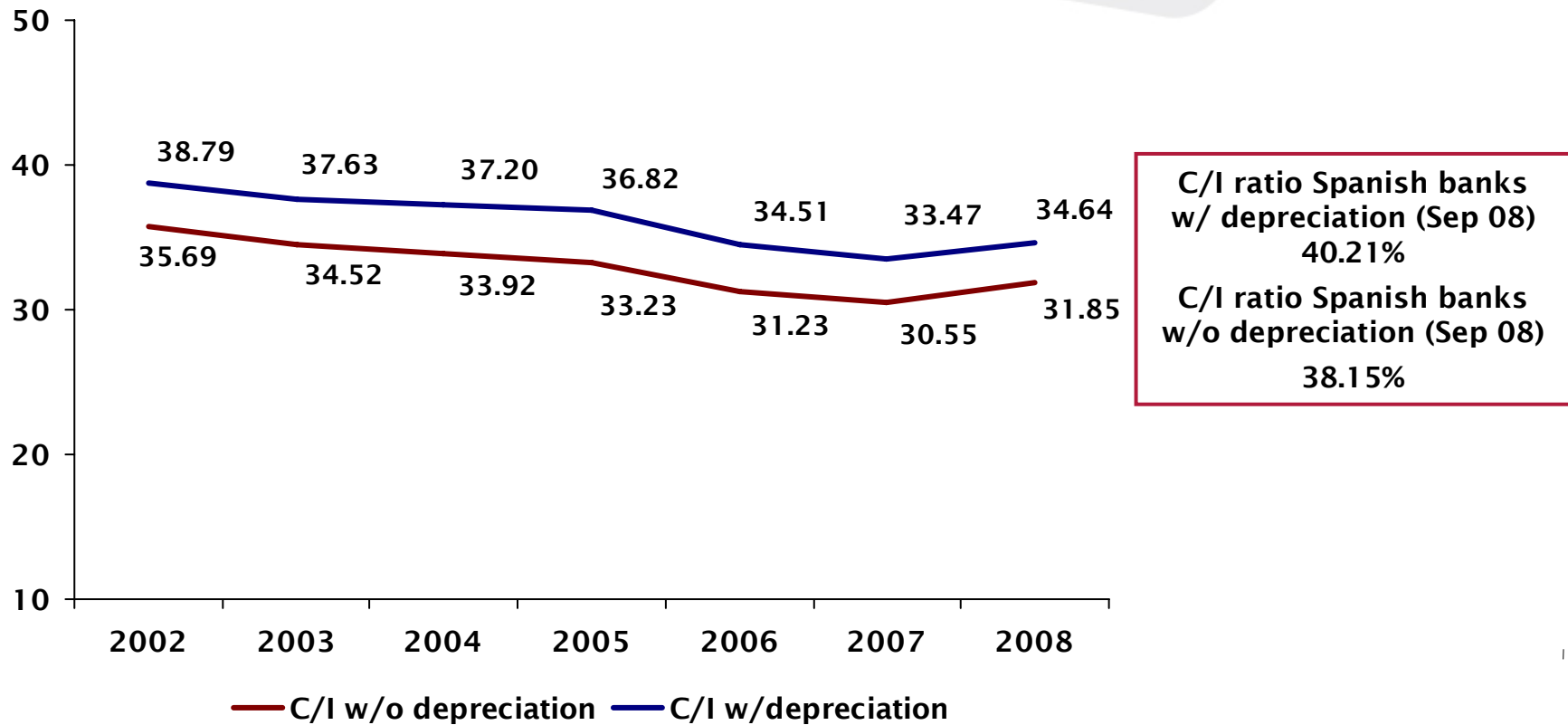


Includes top 20 European banks by market capitalization + Spanish banks.
 Source: Analysts consensus estimates except for BBVA, SAB, BKT and POP which are actual data.
 FactSet as of January 29, 2009

2

Banco Popular's efficiency remains unbeaten in Spain...

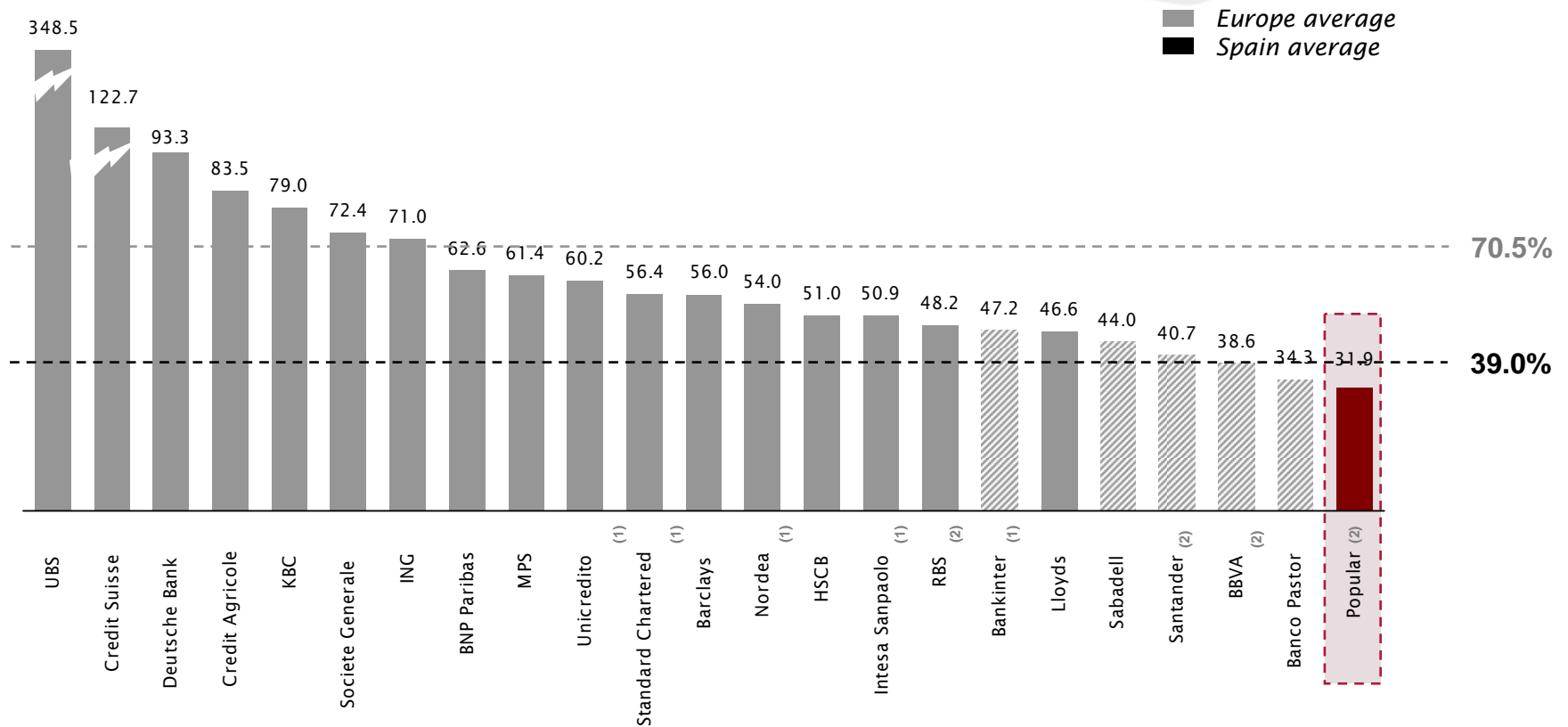
Cost/Income Trending



2

... but also in Europe

Reported efficiency ratios (%)



Includes top 20 European banks by market capitalization + Spanish banks

(1) As of 2Q08

(2) As of 4Q08

Rest: As of 3Q08

Source: Quarterly results

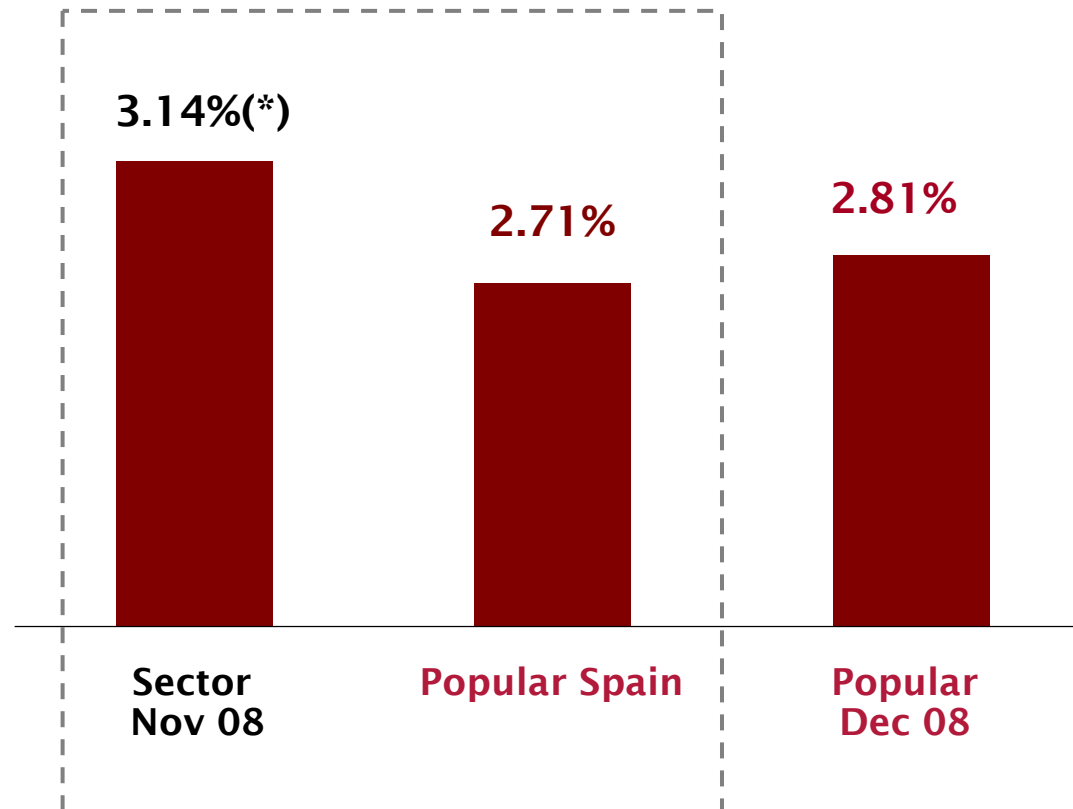
2**2008 impairment losses**

Million euros	31/12/2008
From lending activity	905
Ordinary provisions	716
Extraordinary provisions	189
Rest	181
From investment portfolio	93
From real estate	85
From other investments	3
Total impairment losses	1,086

2

Banco Popular has a lower NPL ratio than the Spanish sector average...

Non performing loans ratio (%)

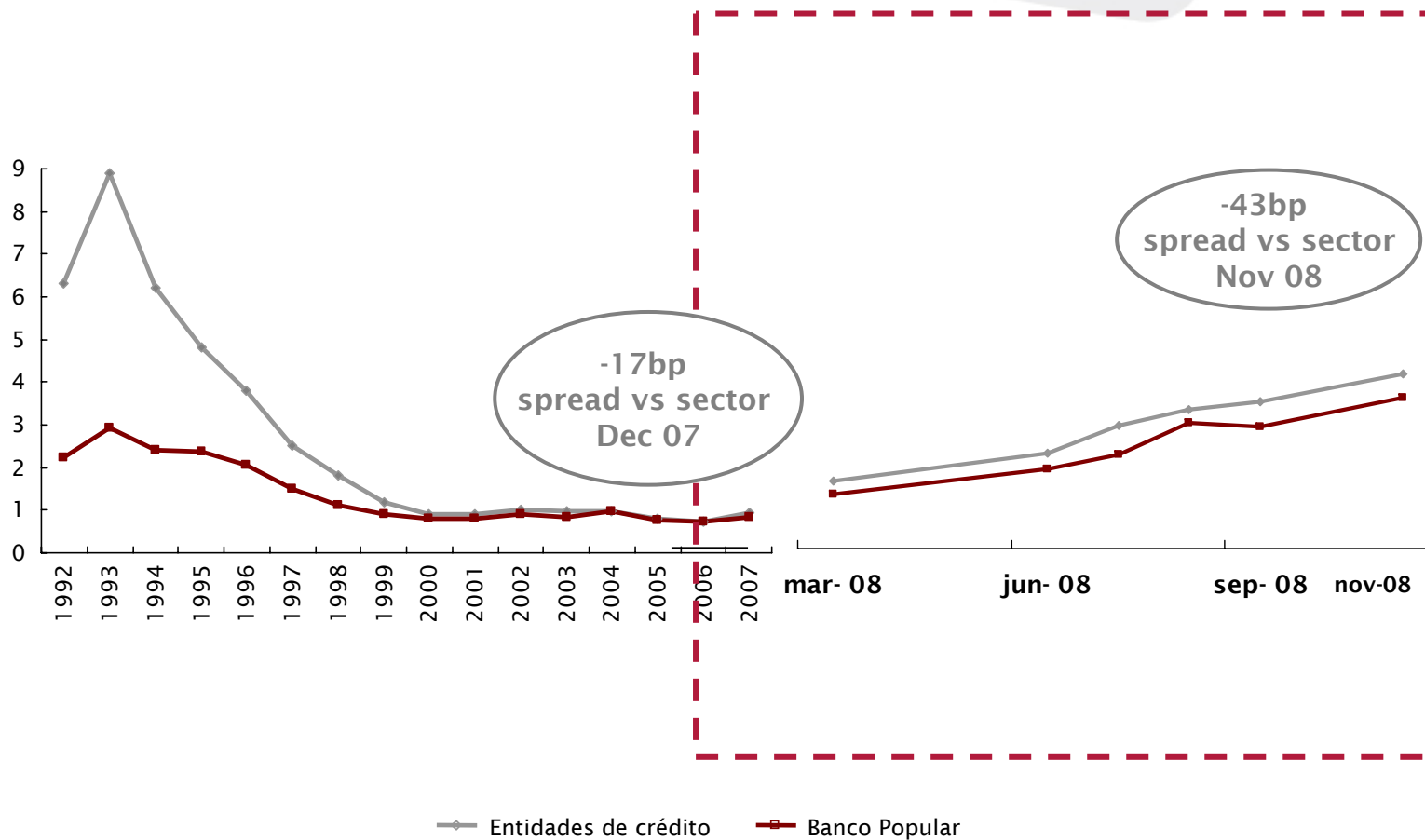


(*) Average of banks and savings banks. Otther resident sectors
Source: Banco de España

2

...and the spread for Popular increases in the context of a worsening macroeconomic environment ...

