



FINANCIAL RESULTS 2009

January, 26th 2010

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Agenda

- 1. Summary remarks and financial highlights**
- 2. Solid operating performance and high quality earnings**
- 3. Business resilience: credit and deposits growth**
- 4. Asset quality: trends improving**
- 5. Financial Strength: ratios up**
- 6. Closing remarks and outlook**

Summary remarks



- **Record revenues & Pre-provisioning profit to €2.8 bn (+18% YoY).**
- **Keep growing & gaining market share, both in loans and in deposits.**
- **Still in a tough cycle, but trends improving substantially: net 4Q09 entries down 73% vs. 1Q09.**
- **Results ahead of market expectations & above June 09 guidance.**
- **€766m Net profit, allowing for over €2bn in provisions, twice as much as in 2008.**
- **Balance Sheet strengthening: core capital up by €1,3bn, or 20.3%.**

Financial Highlights



| <i>(€, million)</i> | 2009 | 2008 | Change |
|---|--------|--------|-----------|
| Net interest income | 2,822 | 2,535 | +11.3% |
| Pre-provisioning profit | 2,762 | 2,340 | +18.0% |
| Provisions for loans and investments⁽¹⁾ | 1,752 | 998 | +€754m |
| Extraordinary items⁽²⁾ | 50 | 148 | -€98m |
| Net profit | 766 | 1,052 | -27.2% |
| Non-performing ratio | 4.81% | 2.80% | +201 b.p |
| Efficiency ratio | 29.31% | 33.25% | -394 b.p. |
| Loans to deposits ratio | 168% | 200% | -32p.p. |
| Core Capital | 8.61% | 7.17% | +144b.p. |

⁽¹⁾ Net. Includes €335m devoted to precautionary loan provisions vs. €189m in 2008

⁽²⁾ Net. Includes €145m devoted to precautionary property provisions.



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5. Financial Strength: ratios up

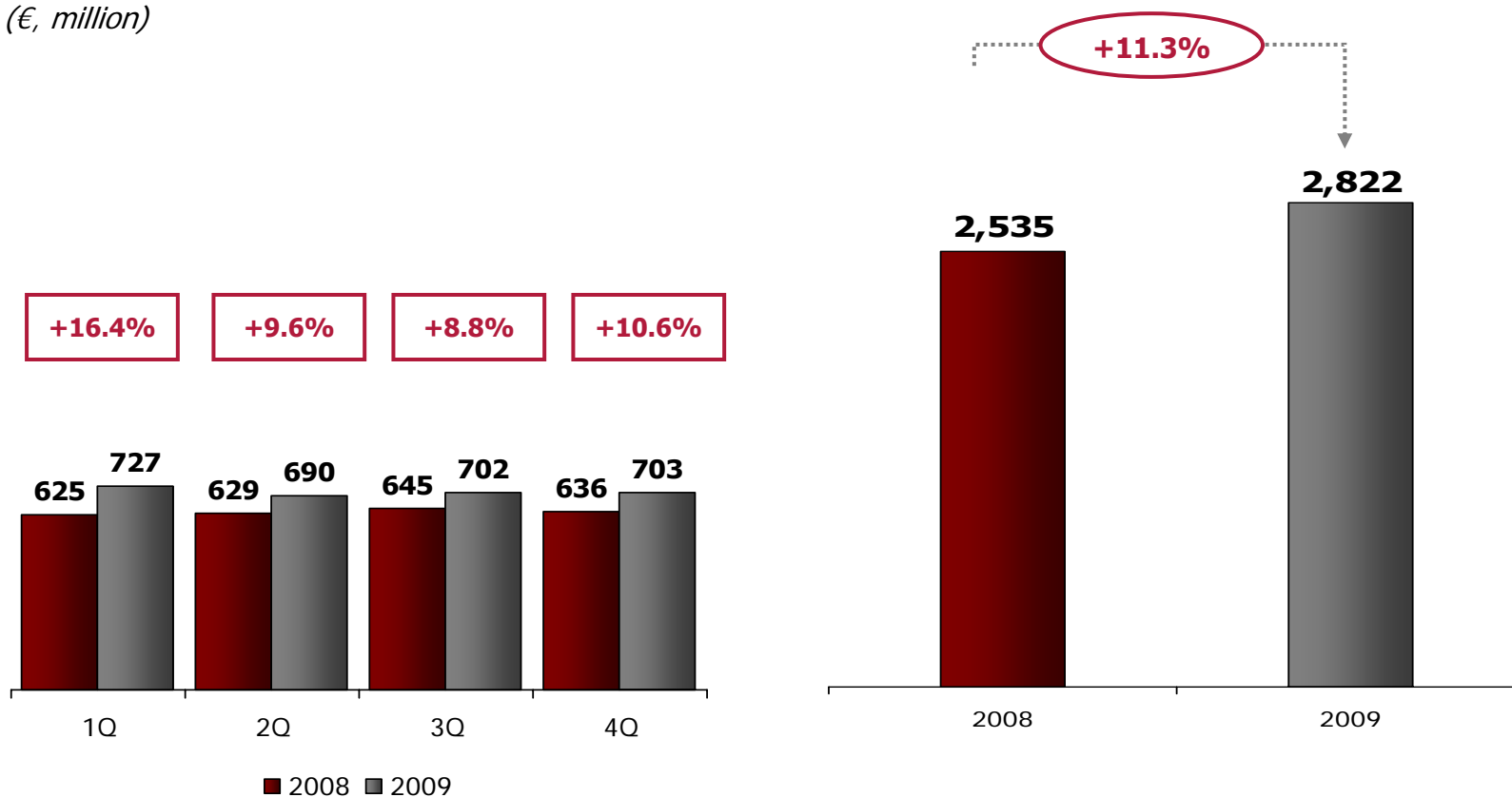
6. Closing remarks and outlook

Solid operating performance. High quality net interest income



Net Interest Income trend

(€, million)

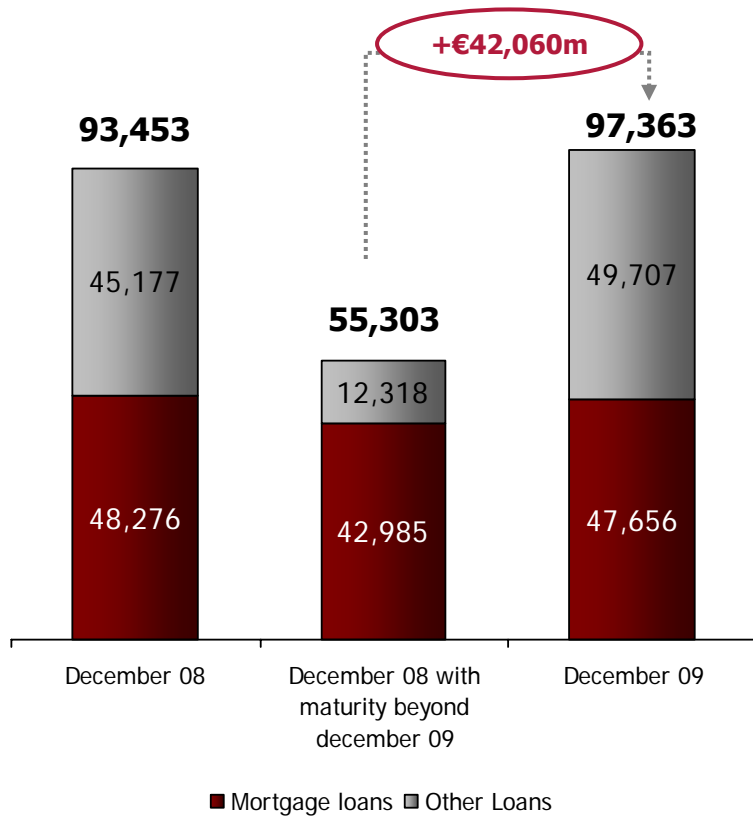


We can adjust spreads very rapidly ...

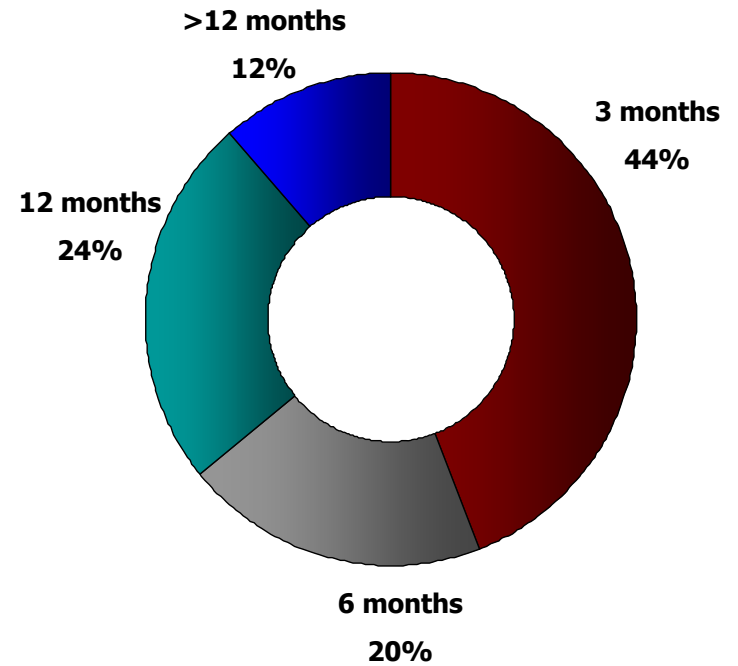


Growth of lending portfolio and new production

(€, million)



