



Proposed merger by absorption of Banco de Andalucía

19 May 2009



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RATIONALE OF THE DEAL

- Improve the productive structure by means of a cost reduction and generating synergies.
- Attend demands from some shareholders to improve the share liquidity and trading.

PREMIUM AND FORM OF PAYMENT

- The proposed deal implies paying a 17,79% premium to Banco Andalucía's shareholders vs. last closing price , 18th May 2009.
- The payment to minority shareholders of the subsidiary will be done through a share swap (6/1).
- The bank will issue 25,982,568 new shares, which represent 2,06% of Banco Popular's capital.

FINANCIAL IMPACT

- No impact on core capital. The deal does not generate additional goodwill.

TIMEFRAME

- We estimate new shares will be listed by mid August.



Strategic rationale of the merger

1. From an economic standpoint:

- Obtain significant cost synergies: 124 M € Net Present Value.

2. From a commercial standpoint :

- Coherence with new dimension of the Group's network, adjusted to current banking industry reality and consistent with the Group's focus on cost reduction.
- Maintain the regional identity of Banco de Andalucía where is present.
- An improvement in the commercial productivity. Currently, clients value the solvency of a bigger banking group.

3. From a corporate governance standpoint:

- Improve the application of corporate governance recommendations and improve the transparency and understanding of the Group's structure.



Summary of the proposed merger

Share swap proposed

BPE/BA

6 x 1

- The deal will be done through a share swap, in which Banco Popular will issue 25,982,568 new shares for an approximated total amount of 160,572,270 €.
- Economic rights of the shares:
 - Banco Andalucía: complementary dividend of 0,73 € from 2008 results to be paid in June 2009.
 - New shares issued by Popular: 1st dividend to be paid in October 2009.

Pre-merge Popular stake

Total amount minority
shareholders stake, in million €

80,07%

160,6



Structure and analysis of the share swap



Market cap. million €	683,82	7.636,88
Last share price (€)	31,47	6,18
P/E 2008	4,4	7,3
Implied P/E 2008	5,2	
P/BV 2008 ⁽²⁾	0,57	1,13
Implied P/BV 2008 ⁽²⁾	0,67	
Share swap proposed by BPE ⁽¹⁾	6/1	
Implied Share price without dividend adjustment (€)	37,07	
Premium	17,79 %	
Dividend BdeA June 2009 (€)	0,73	

Source: company data, Credit Suisse analysis

Share price at May 18th 2009

¹ Share swap of Banco Popular shares for BdeA shares

² Price to Book Value



Fairness Opinion

- Credit Suisse has advised Banco Popular in the deal.
- Yesterday, we received the Fairness Opinion of the merger valuation committee of Credit Suisse.
- Credit Suisse has analyzed the fairness of the share swap and considers it is fair from a financial point of view.



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