Evolution of non performing loans (%)



2

Popular has a solid global coverage ratio of 159.4%

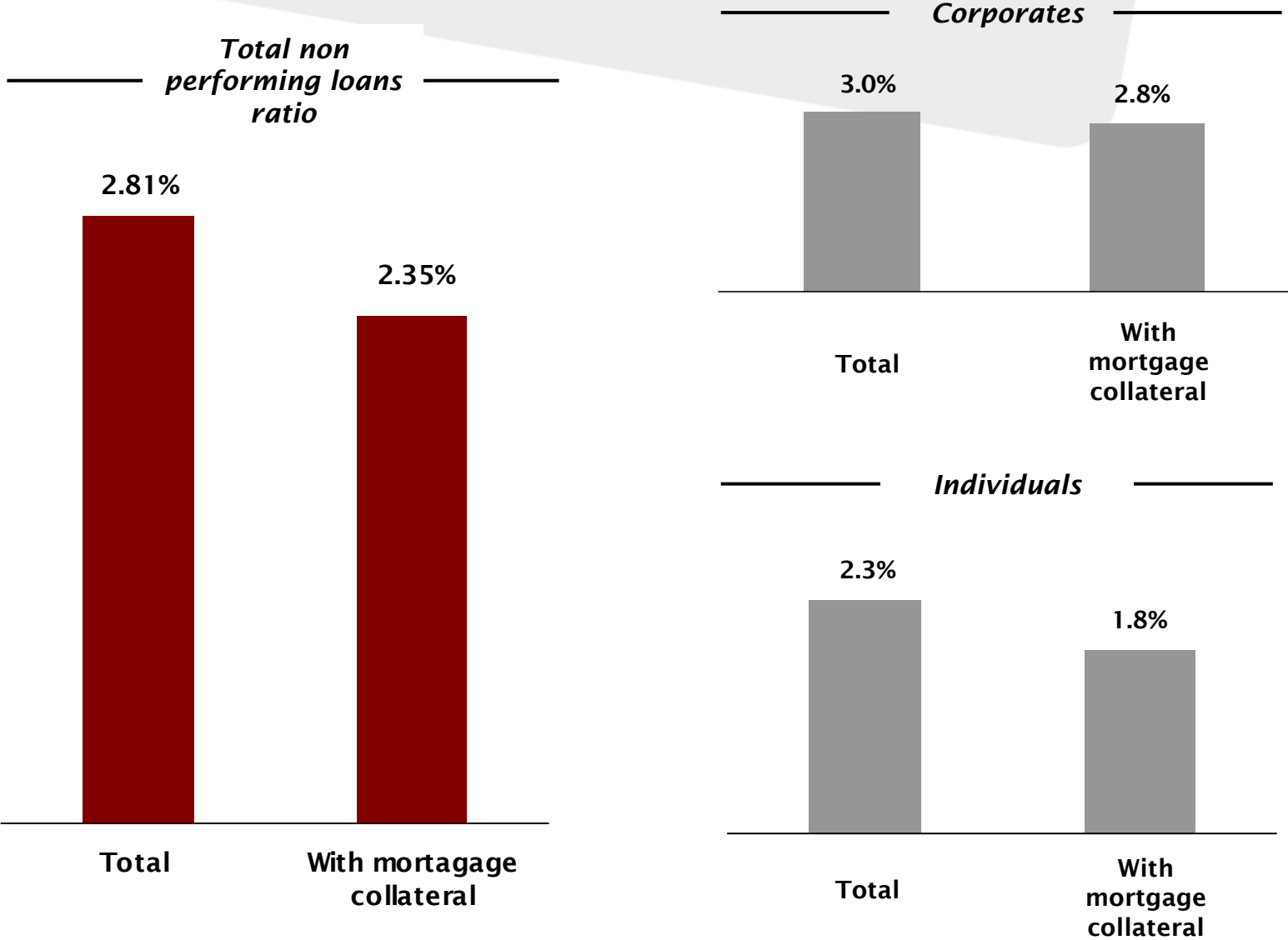
In million euro	Non-performing Loans	Value of collateral (1)	Specific provisions	Generic provisions
With mortgage collateral	1,221	2,114	168	-
Without mortgage collateral	1,822	518	754	-
Total	3,043	2,632	922	1,296
Specific Coverage Ratio		86.5%	30.3%	42.6%
Global Coverage Ratio				159.4%
Stressed Global Coverage Ratio⁽²⁾				133.4%

(1) Latest available appraisal value in case of mortgage collateral and effective value in rest of the cases

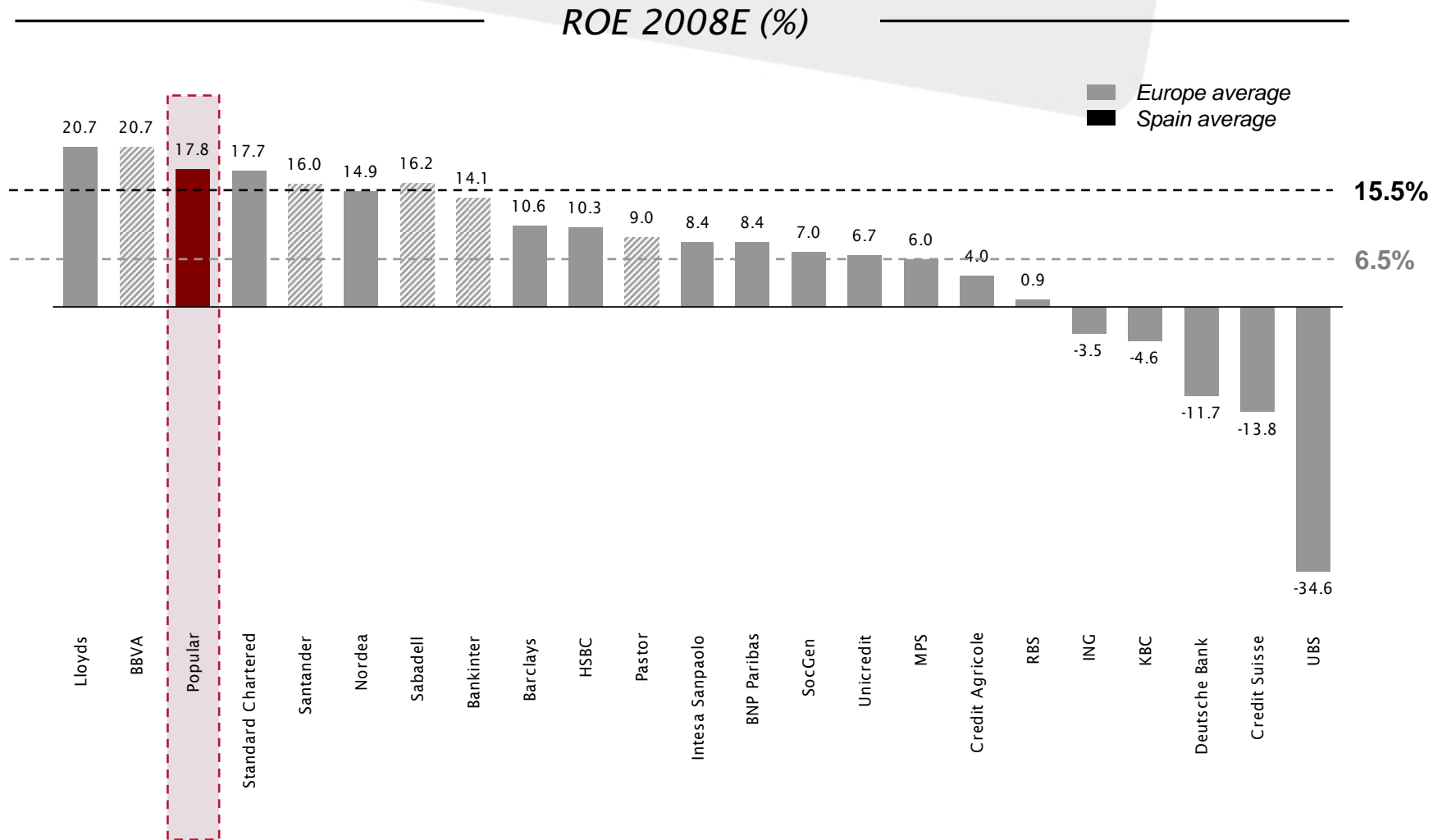
(2) Appraisal value of collateral reduced by 30%

2

Moderate non performing loans ratio in mortgages, in particular from individuals



2 Profitability of Banco Popular is amongst the highest in Europe



*Includes top 20 European banks by market capitalization + Spanish banks.
 Source: Analysts consensus estimates except for BBVA, SAB, BKT, POP e ING which are actual data
 FactSet as of January 29, 2009*

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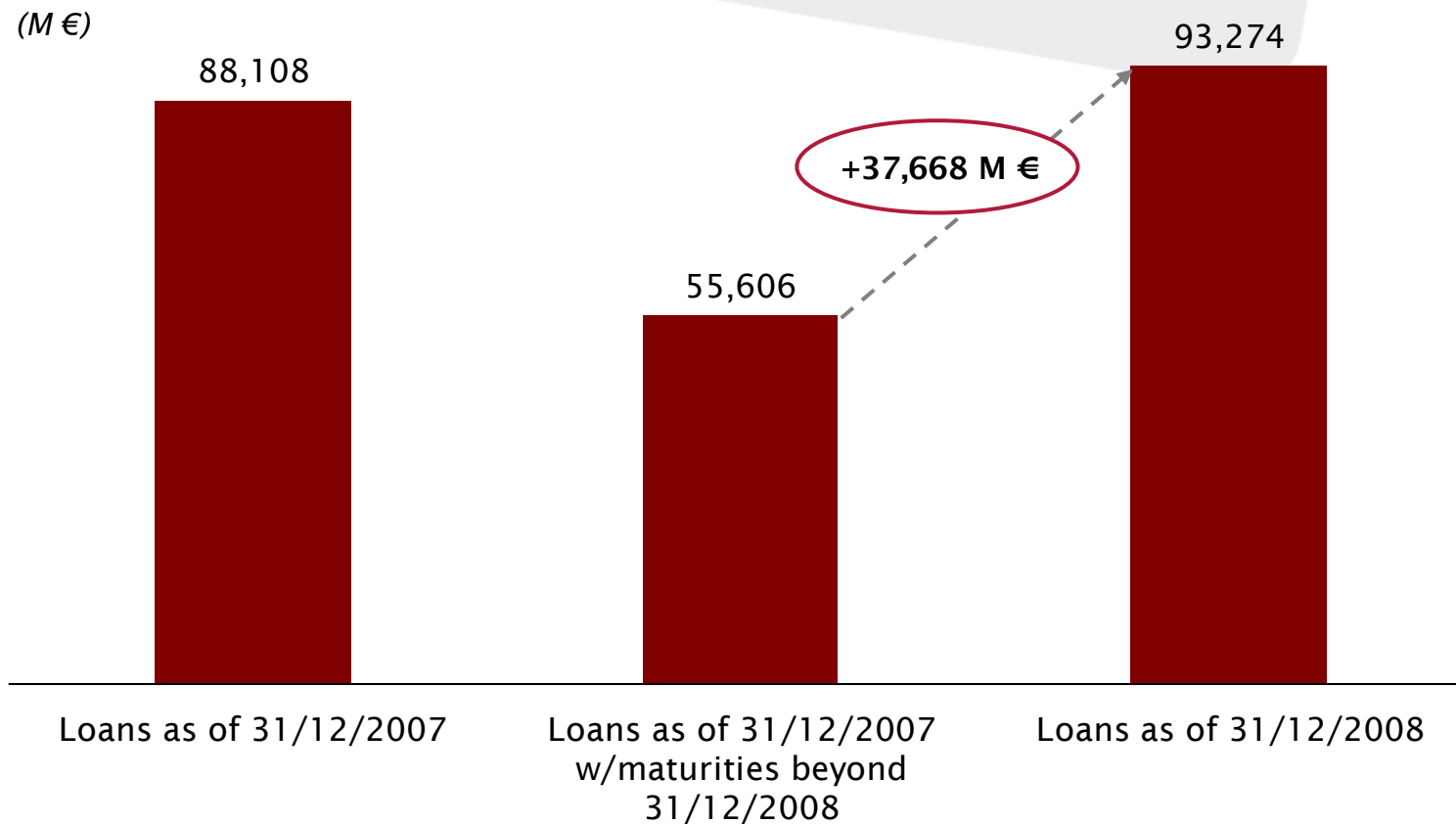
3

Customer loans grow by 6.1% ...

In euro million	31/12/2007	31/12/2008	Chng.	Underlying. Chng.
Commercial loans	7,752	6,527	-15.8%	-11.0% ^(*)
Loans with collateral	47,444	49,664	4.7%	
Other term loans	26,663	27,470	3.0%	
Leasing	3,807	3,675	-3.5%	
Other loans	2,442	5,938	>	
Total	88,108	93,274	5.9%	6.1%

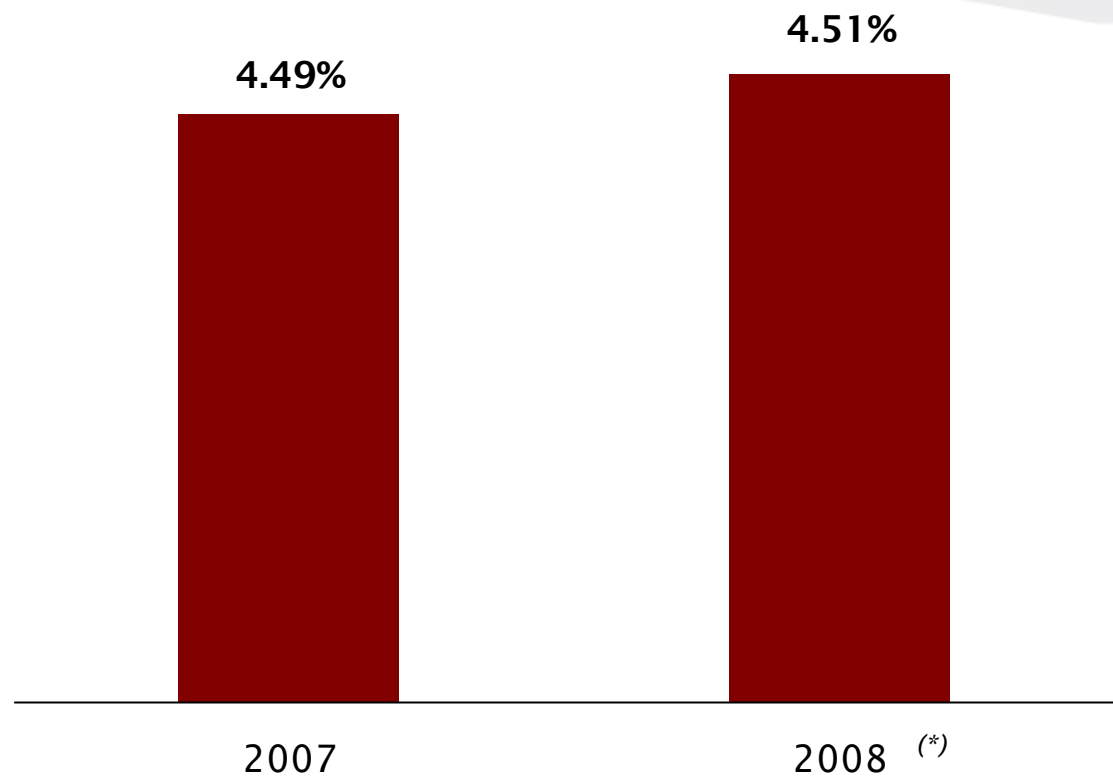
() Since 31/12/2007 was a holiday no maturities occurred in the commercial portfolio
For presentation purposes non performing loans have been included in its respective items*