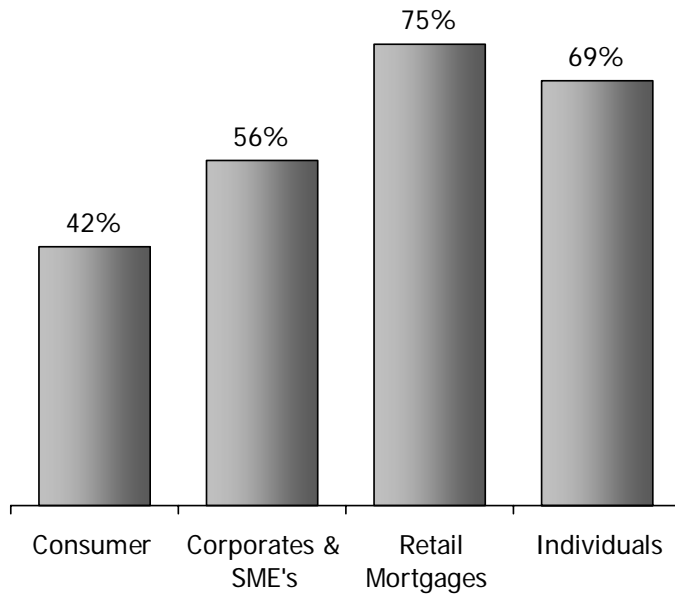
Term deposits: rate renewals



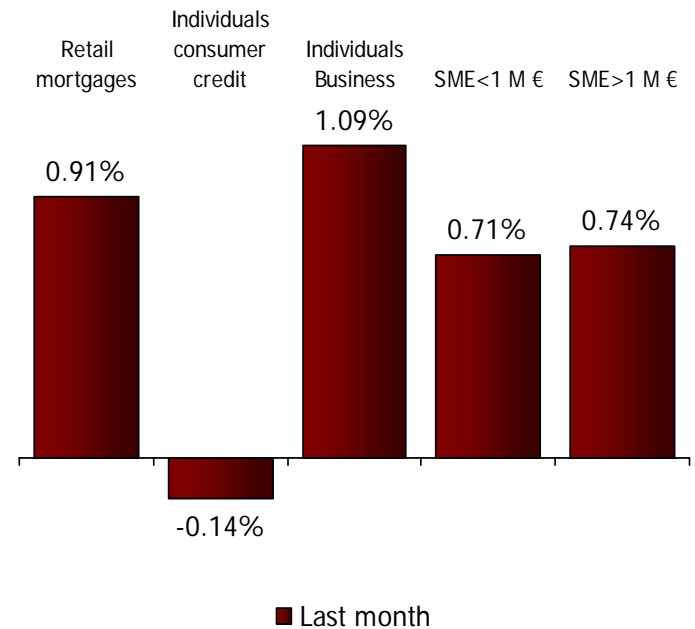
... and we keep showing our ability to manage spreads better than our peers



09:08 increase of spreads on loan-book



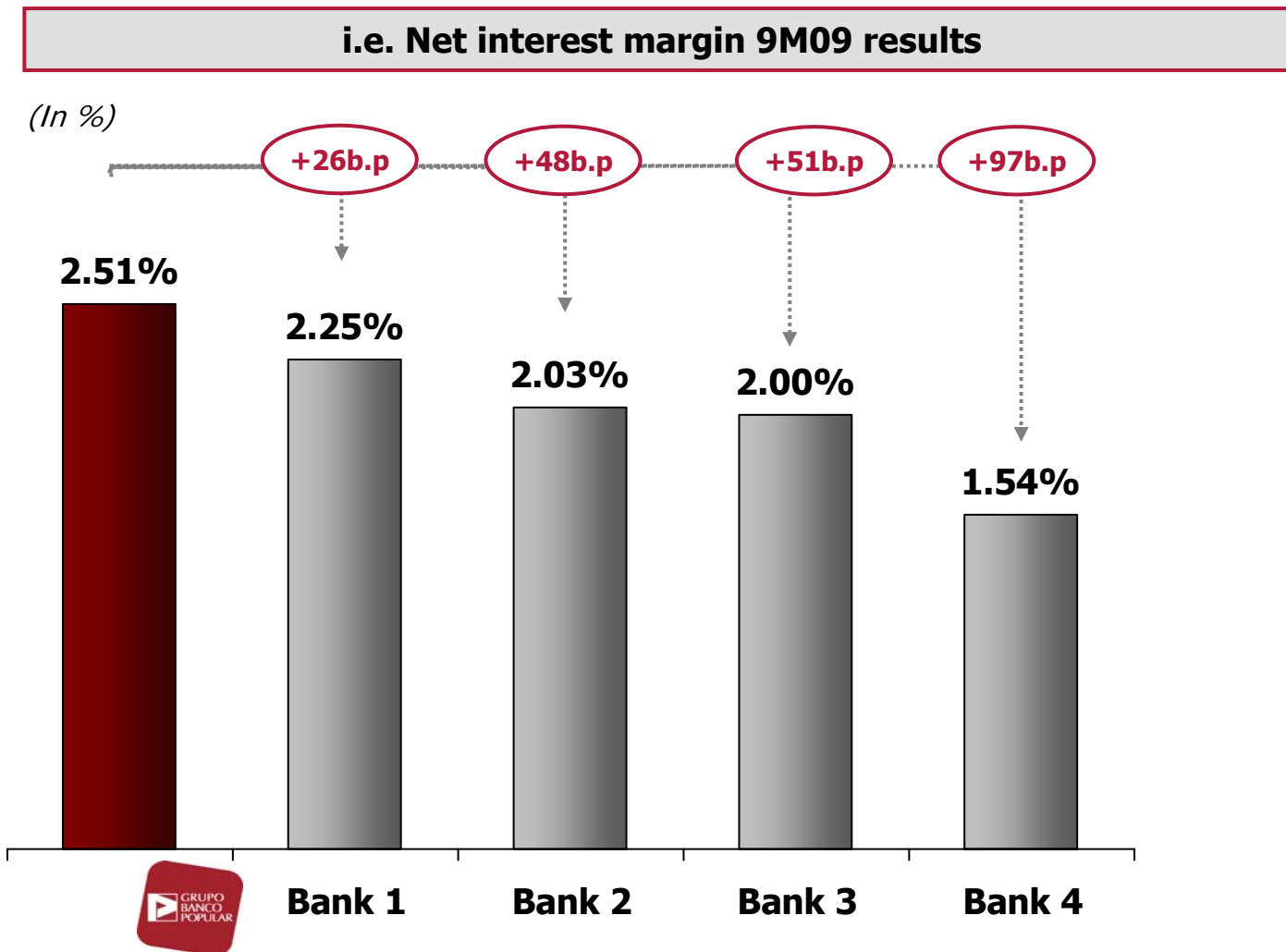
Front-book spreads vs. banks



Note: Data as of November 2009

Source: Banco de España

We historically enjoy the highest interest margin amongst our competitors



Source: Quarterly results as of 9M09

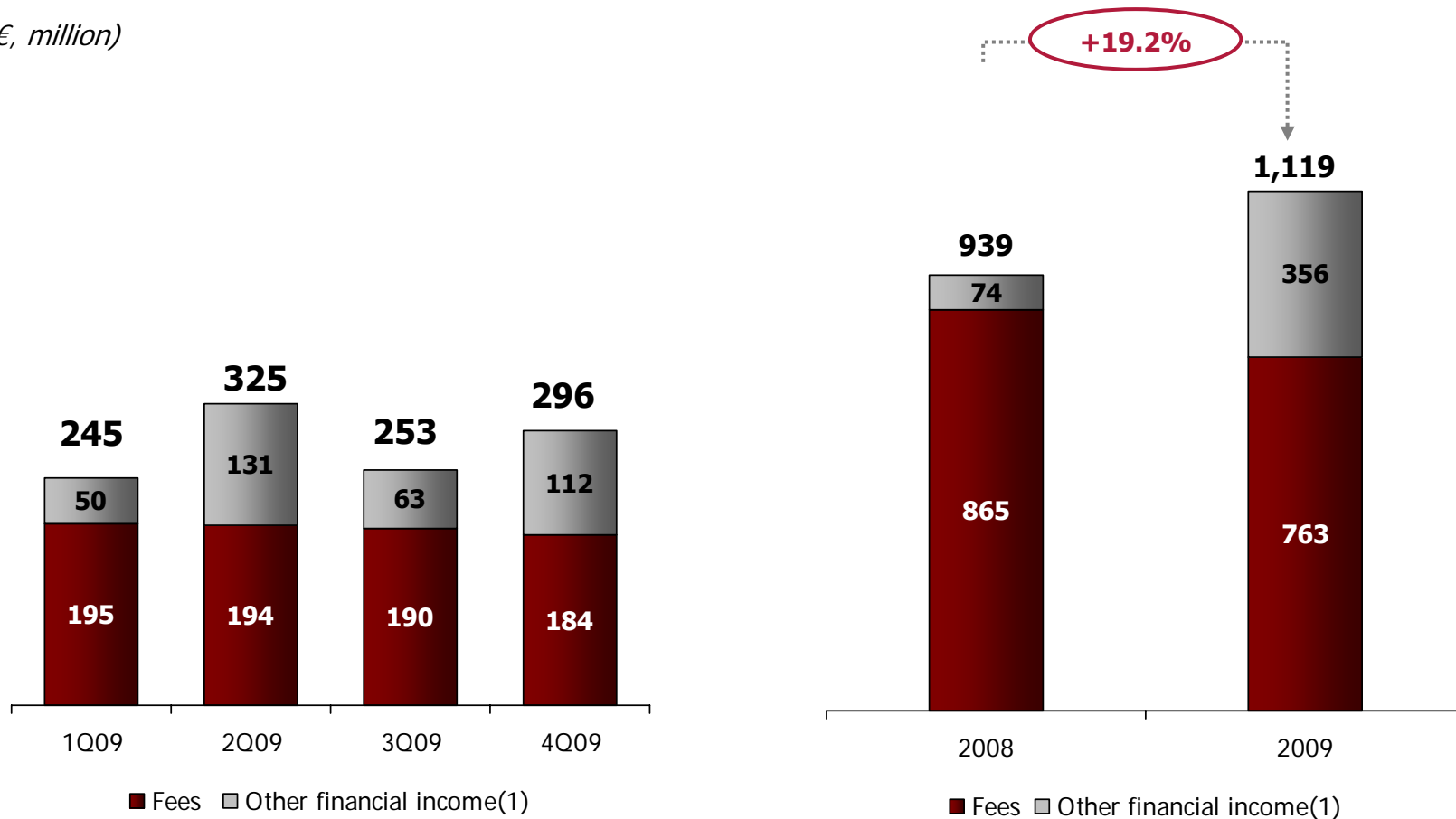
Note: Comparable banks include BBVA Iberia, Sabadell, Santander Spain and Bankinter

Our fees and other financial income keep adding to our revenues



Fees and other financial income

(€, million)

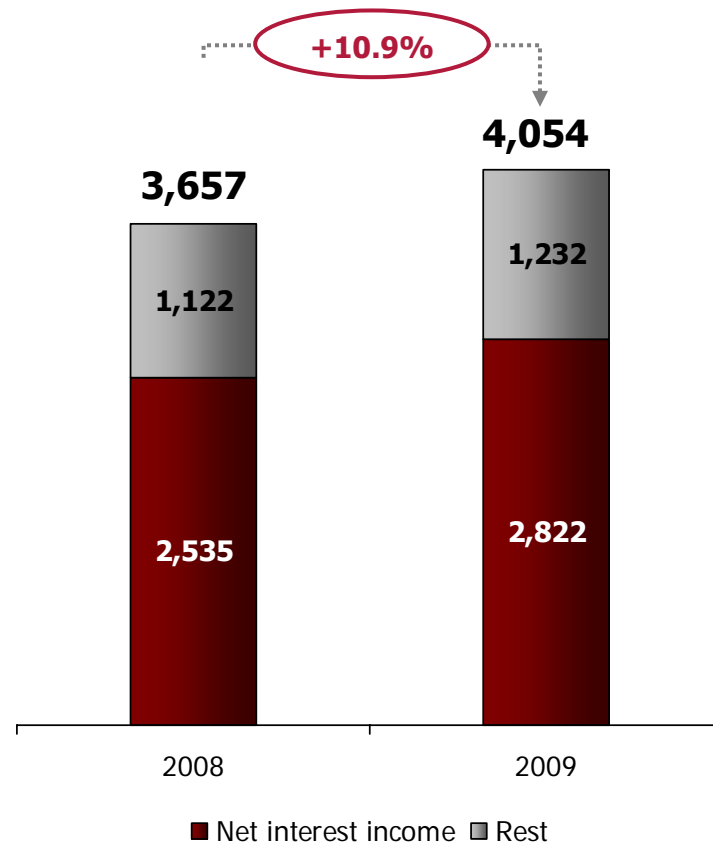
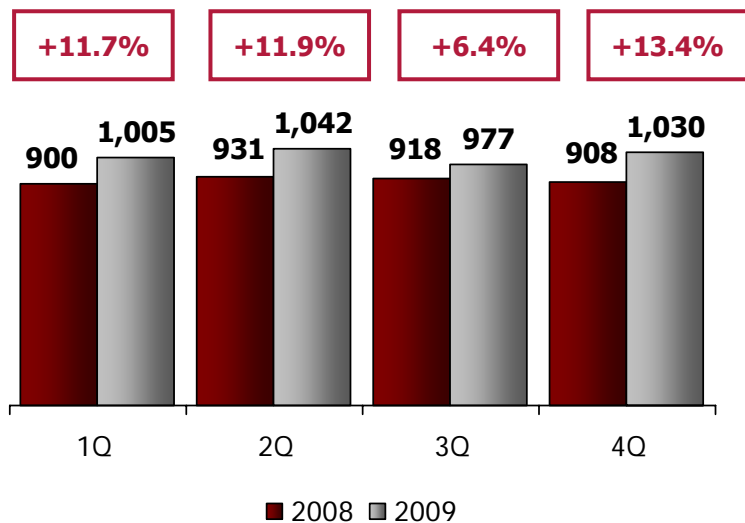


(1) 54%, debt buy-backs

Solid operating performance. Net interest income, fees and other financial income drive our total revenues up by 11% YoY, to 4 bn.

Total Revenues: up to a record €4.1 bn

(€, million)



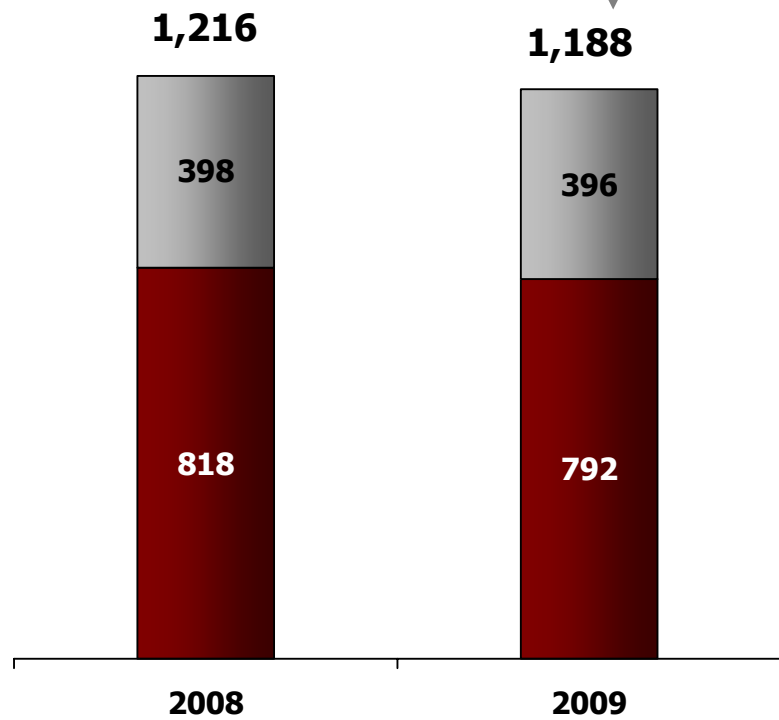
On the cost front we continue to manage them actively



Costs evolution

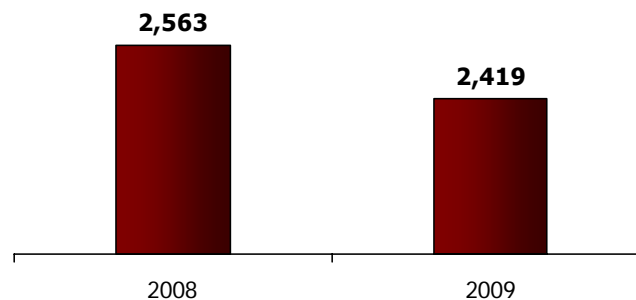
(€, million)

-2.2%

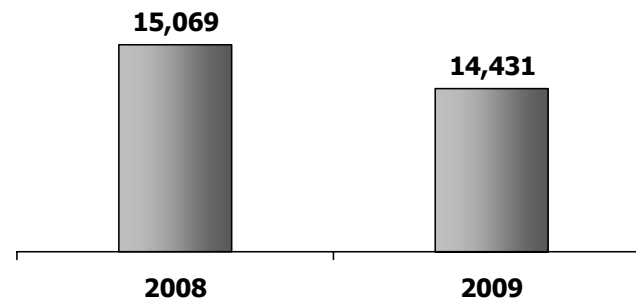


■ Personnel costs ■ Other costs

Branches



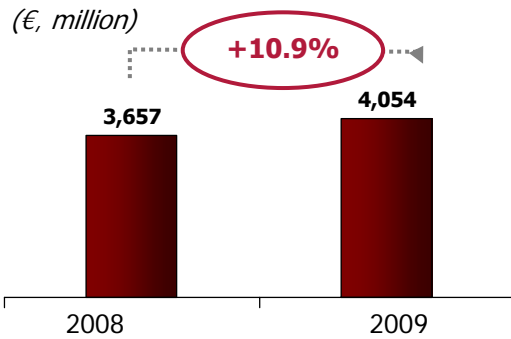
Staff



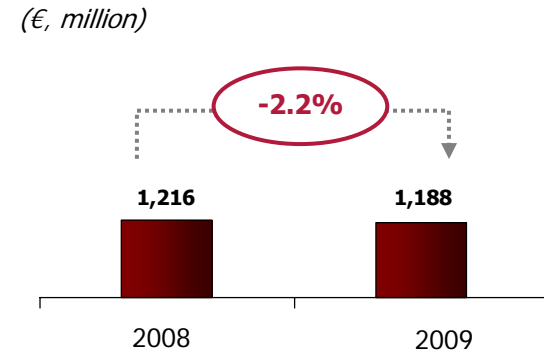
In summary, a solid operating performance: pre-provisioning profit up by 18%