3 ... with new loans of 37.668 million euro



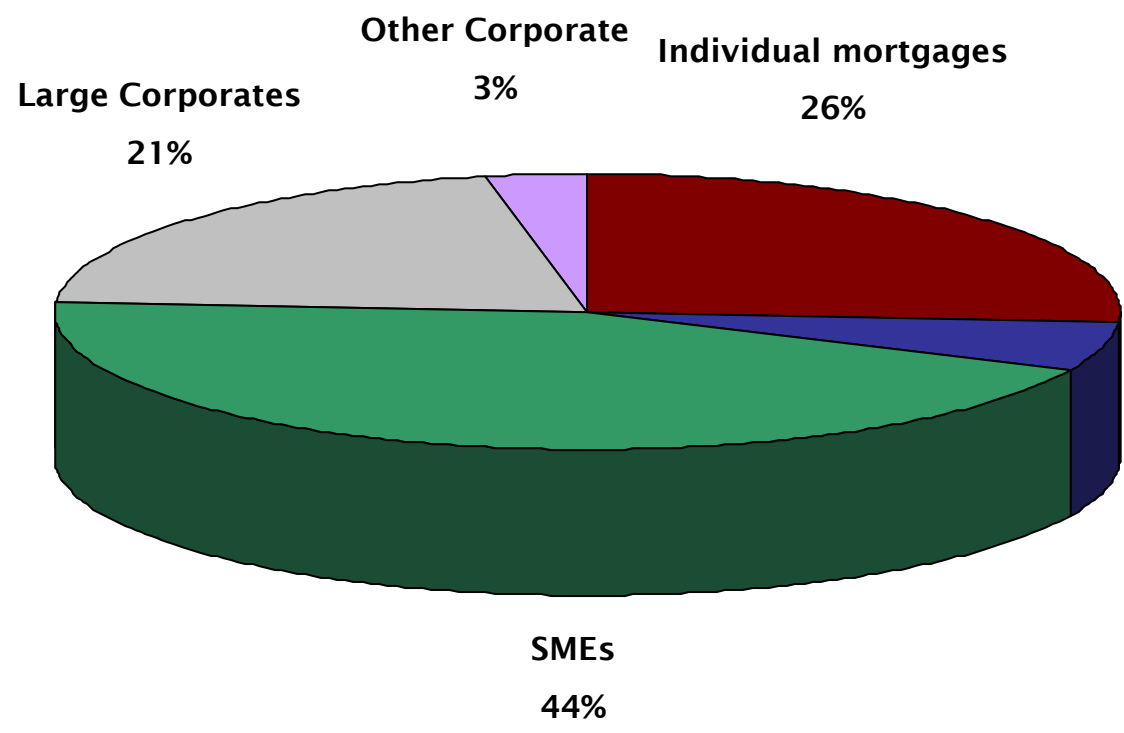
New loans in 2007: 41,004 million euro

3 Improvement of 2bp in customer loans market share



(*) Source: Banco de España T7. Data as of September 2008

3 Lending portfolio split by segments



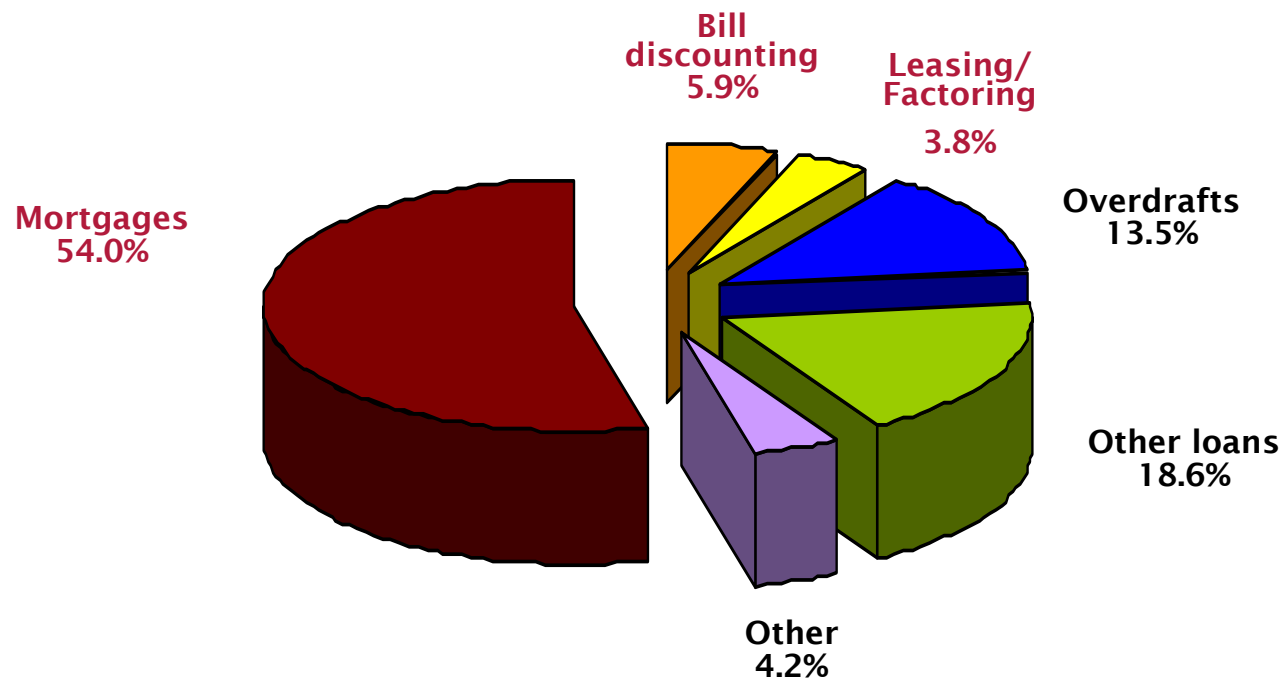
Dec 08 - Dec 07	
Individuals	1.83%
Corporates	7.90%

Other Individual
6%

3

Popular's lending portfolio is well collateralized

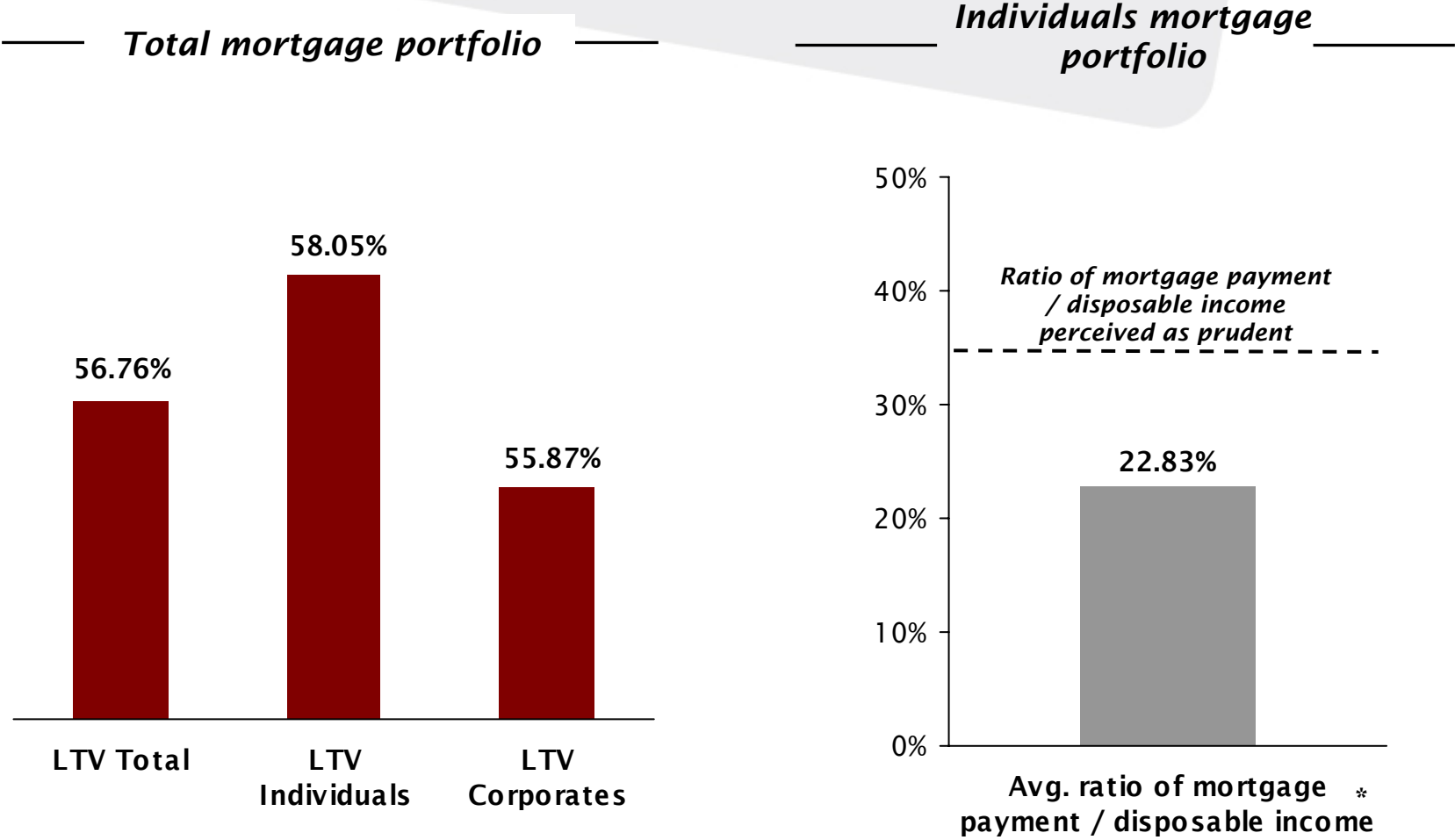
Total Risks



Total with collateral (mortgages, bill discounting and leasing): 63.7%

3

In addition, Popular's mortgage collaterals are of high quality

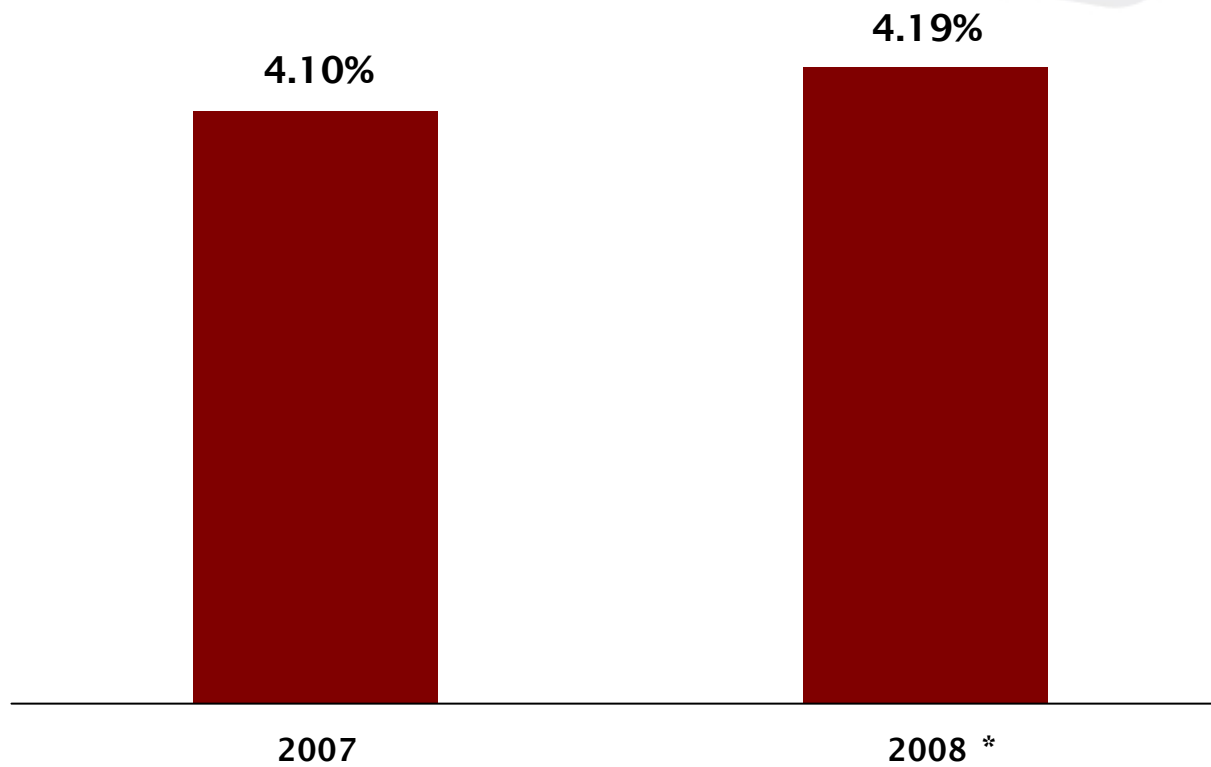


(*) Affordability (%)

3 Clients deposits grow by a remarkable 21.1% ...

<i>(In million euro)</i>	<i>Amount Dec 08</i>	<i>YoY (in %)</i>	<i>% of Total</i>
Time and demand deposits	44,552.5	13.5	77.6
Repos	6,681.6	>	11.6
Other accounts and valuation adjustments	423.5	>	0.7
Total deposits	51,657.7	21.1	90.0
Commercial paper for customers	5,737.1	-46.9	10.0
TOTAL	57,395	7.3	100.0

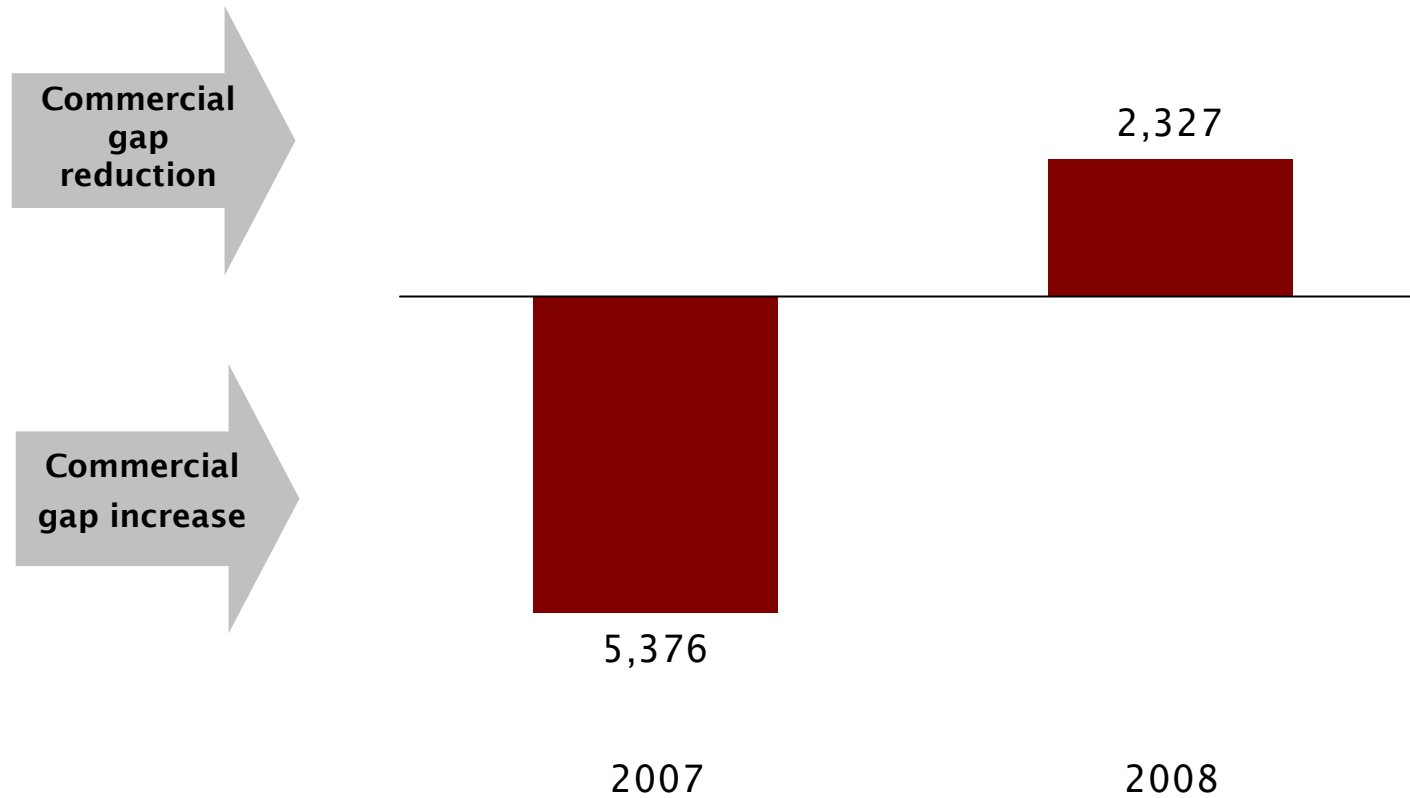
3 ...improving Popular's deposit market share by 9 bp