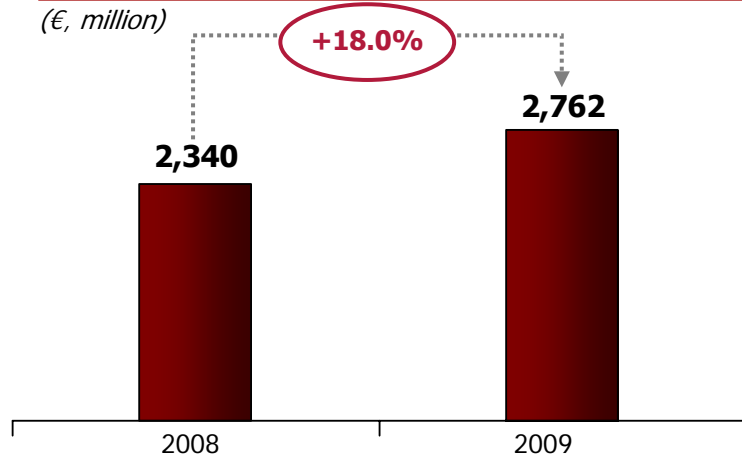
Total revenues up



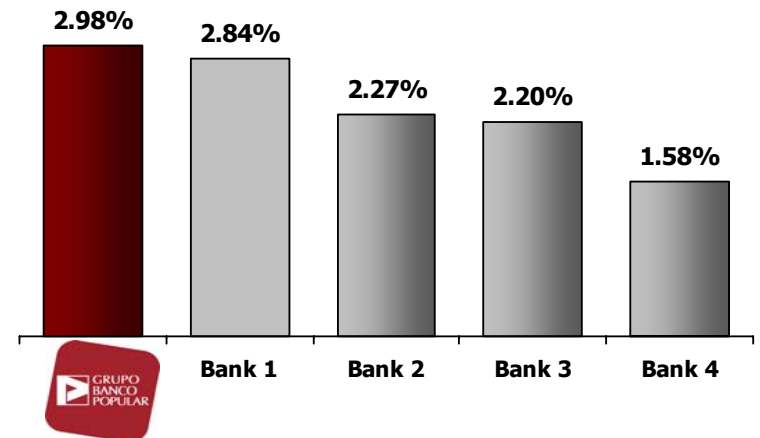
Operating costs down



Pre-provision profit up



9M09 Pre-provisioning profit/gross loans (%)



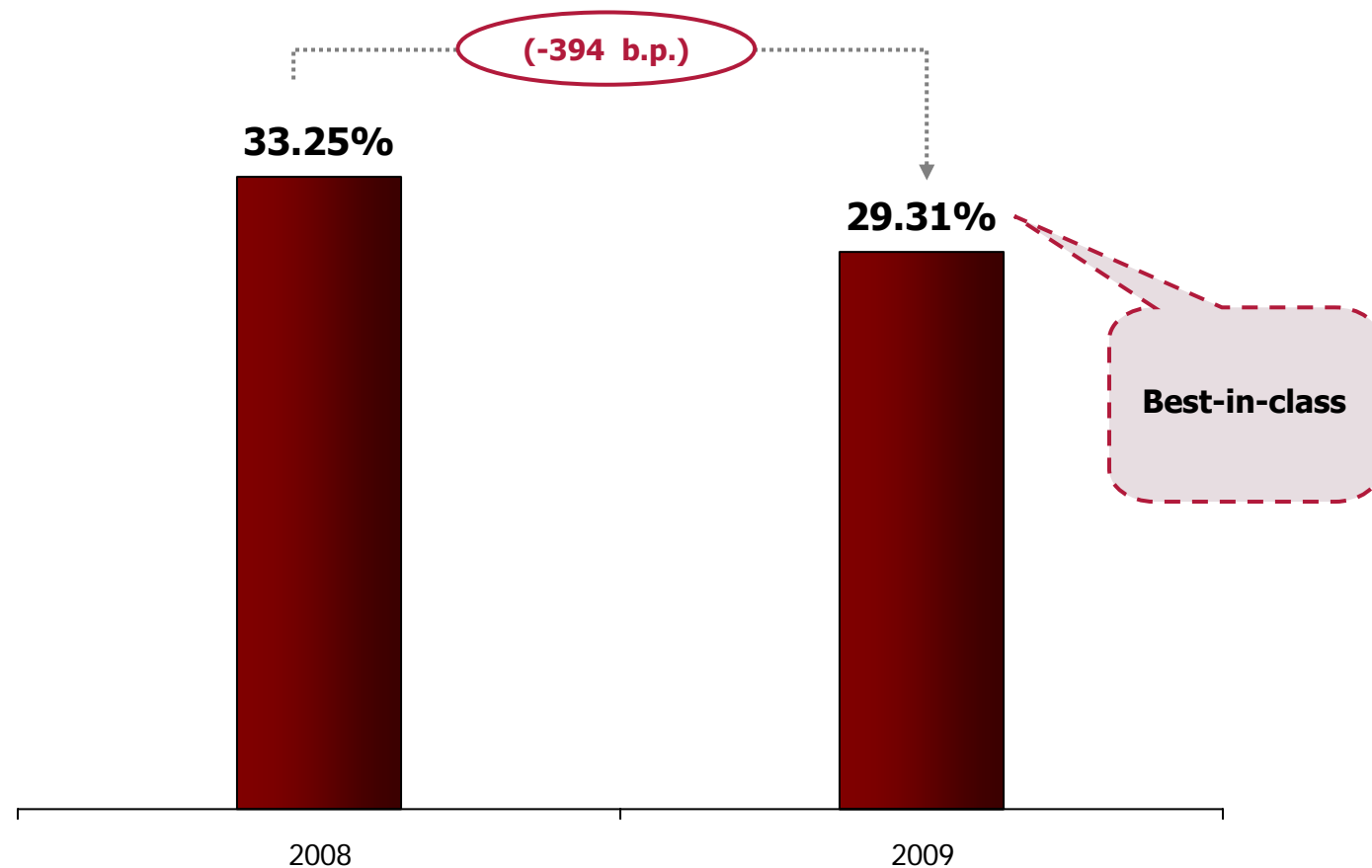
Source: Quarterly results as of 9M09

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

The consequence of excellent revenues and cost culture, is to get efficiency levels to record best



Efficiency ratio evolution⁽¹⁾

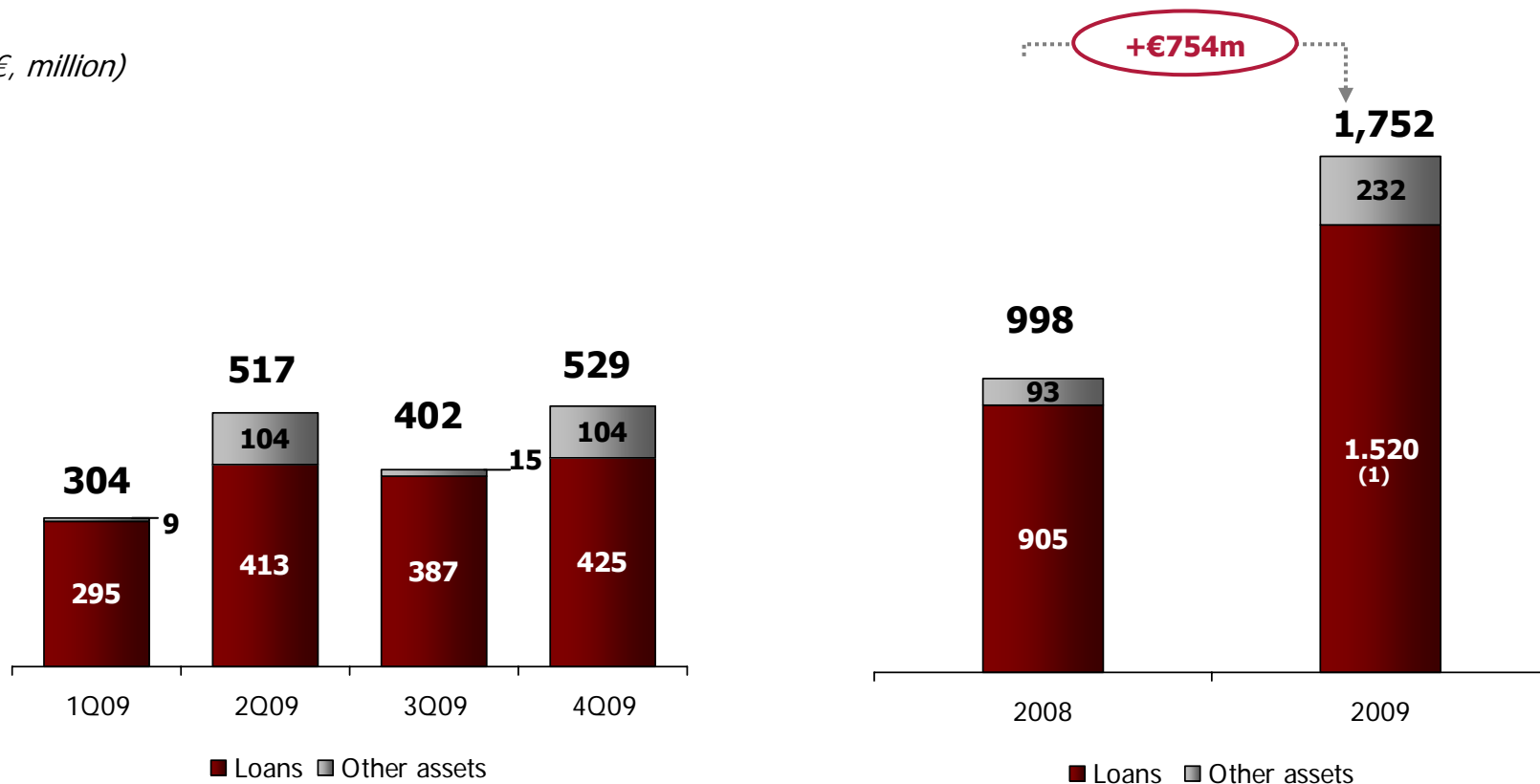


⁽¹⁾ Efficiency ratio excludes depreciation and amortization costs

Our solid €2.8bn pre-provisioning profit allows us to devote a substantial amount to allowances, both regulatory and precautionary

Allowances for loans and other assets in the period

(€, million)

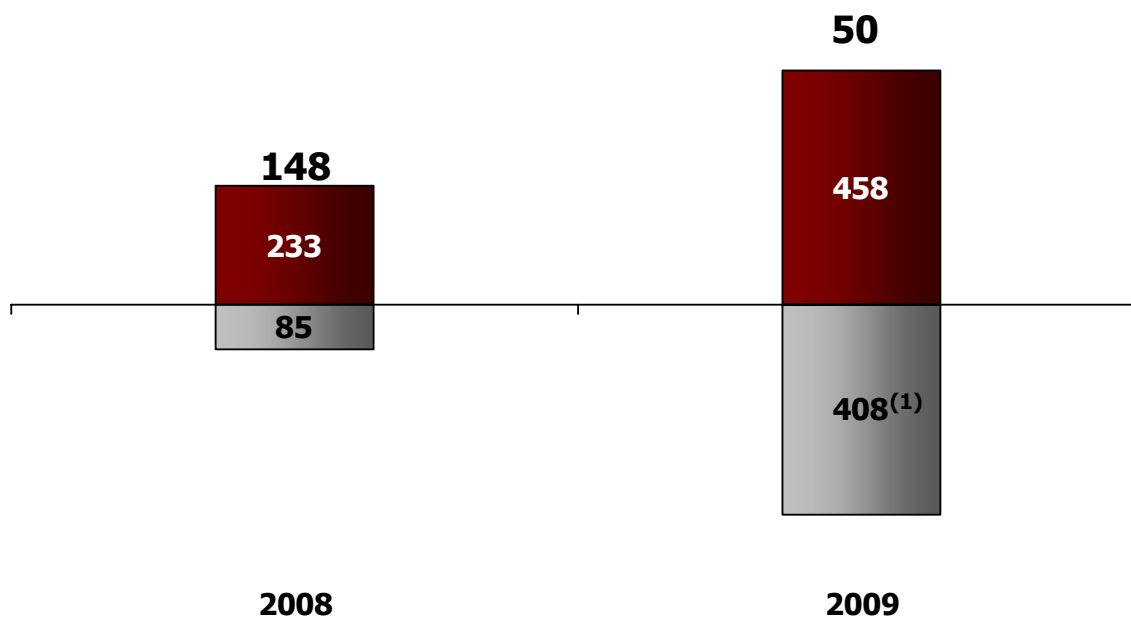


⁽¹⁾Out of which €335m correspond to precautionary loan provisions

On the extraordinary front, as we explained in previous presentations, we intend to match real estate provisions with real estate profits ...

Extraordinary items

(€, million)



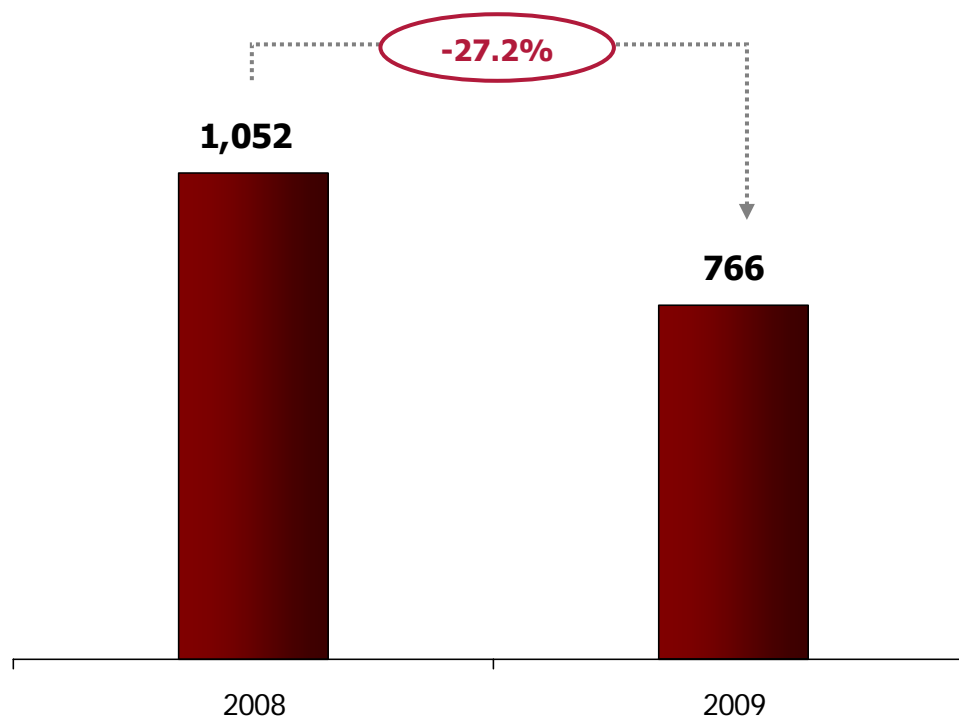
- Non financial assets and available for sale properties allowances
- Profits on real estate sales

⁽¹⁾ Includes €145 m devoted to precautionary real estate provisions

After all those exceptional allowances (€2bn, €1bn over 08), profits in line with market and analysts expectations

Net attributable profit: match expectations

(€, million)



P&L Recap.



| <i>(€, million)</i> | 2009 | 2008 | Change |
|---|--------------|--------------|---------------|
| Interest margin | 2,822 | 2,535 | +11.3% |
| Fees and other income | 1,232 | 1,122 | +9.8% |
| Gross operating income | 4,054 | 3,657 | +10.9% |
| Expenses | 1,188 | 1,216 | -2.2% |
| Pre-provisioning profit | 2,762 | 2,340 | +18.0% |
| Credit risk and other financial assets impairment | 1,752 | 998 | +€754m |
| Negative extraordinary results ⁽¹⁾ | -408 | -85 | +€323m |
| Positive extraordinary results ⁽²⁾ | 458 | 233 | +€225m |
| Profit before tax | 1,073 | 1,461 | -26.6% |
| Profit attributed to the controlling company | 766 | 1,052 | -27.2% |

⁽¹⁾ Real estate and other

⁽²⁾ Sale and lease back



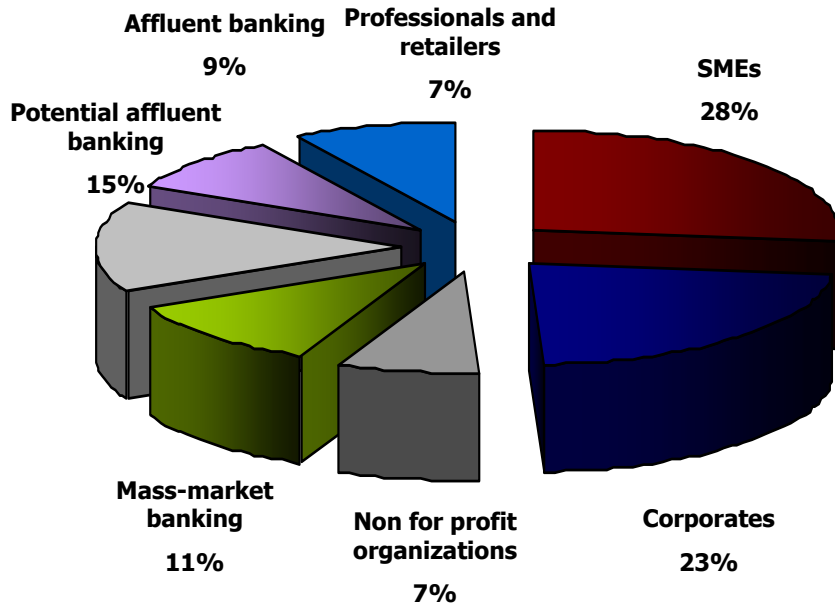
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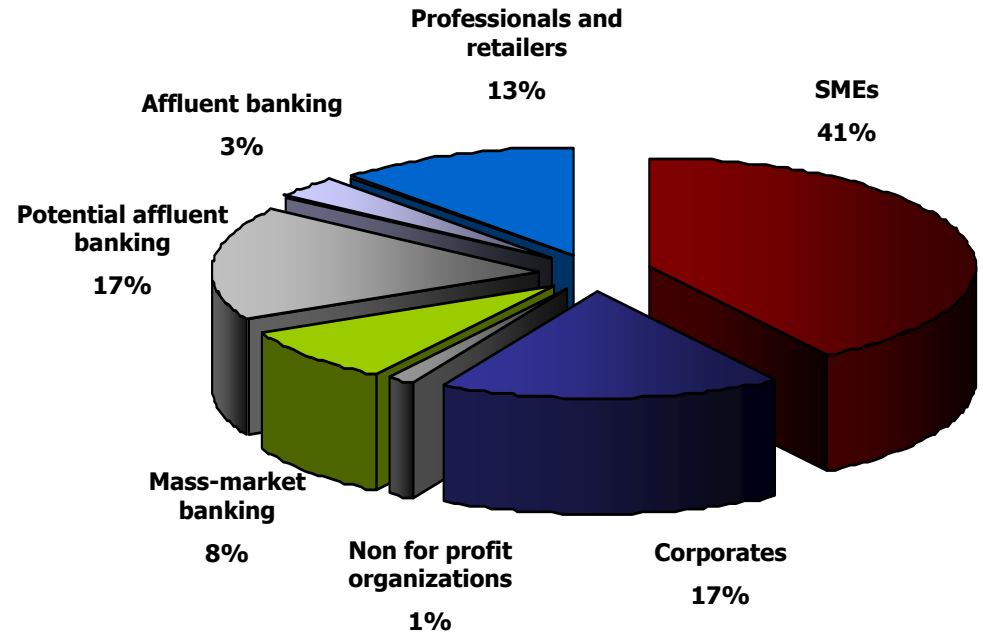
Business resilience: we stick to our customer retail model (1)