(*) Source: Banco de España T7. Data as of September 2008

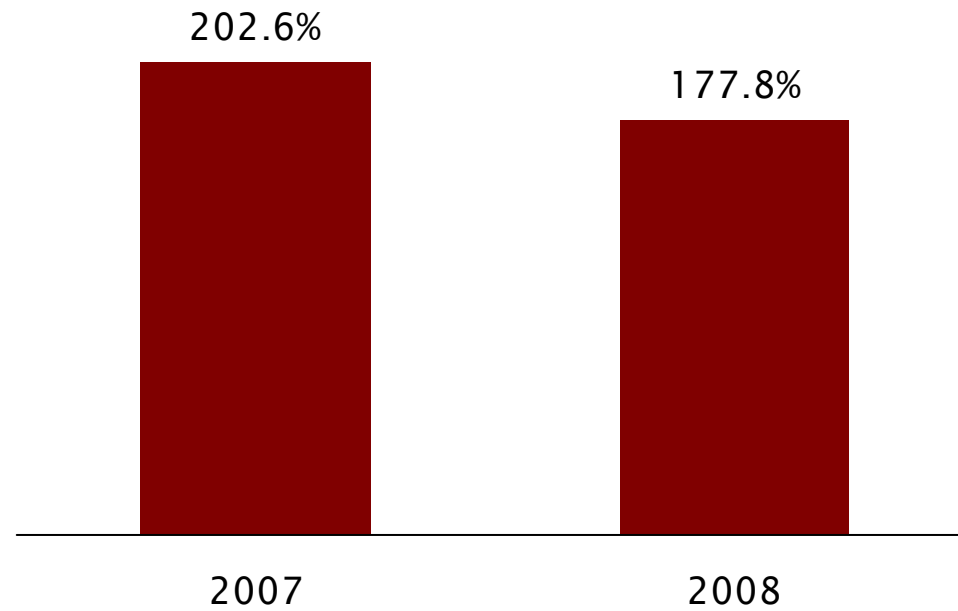
3 Growth in deposits has enabled a significant reduction in clients commercial gap...

Evolution of Client Commercial Gap (M €)



3

...as well as an important improvement in the loans/deposits ratio



Ratio including 2008 domestic CP

160.1%

3 Focus on personal banking clients

More clients. More business

272,000 families **+36%**

25,800 M € of managed assets

Exclusive products

- Offer of specialised products
- Differentiated sales actions for target clients

High quality service

Preferential service

- Personal manager: specialised training
- Exclusive hotline

High quality information

- Integrated bank statement

Strong growth in customer deposits of target segments: **+1,171 million euros of net growth**

9 products per client

3 Tailor-made products and services for corporates

More than **32,000** new corporate clients in 2008

600,000

Corporate clients
[100,000 retail]

3,000M€

Growth from 2007 in financing for corporates

International Business

- ✓ More than **51,000** corporate clients
- ✓ **71,000** million € of business volume
- ✓ Strengthening presence in China, Chile and CEE

Leasing

Growth in number of transactions
More than 24,500 trans.

Continued commitment to finance corporates

CEOE agreement
3,000M€
CEA agreement
1,000M€

Derivatives

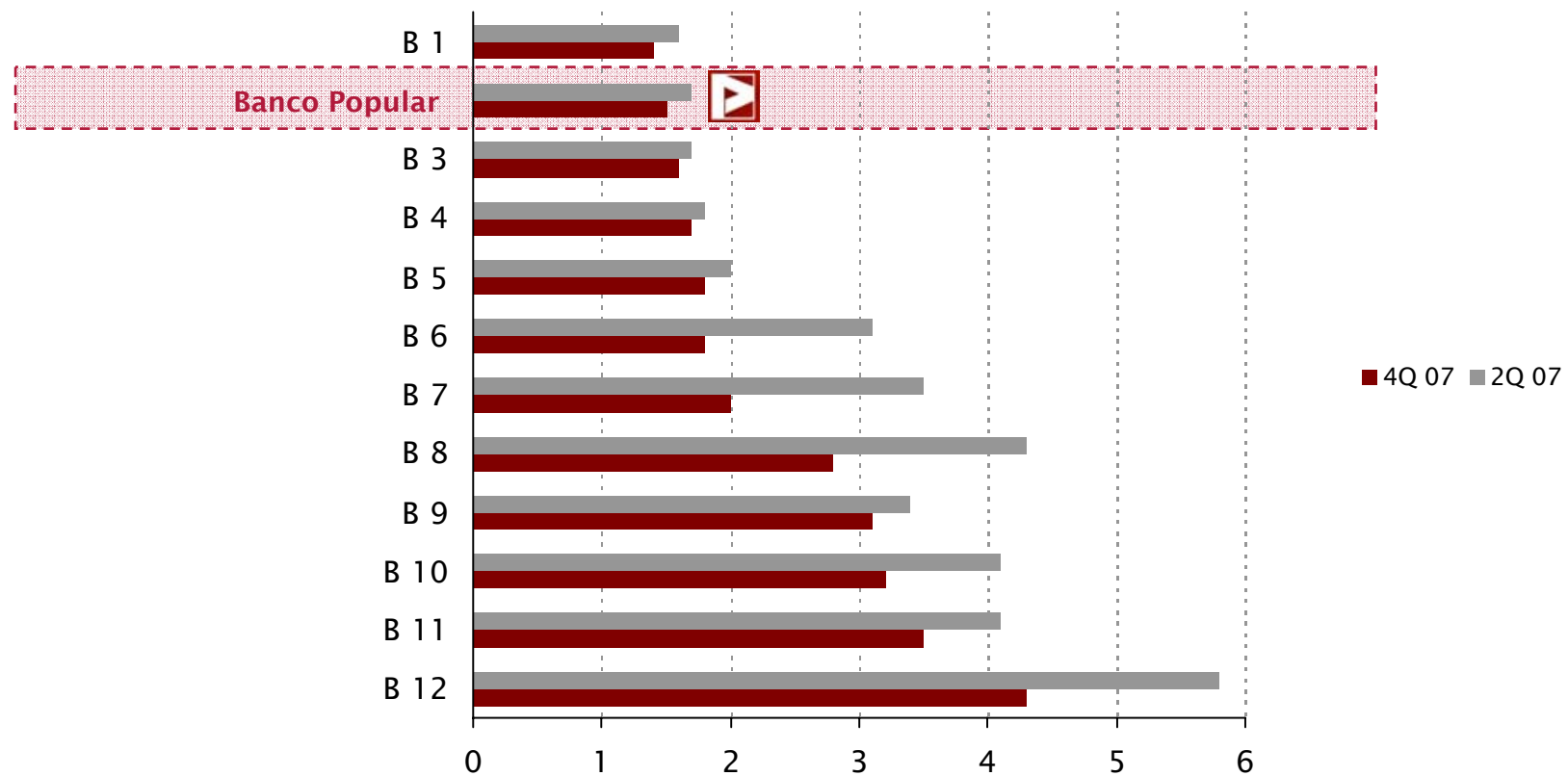
4,180 million euros in business volume

Continued growth in SME clients

+180,000 new contracts.

3 High quality service: broad market recognition

Claims ratio per active transaction for each 1,0 bn euro of lending



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6. The Banco Popular share
7. Confidence in the future

4

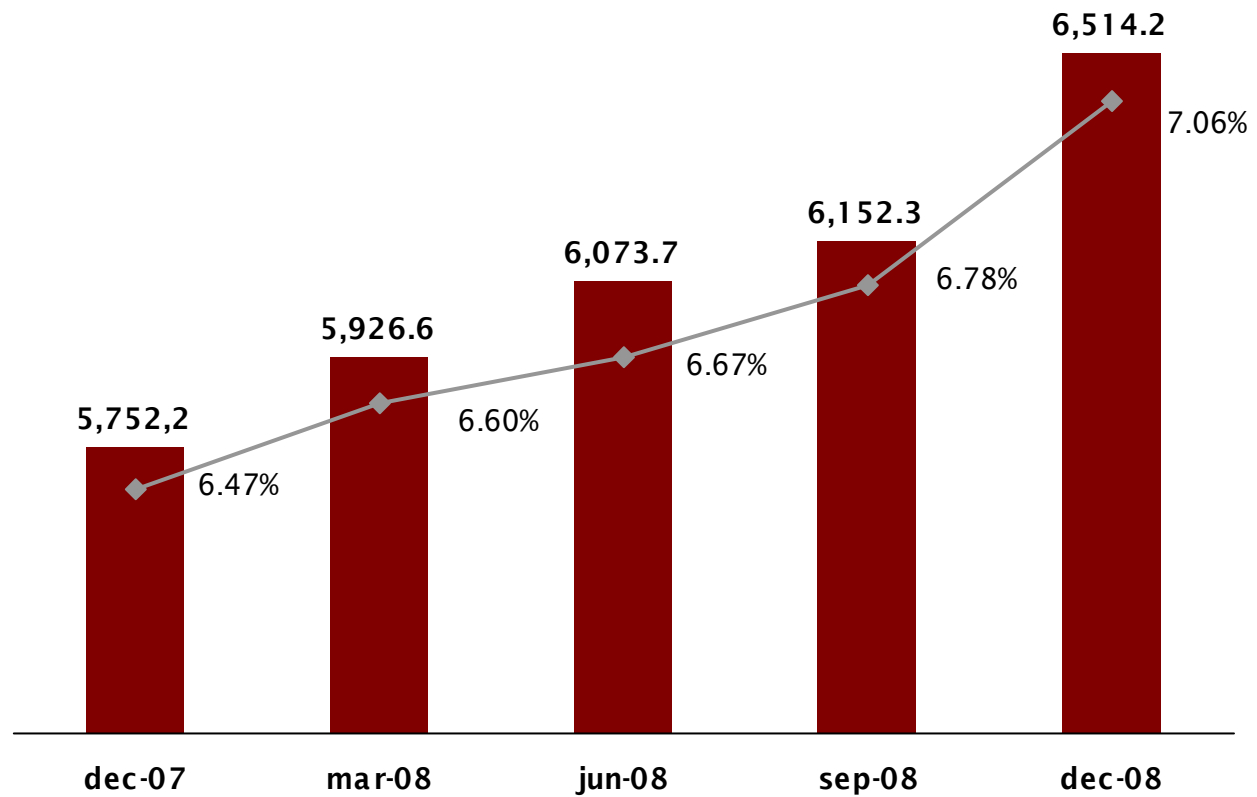
Banco Popular continues strengthening its capital ...

<i>(In euro million)</i>	<i>Dic 07</i>	<i>Dic 08</i>
Total core capital	5,752.2	6,514.2
	6.47%	7.06%
Total Tier I capital	7,040.2	7,410.6
	7.92%	8.04%
Total Tier 2 capital	1,552.1	906.5
	1.75%	0.98% ⁽¹⁾
Total BIS capital	8,592.3	8,317.1
	9.67%	9.02% ⁽¹⁾

(1) Amortisation of 200 million € subordinated debt

4 Recurrent profits support core capital growth...

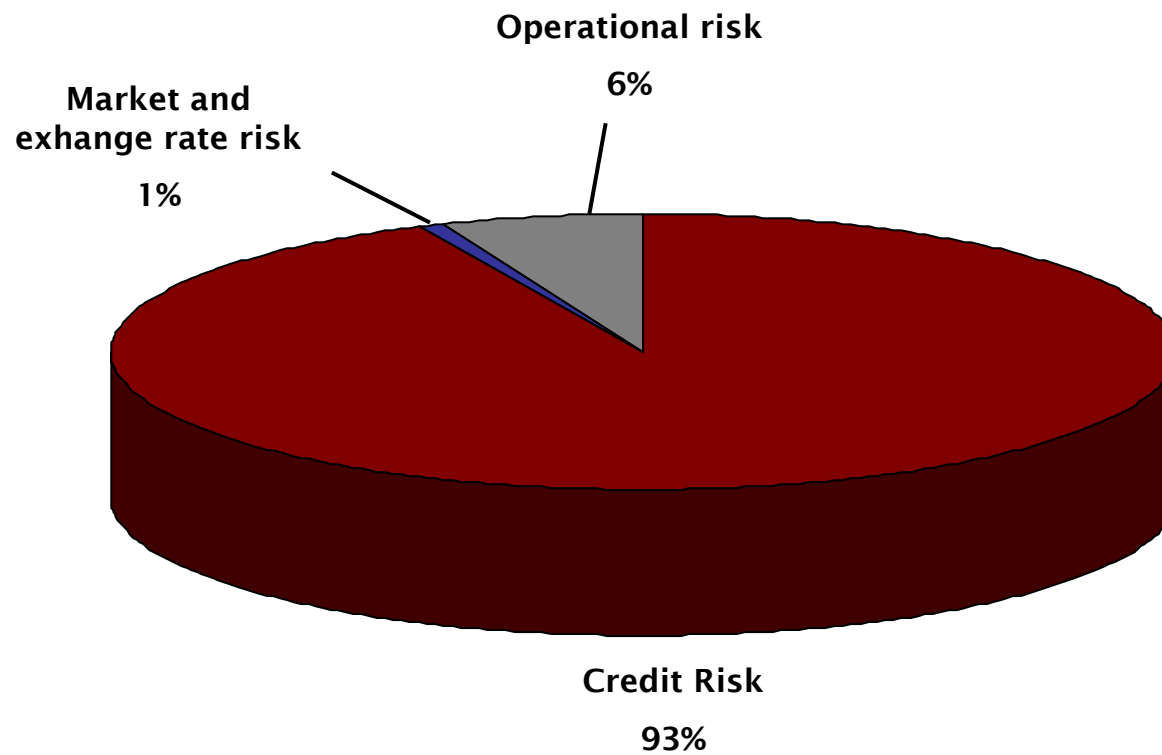
Core Capital Evolution
(Million euro)