Total business by segments



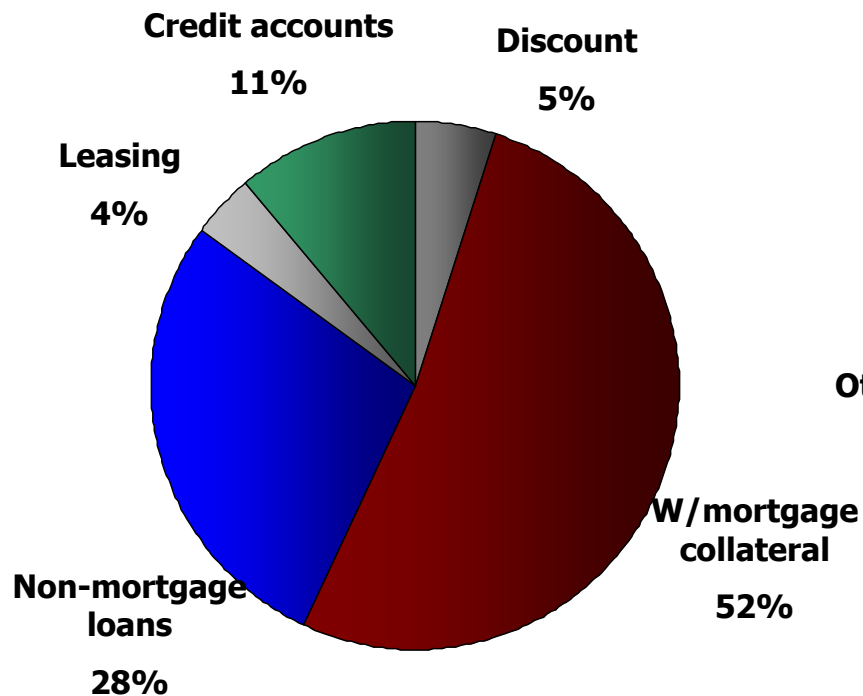
Revenues by segment



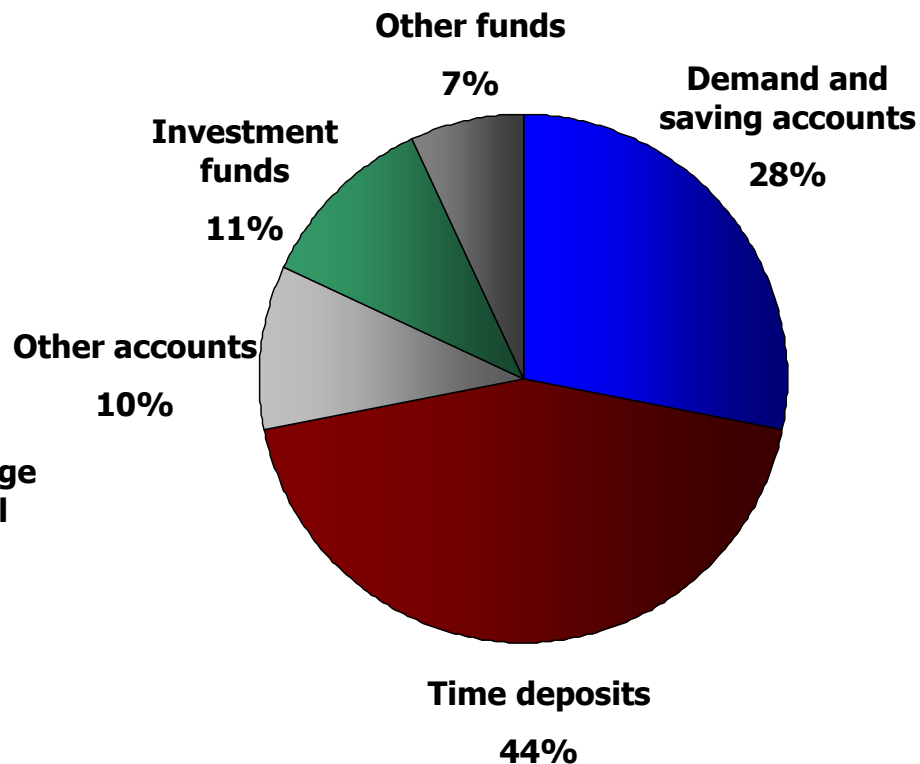
Business resilience: we stick to our customer retail model (2)



Breakdown of loans



Breakdown of retail funds

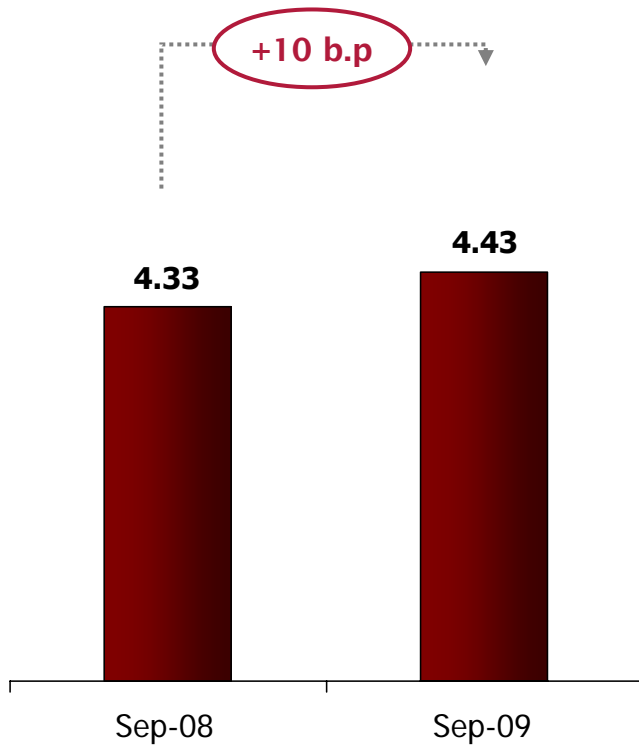


Our model works: gaining market share



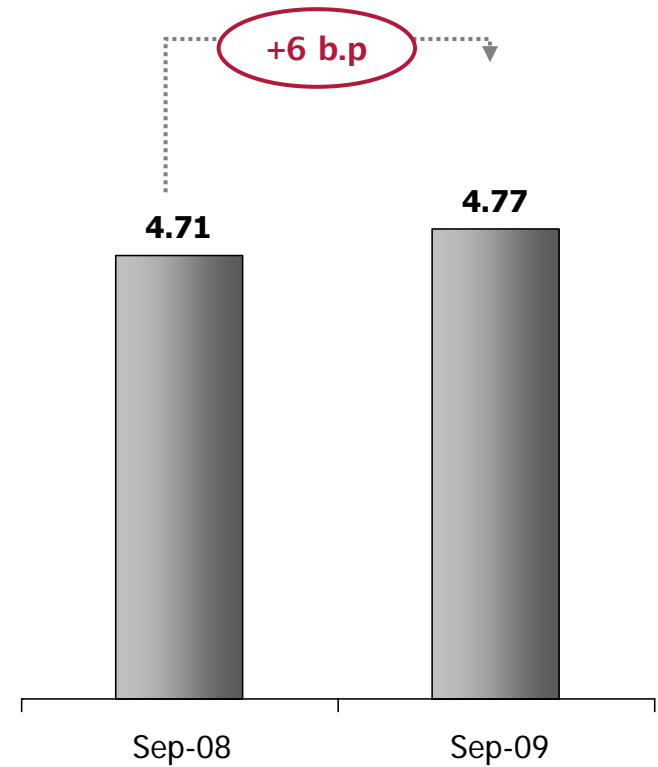
Customer deposit market share

(In %)



Customer loans market share

(In %)

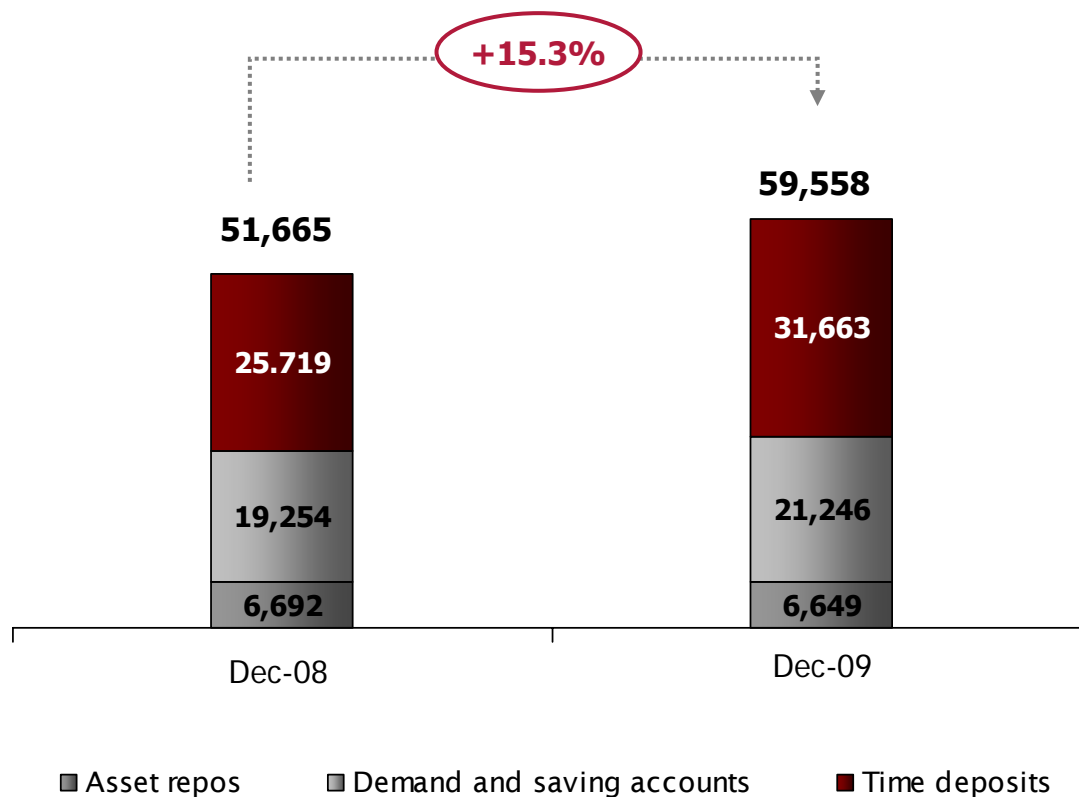


Source: Bank of Spain, T7 form. Banks, Saving Banks and Coop Banks.

We have a very flexible network that allow us to reduce the commercial gap

Client deposit evolution

(€, million)

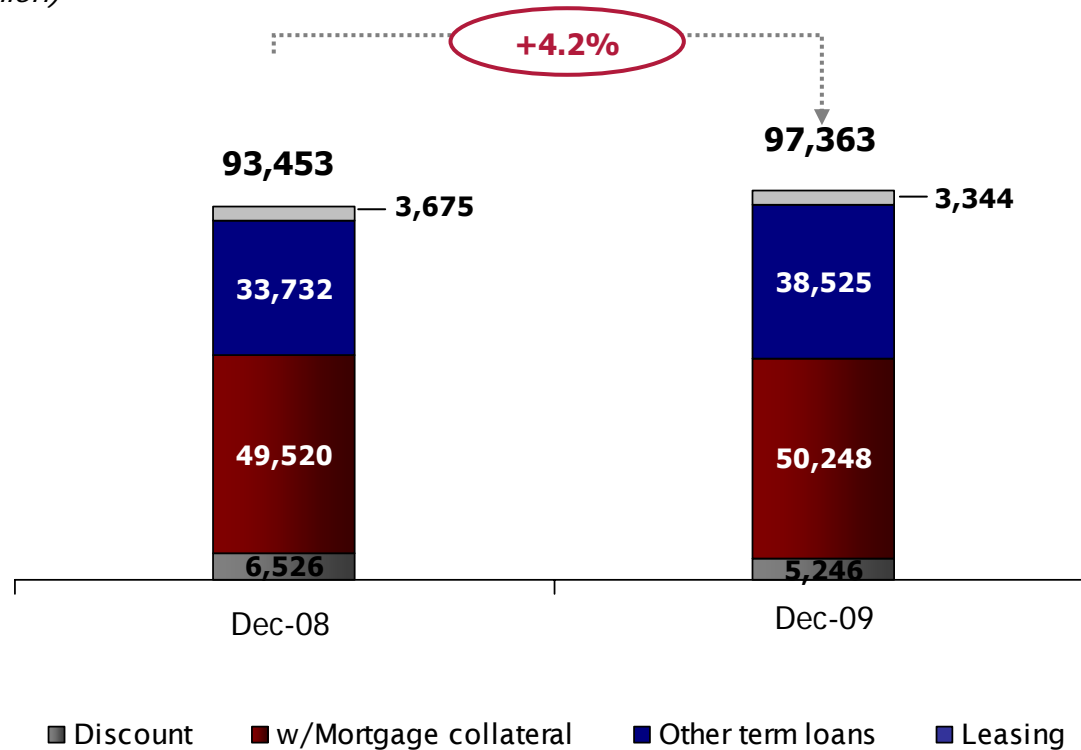


Credit demand remains weak, although we gain market share



Loans evolution

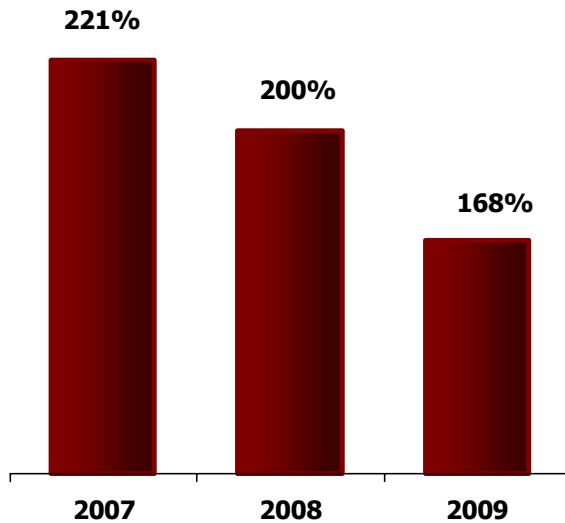
(€, million)



The excellent retail deposits growth improves our loan to deposits ratio

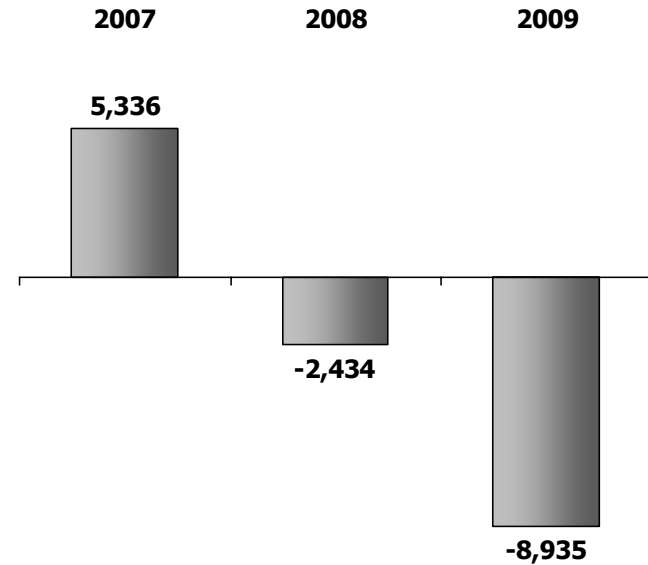
Loan/Deposit ratio

(In %)



Commercial Gap evolution

(€, million)

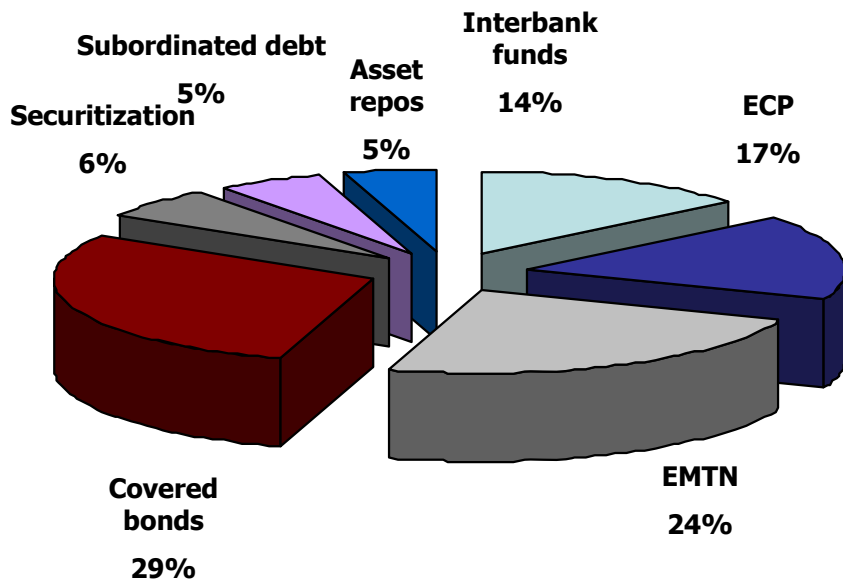


...with a leverage ratio of 16.17x (6.2%)