4

...with limited exposure to market risk

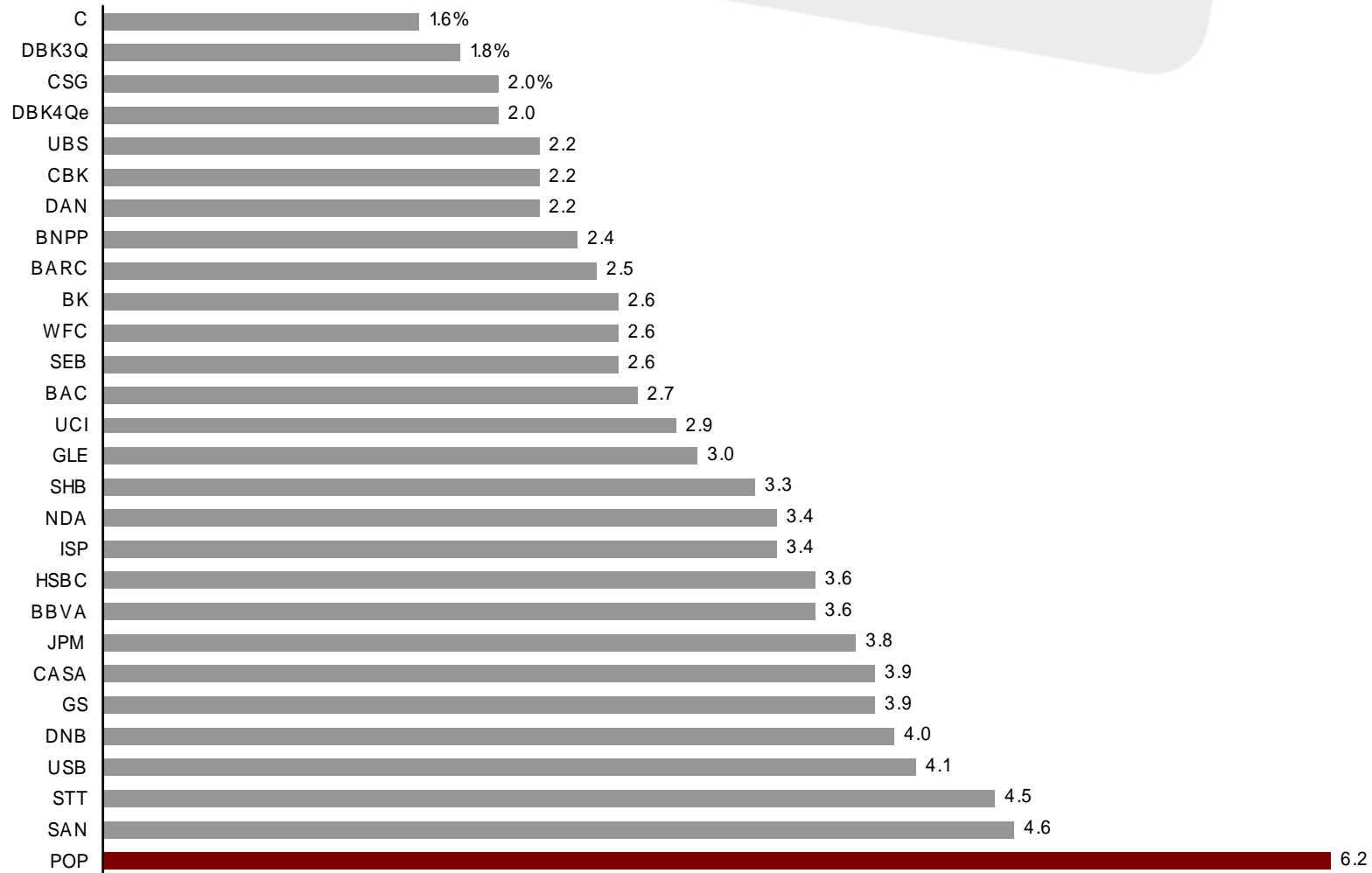
*Total assets weighted according
to BIS II*



4

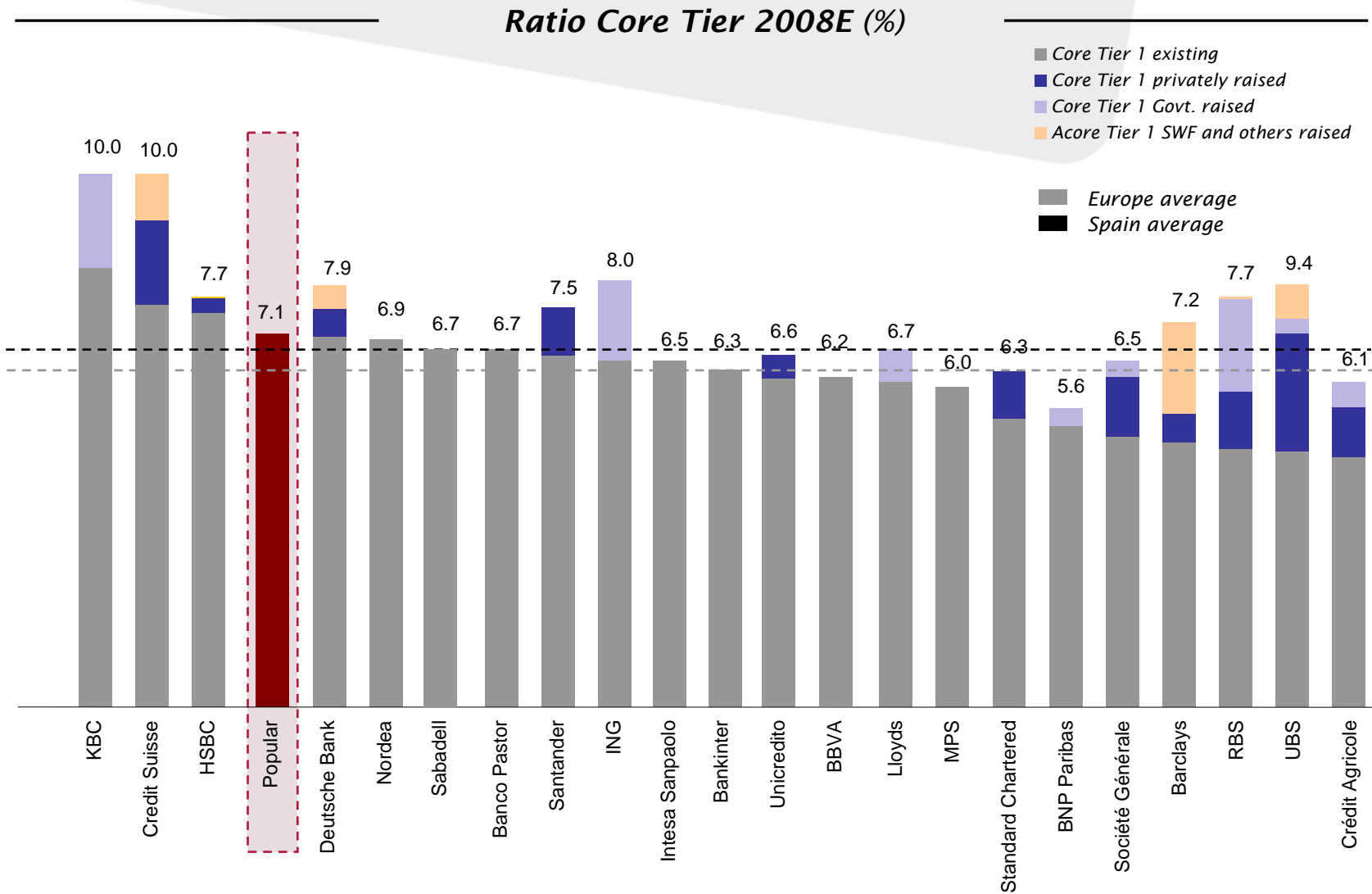
Banco Popular leads the European and American ranking of banks in terms of tangible equity / tangible total assets...

Tangible equity / Tangible total assets



4

...and is the 4th European bank in terms of solvency according to BIS criteria



Includes top 20 European banks by market capitalization + Spanish banks.
 Estimated data as of december 2008 except BBVA, SAB, BKT and POP which are actual data.
 Source: Citigroup and own research.

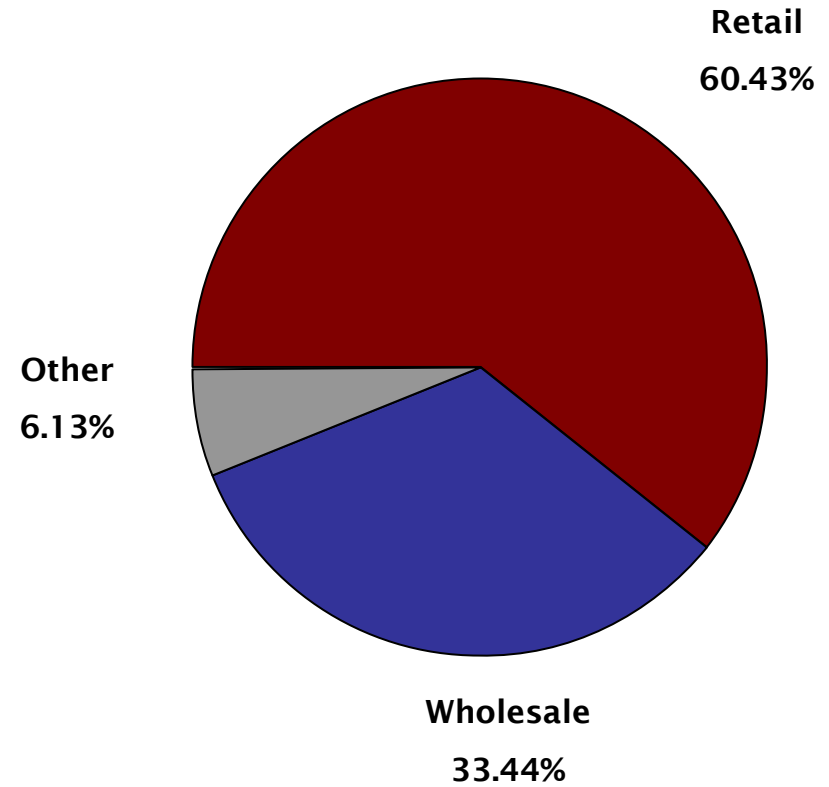
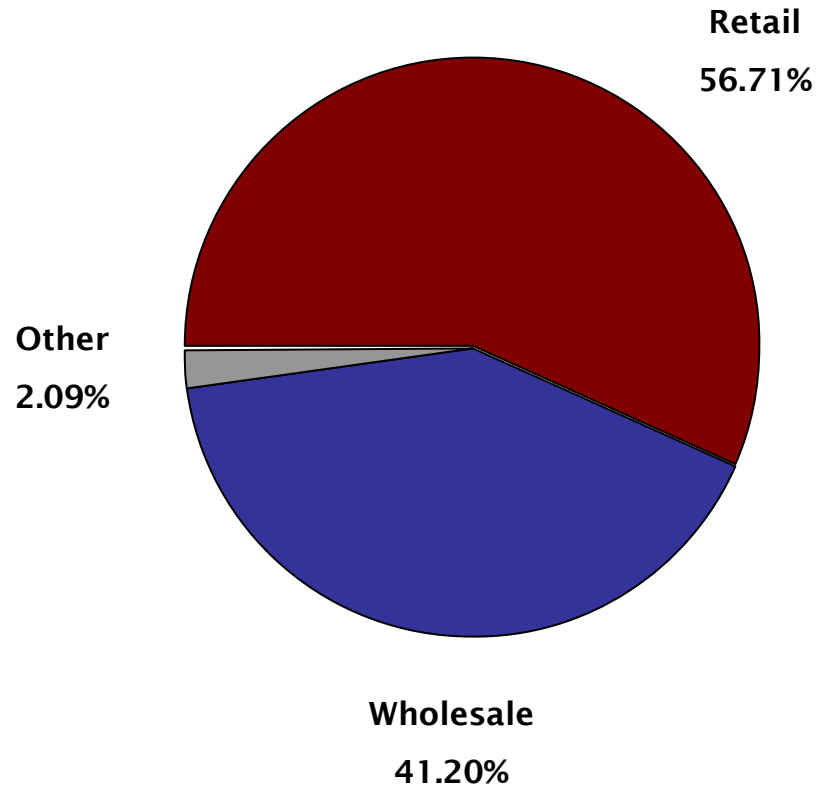
4

The strategy undertaken by Popular has enabled to significantly increase the contribution of retail funding

Popular Financing Structure

2007

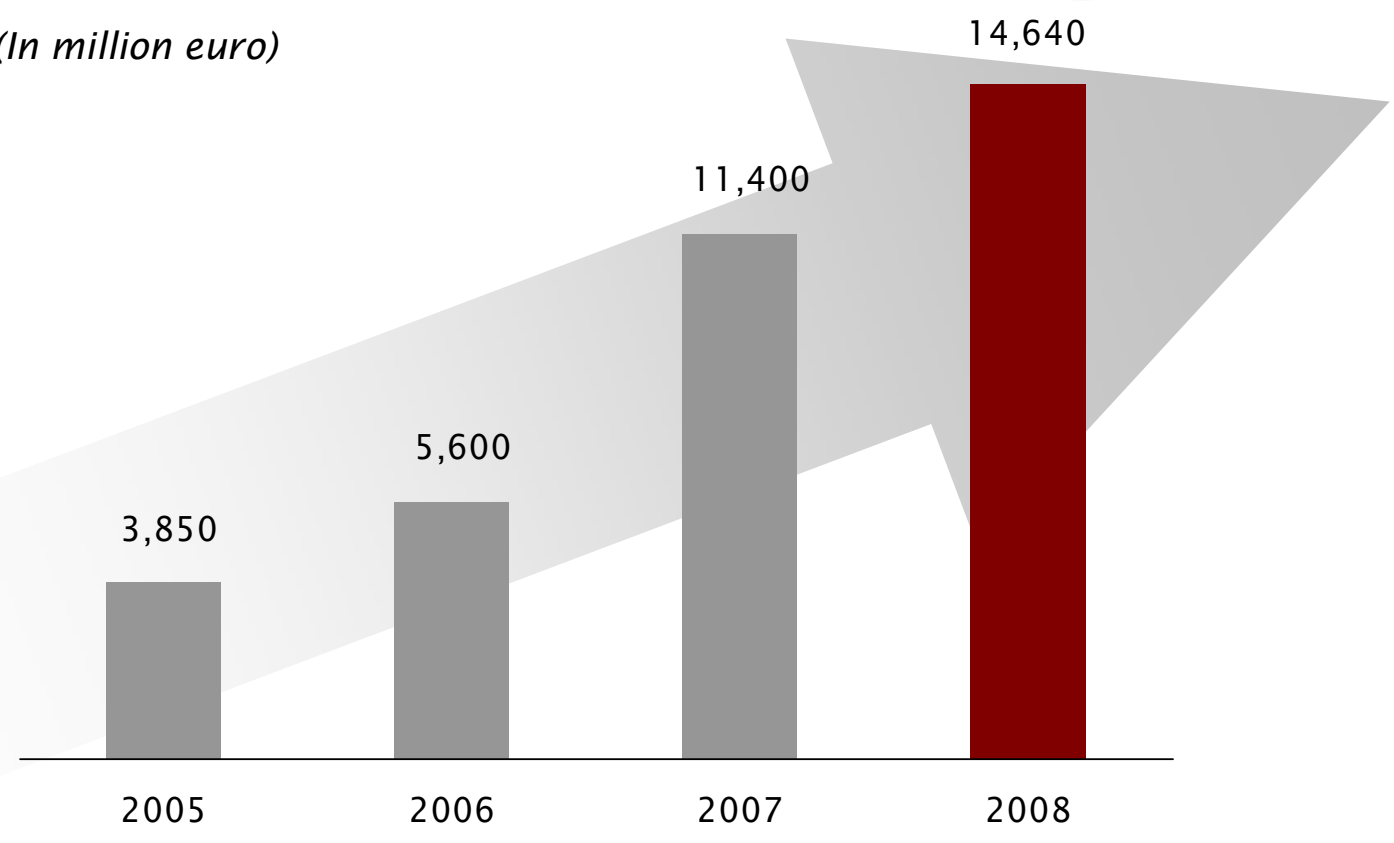
2008



Retail: Time and demand deposits, commercial paper and repos
Wholesale: Net interbank, ECP, EMTN, Covered bonds, Securitisations, Subordinated debt, Preference shares and Repos
Other: BCE discounts, ICO deposits, BEI and FSE

4 2nd line of liquidity continues growing (ECB-elegible assets)

(In million euro)



4

Second line of liquidity covers all wholesale maturities in an extreme scenario of non-renewal...

	Maturities 2009
Interbank deposits (net)	-3,565
E.C.P.	-4,182
EMTN	-3,698
Covered bonds	-325
TOTAL MATURITIES	-11,770
ELEGIBLE ASSETS	15,390
Current	14,640
New issues	750
YEAR-END EXCESS	3,620

Data as of December 31 2008

4

...in addition, during 2009, Popular will have the following additional liquidity at its disposal

	(M €)
1. Commercial gap reduction goal	5,000
2. 2009 expected Cash Flow	2,400
3. Spanish Government facilities (excl. FAAF repos)	6,000

In an extreme liquidity stress scenario, these additional funds would meet all wholesale maturities through 2010

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Popular has reorganised and strengthened its risk management activities (I)

1. All risk management business units have been strengthened:

- With additional employees
- With latest IT
- With latest risk management models

2. Strengthening management and surveillance of risks

- Creation of specialised teams in each territorial unit for management and surveillance of clients
- Surveillance committee comprised of members of Senior Management who set norms and directives
- Creation of new centralised unit of Analysis and Surveillance

3. Anticipating management of potential future risks

- Detection of clients with need to restructure its risks
- Offer clients solutions according to the Group's risk management principles
- Joint coordination with other lending entities who share same risks

5

Popular has reorganised and strengthened its risk management activities (II)

4. Global risk management has been strengthened significantly

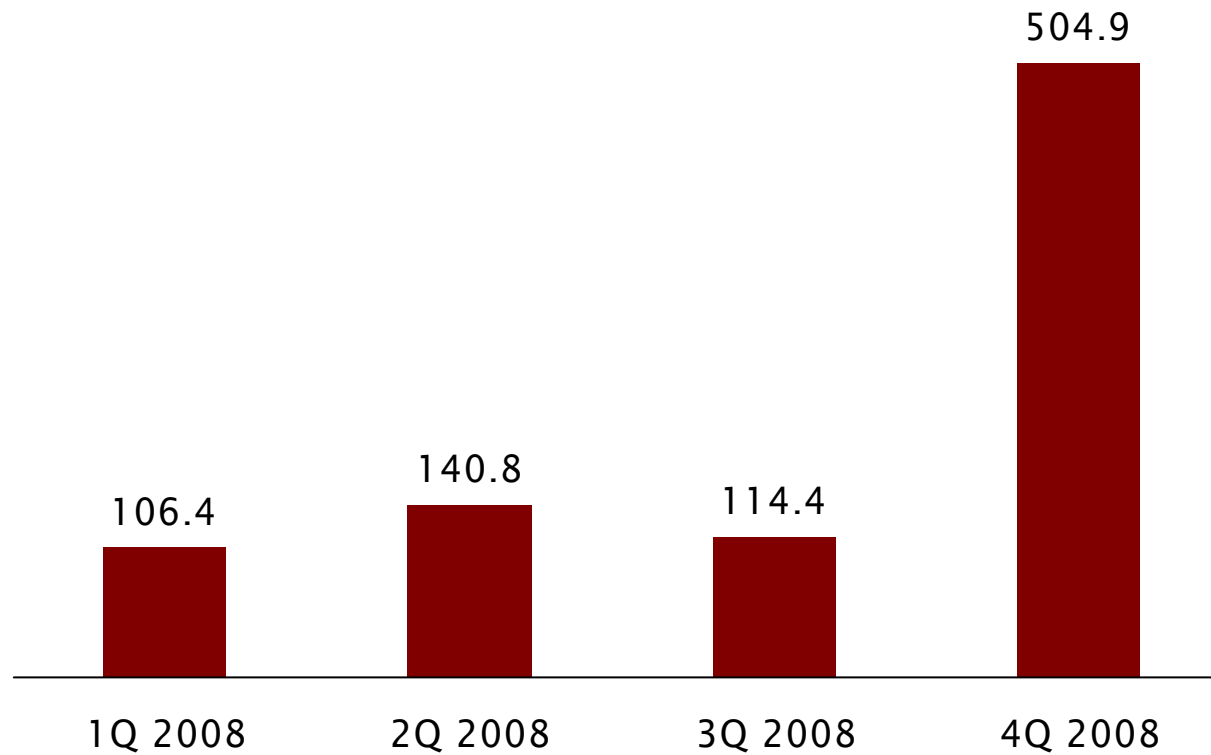
- Debt restructuring: Central office and dedicated staff in all regional units and banking subsidiaries
- Retail risks: headcount x 2.5
- Use of model based on internal ratings for setting the required capital for lending risks.
- Global specialised offices: Integration of management, methodology, operational risks, business continuity, market risks, internal validation and risk management audits

5

Organisational improvements have supported the growth in NPL recoveries in the last quarter

Evolution of quarterly NPL recoveries (M €)

Total: 866.5 M €



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6

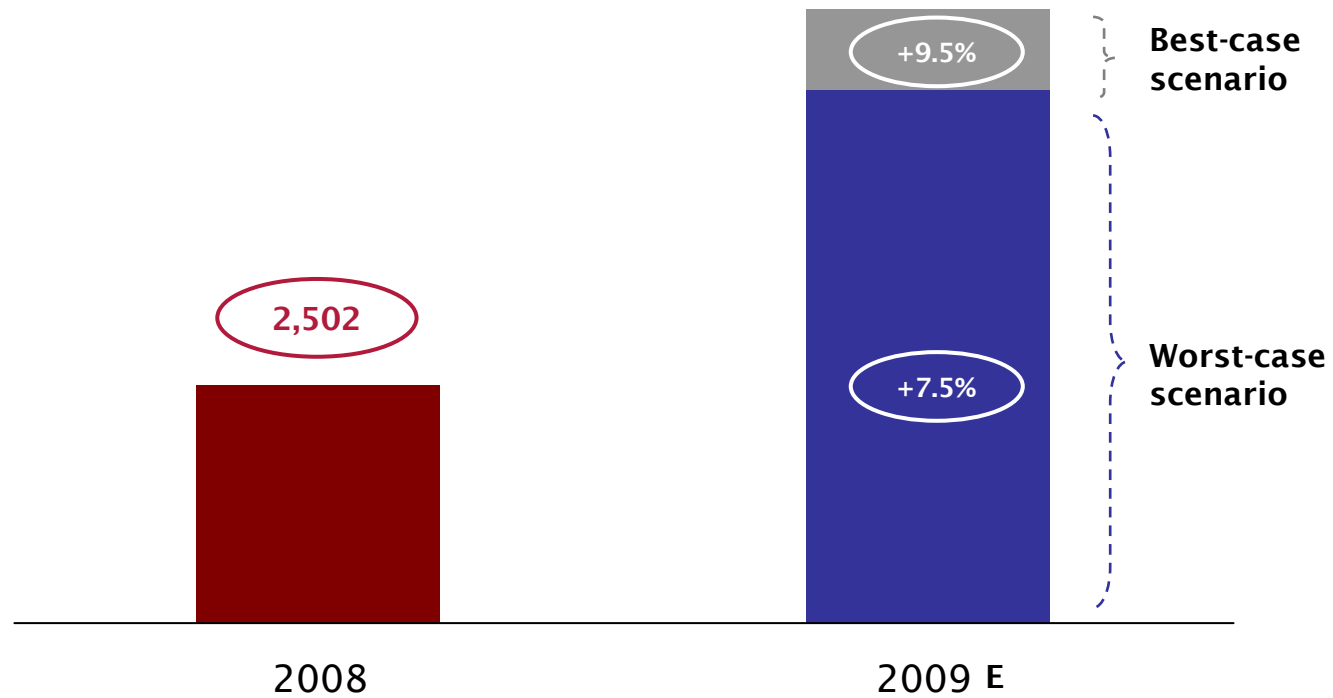
The current macroeconomic framework will not prevent the development of our business model...

- 1. The Group's strategy is to continue generating new business in all its target areas as proven during 2008**

- 2. Future liquidity needs are guaranteed:**
 - Due to Popular's capacity to grow its retail funding and reduce the commercial gap in 5,000 M€
 - Due to the existence of liquid assets totalling 14,640 M€.
 - Due to the capacity to generate 2,400 M€ in cash-flow
 - Due to the ability to use up to 6,000 M€ of Spanish Governments facilities

6 ... and the generation of recurrent profits...

Net interest revenue excl. dividends (M €)



6

... and will not harm the Group's solvency

- **Strong provisioning muscle through recurrent operating profit.**
- **1,296 million € of generic provisions available to be utilised in 2009 and 2010**
- **Core capital to remain above 6.75% even under extreme economic climate.**

6 These are our 4 key objectives for the future

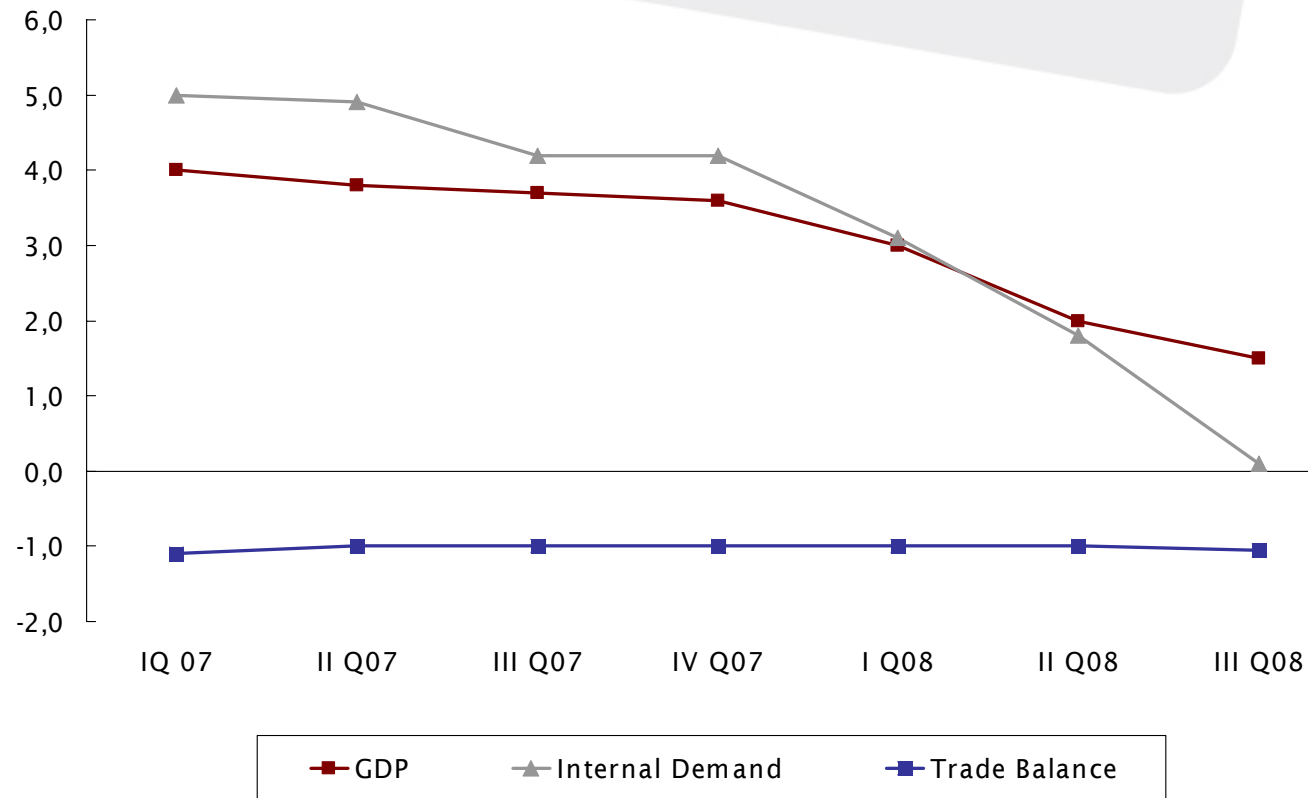
- 1 NPL Management**
- 2 Commercial Gap Reduction: priority in acquiring client deposits**
- 3 Acquiring and generating business with SMEs and individuals**
- 4 Cost reduction: Merger of banking subsidiaries will allow for cost reductions of 25M€ in 2009 and 50M€ in 2010**



APPENDIX

Economic situation: Spain

Evolution of activity indicators

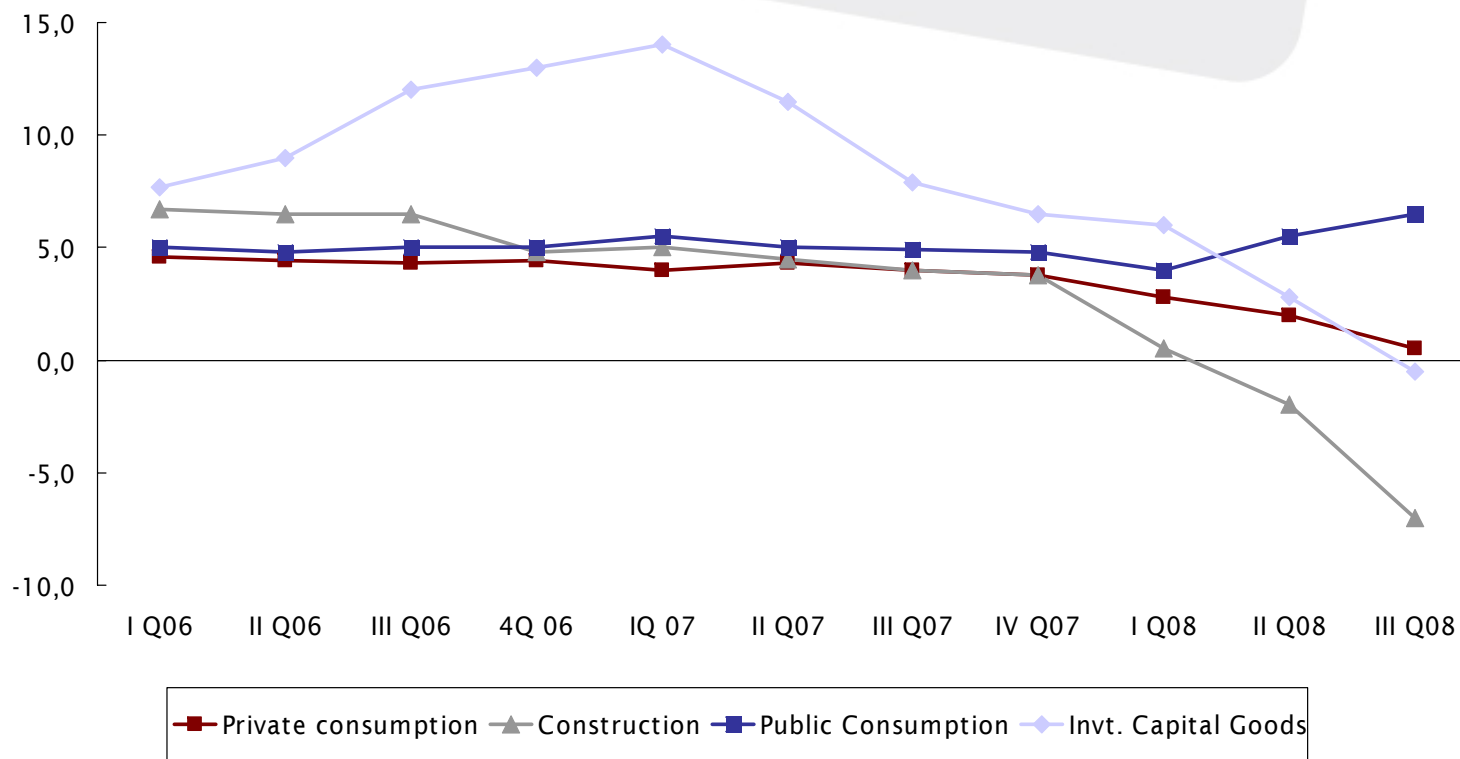


YoY growth rate

GDP 0.9% Internal Demand 0.1% Trade Balance 1.2%

Economic situation: Spain

GDP Components (Demand)



YoY Change

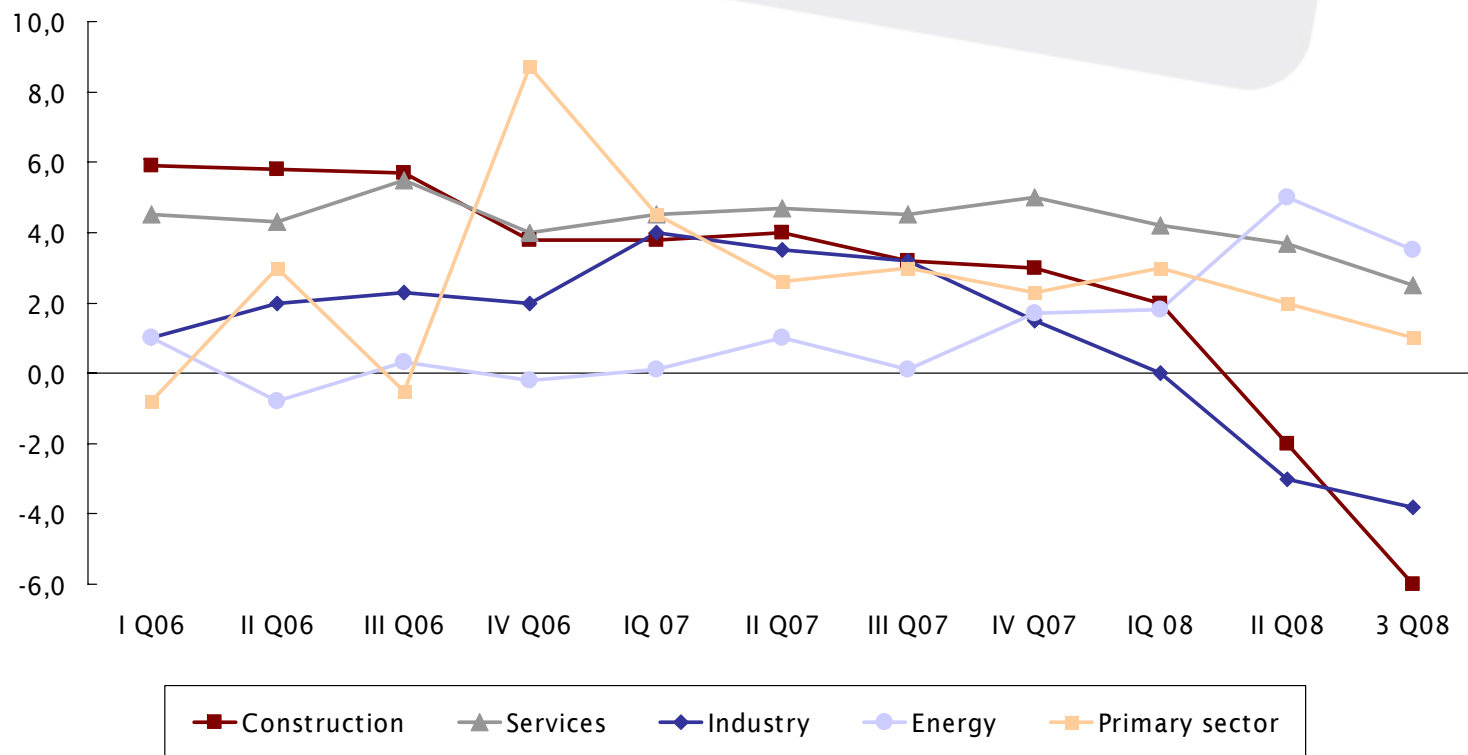
Component – Last data - Weight

Private consumption -0.1% -56.5%
 Public Consumption 5.9% -19.3%

Construction -6.4% -16.5%
 Invt. Capital goods -0.6% -7.5%

Economic situation: Spain

GDP Components (Supply)



YoY Change

Component – Last data - Weight

Construction -5.0% -10.4%

Industry -3.4% -13.3%

Services 2.4% -62.9%

Energy 2.9% -2.7%

Primary sector 0.6% -2.7%

Economic situation: Spain

Economic forecasts for Spain 2008 and 2009

% GDP

% CPI

% UNEMPLOYMENT

	2008	2009	2008	2009	2008	2009
Consensus	1.3	-1.1	4.3	2.0	11.0	15.3
Range	<i>[1.1/1.4]</i>	<i>[-2.0/0.6]</i>	<i>[4.1/4.5]</i>	<i>[0.6/2.9]</i>	<i>[10.8/11.3]</i>	<i>[14.2/16.3]</i>

Source: B. Popular analysis

Economic forecast for the U.E 2008, 2009 and 2010

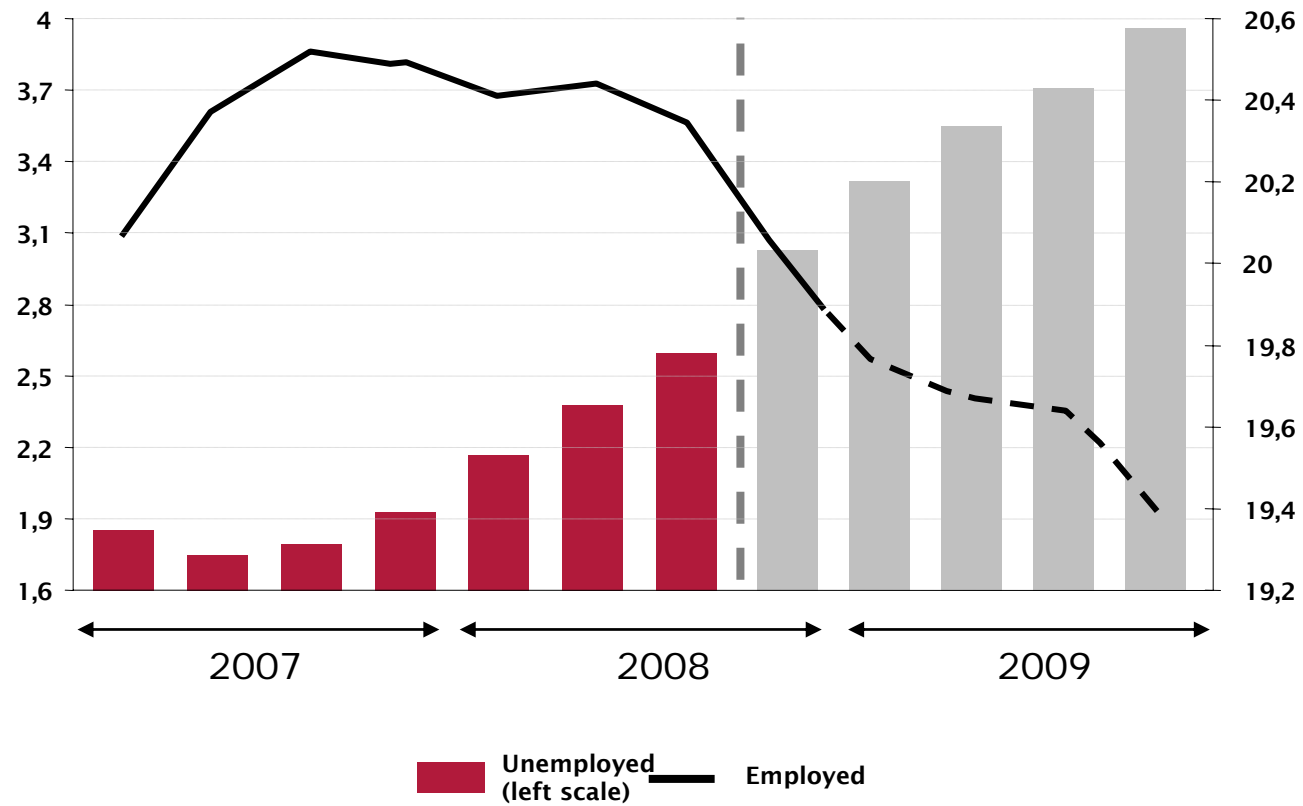
	2008	2009	2010
% GDP	1.0	-1.8	0.5
% CPI	3.7	1.2	1.9
% UNEMPLOYMENT	7.0	8.7	9.5

Source: EU Interim Forecast January 2009

Economic situation: Spain

Forecasts for the labour market (Spain)

Unemployed and employed EPA (Million)

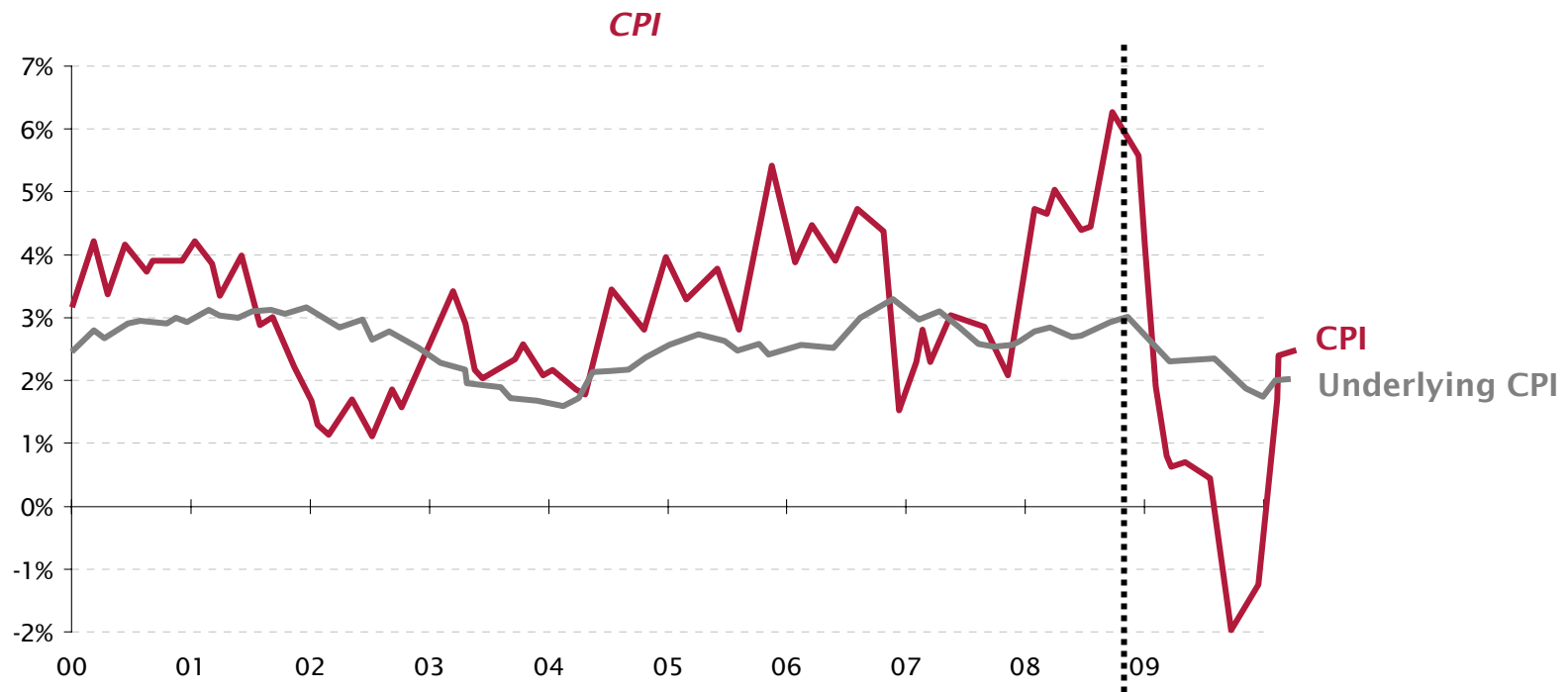


Economic situation: Spain

CPI forecast in Spain (in %)

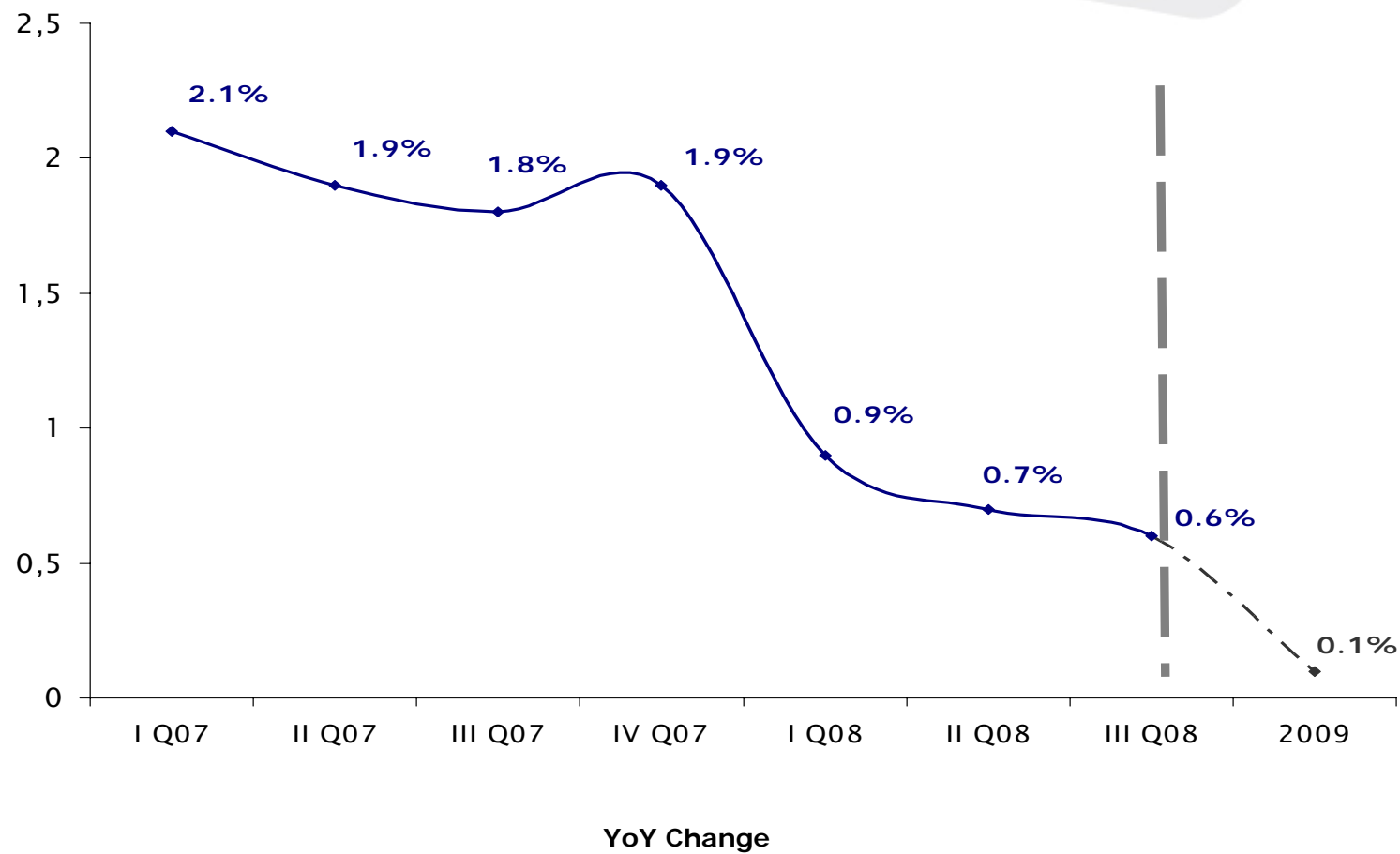
Though not a base case scenario, a deflationary scenario is possible:

- Due to base impact with lower energy prices now, there will be negative inflation figures during some months in 2009
- If recession is deeper and longer than expected, a deflationary scenario cannot be ruled out



Economic situation: Portugal

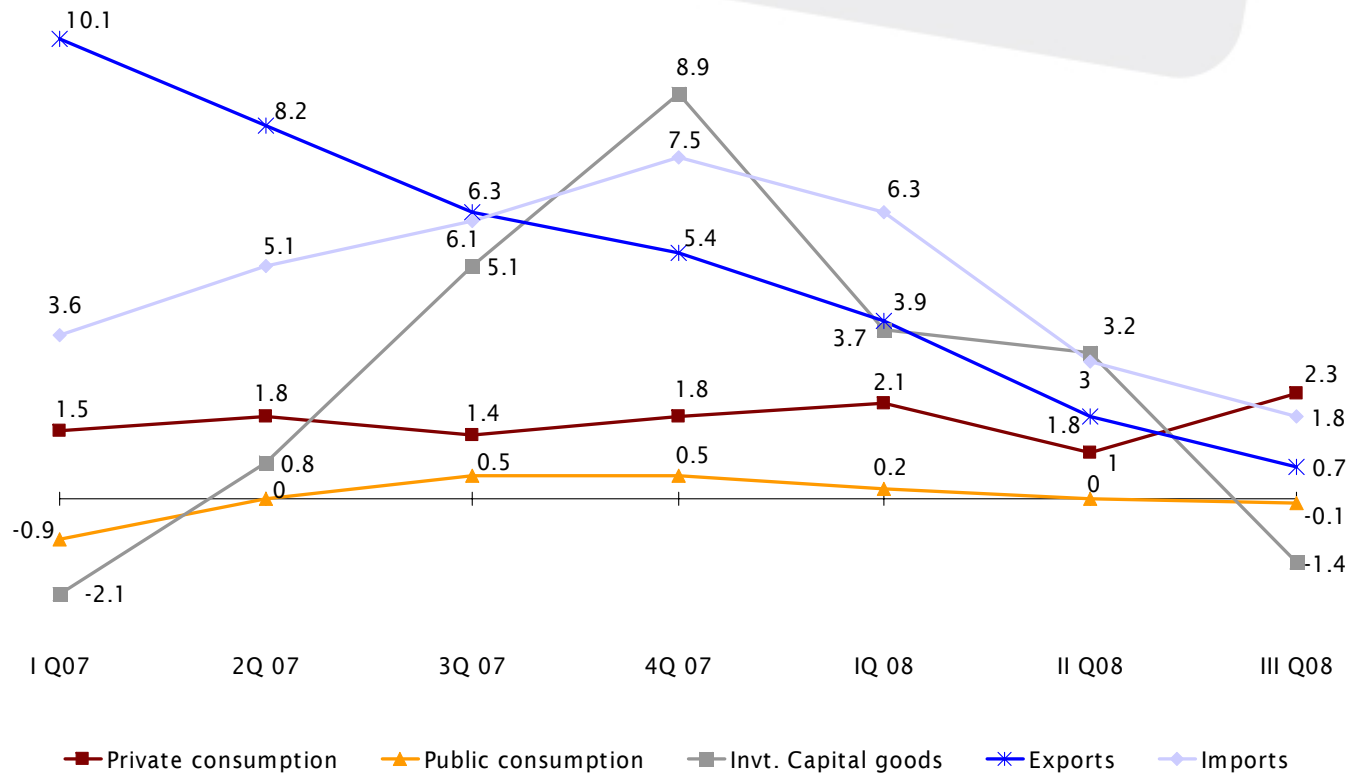
GDP evolution



Source: INE and CEI

Economic situation: Portugal

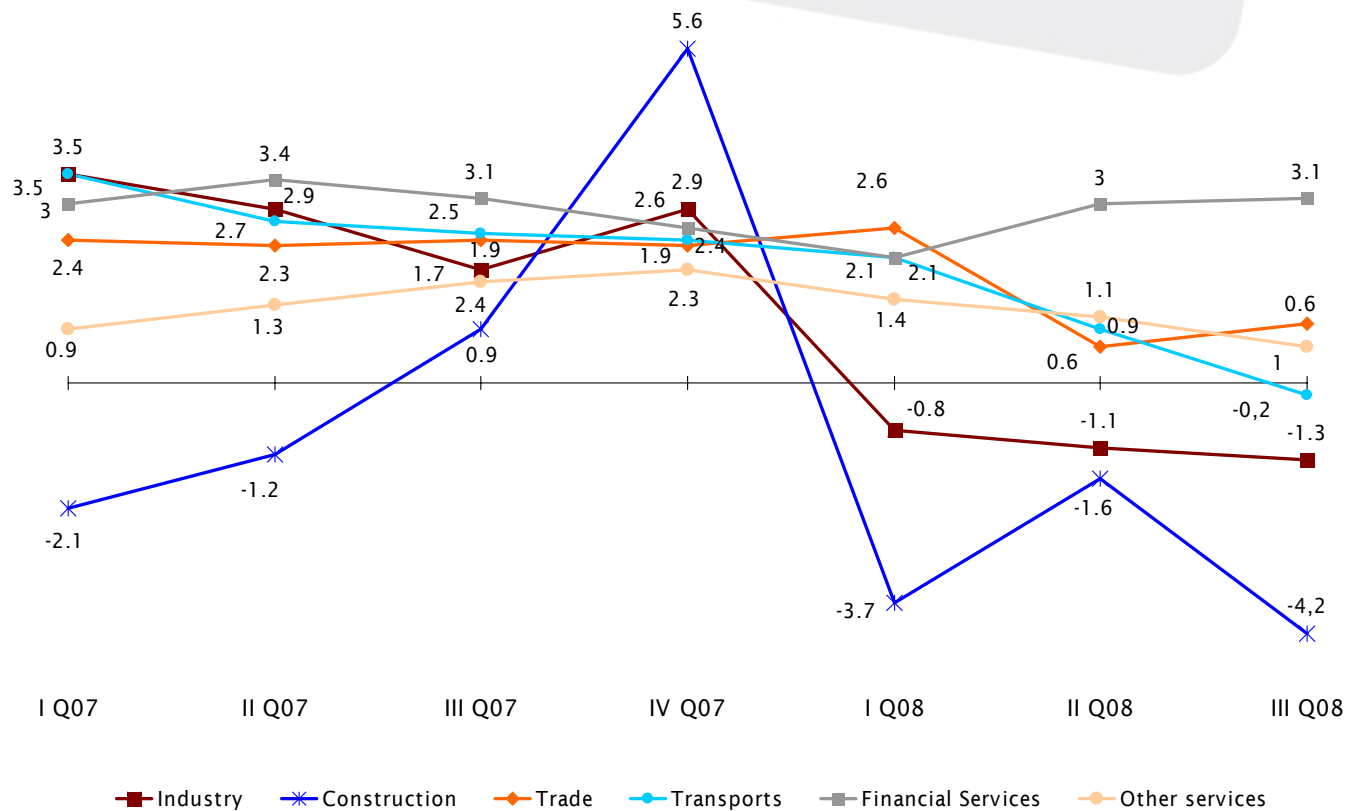
GDP Components (Demand)



YoY Change

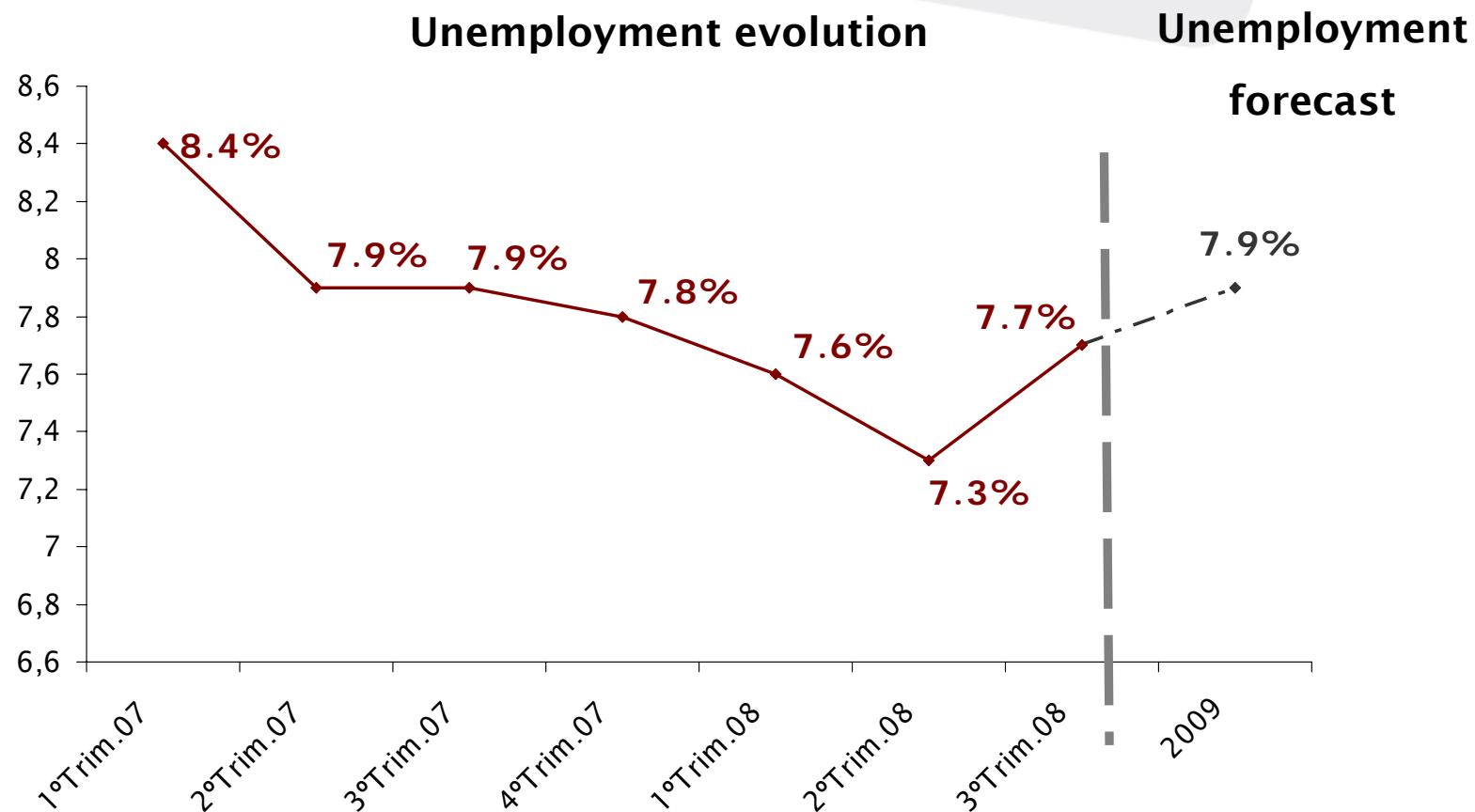
Economic situation: Portugal

GDP Components (Supply)



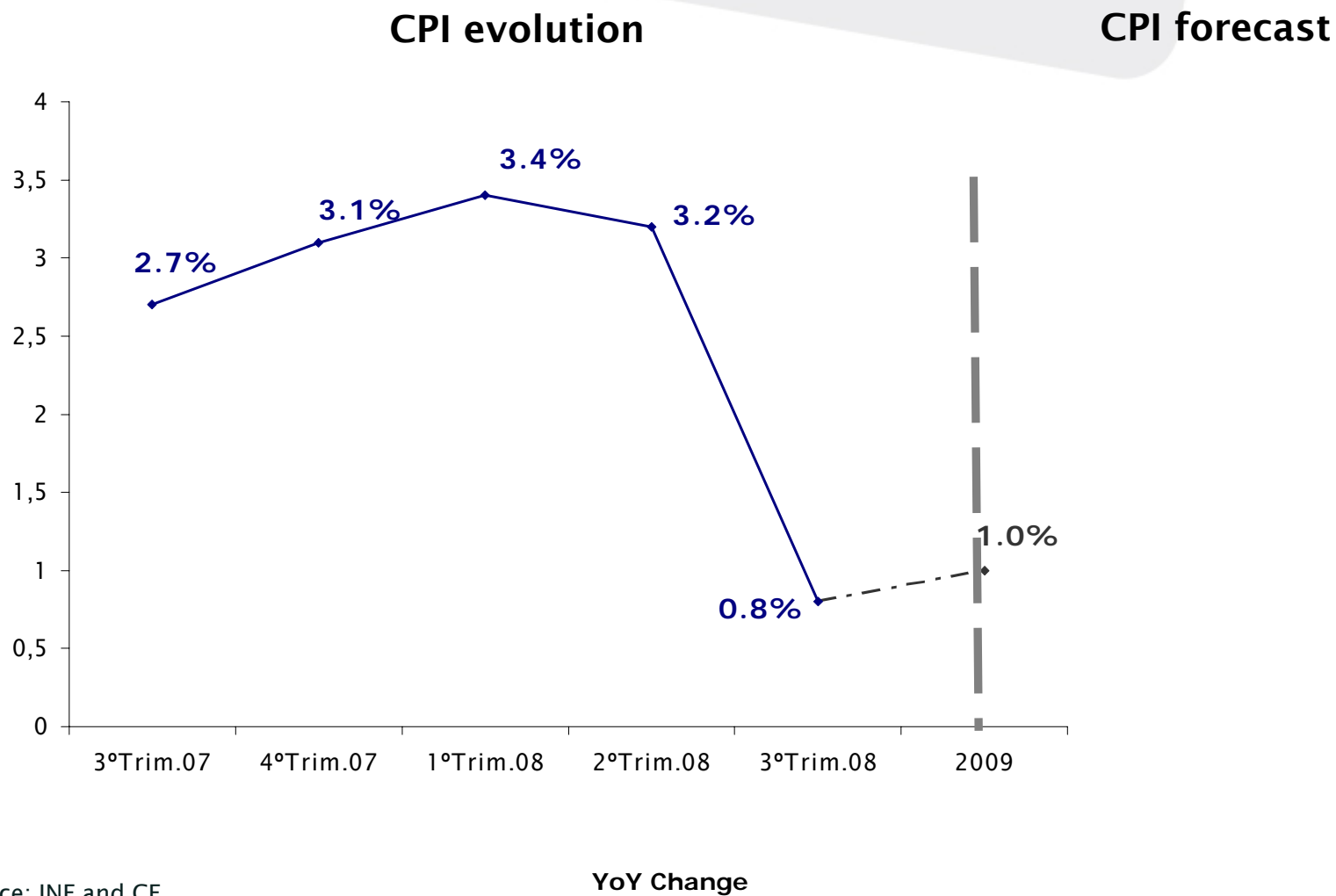
YoY Change

Economic situation: Portugal



Source: INE and CE

Economic situation: Portugal



Thank you!