We have built a sound liquidity position



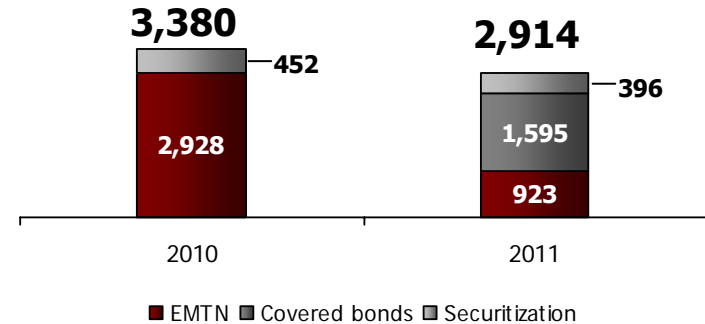
Wholesale funding breakdown



€ 34,415m wholesale funding

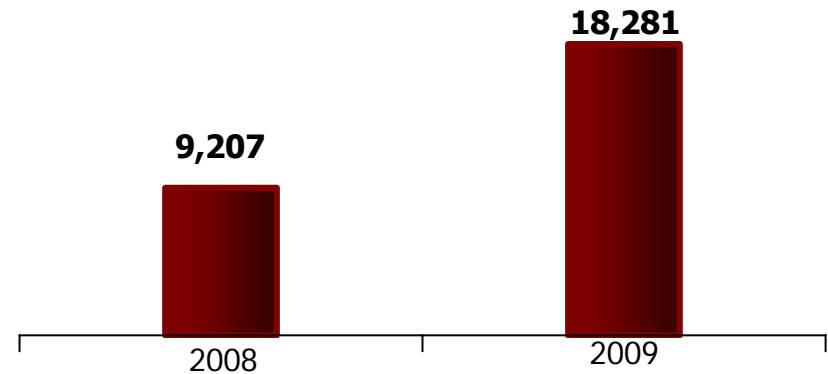
Long term debt maturities

(€, million)



Second line of liquidity (cash basis)

(€, million)



Covers wholesale maturities in more than one year



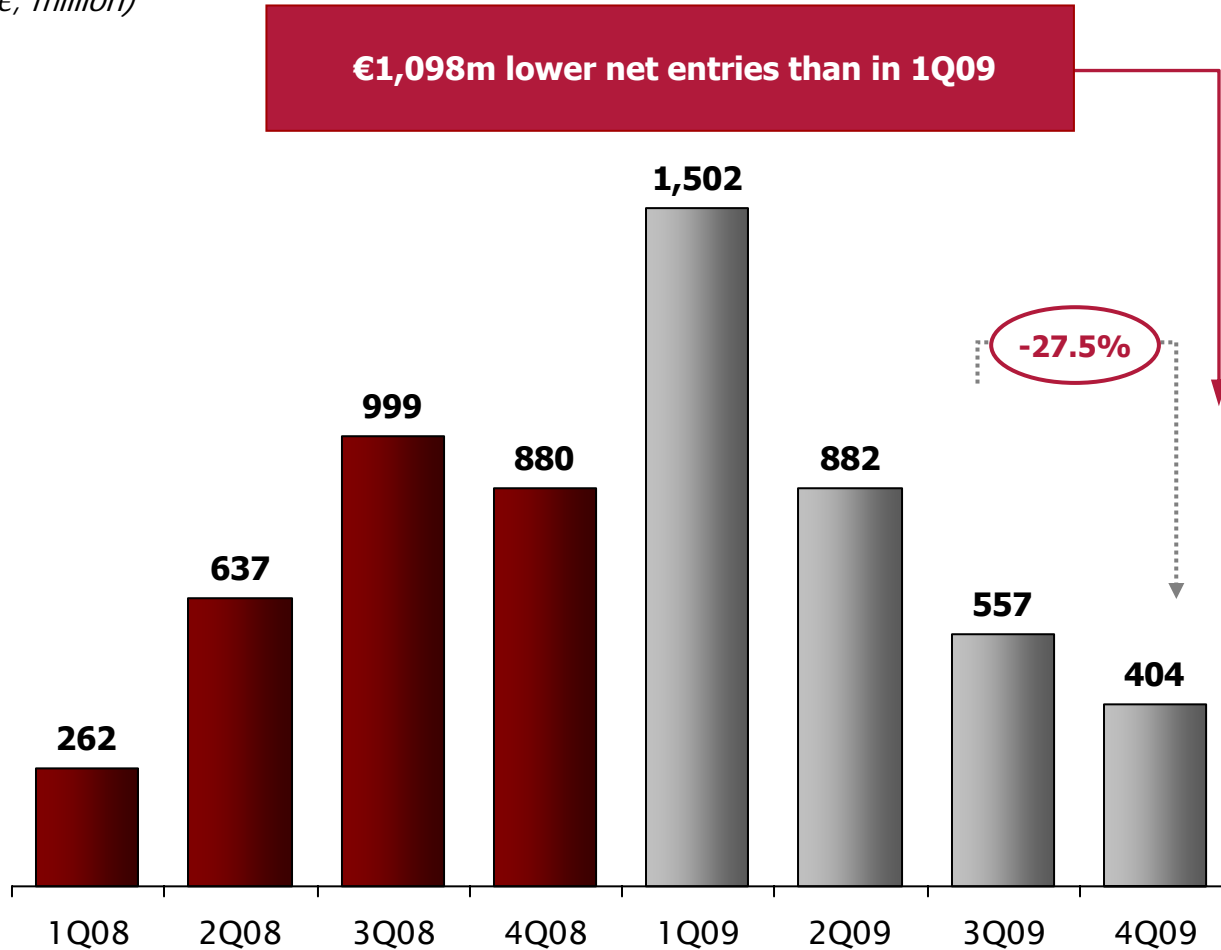
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Net NPL entries have, as anticipated, decreased. By 73% vs. 1Q09

Evolution of net entries of NPLs

(€, million)

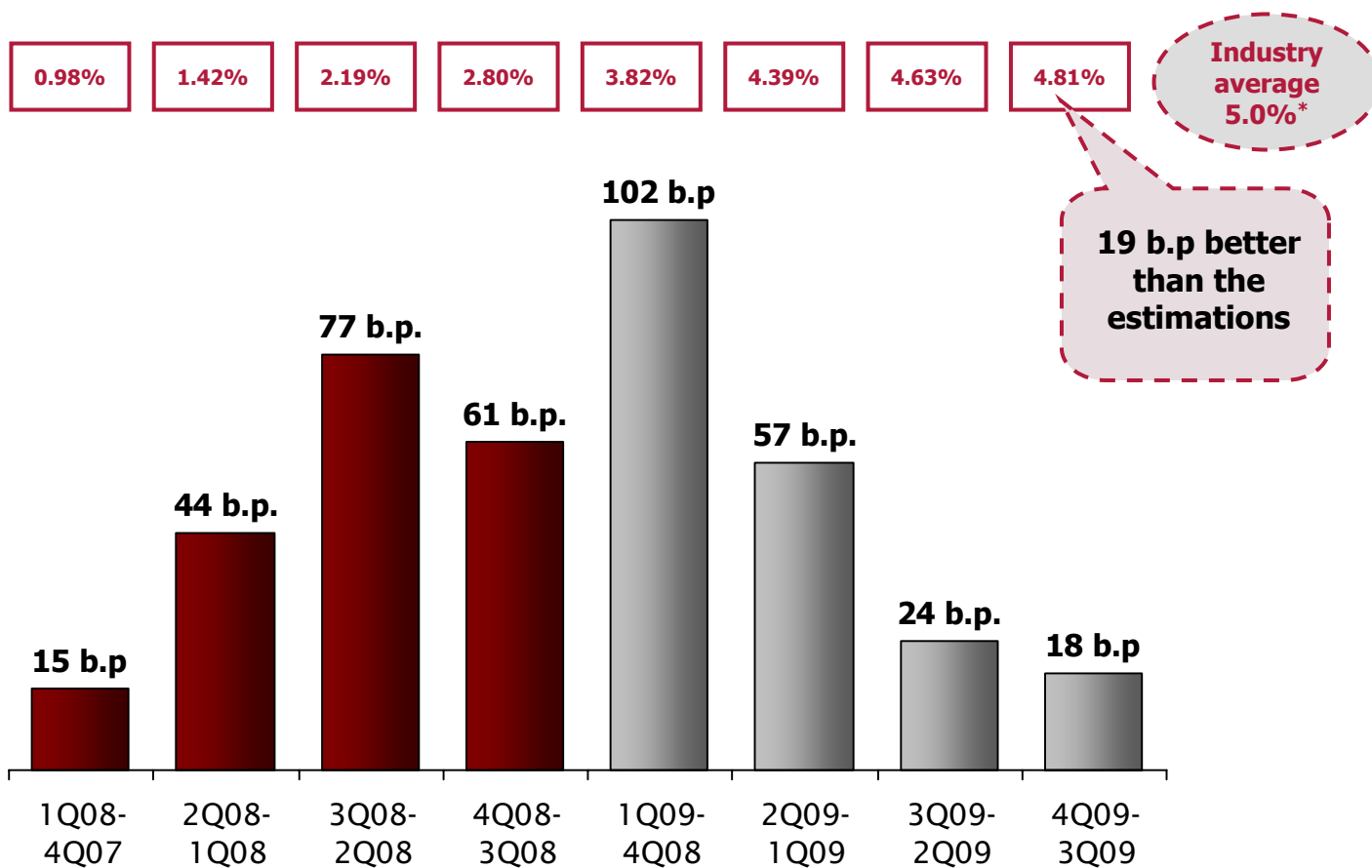


NPL grows at a slower rate. It is normalising



NPL ratio growth

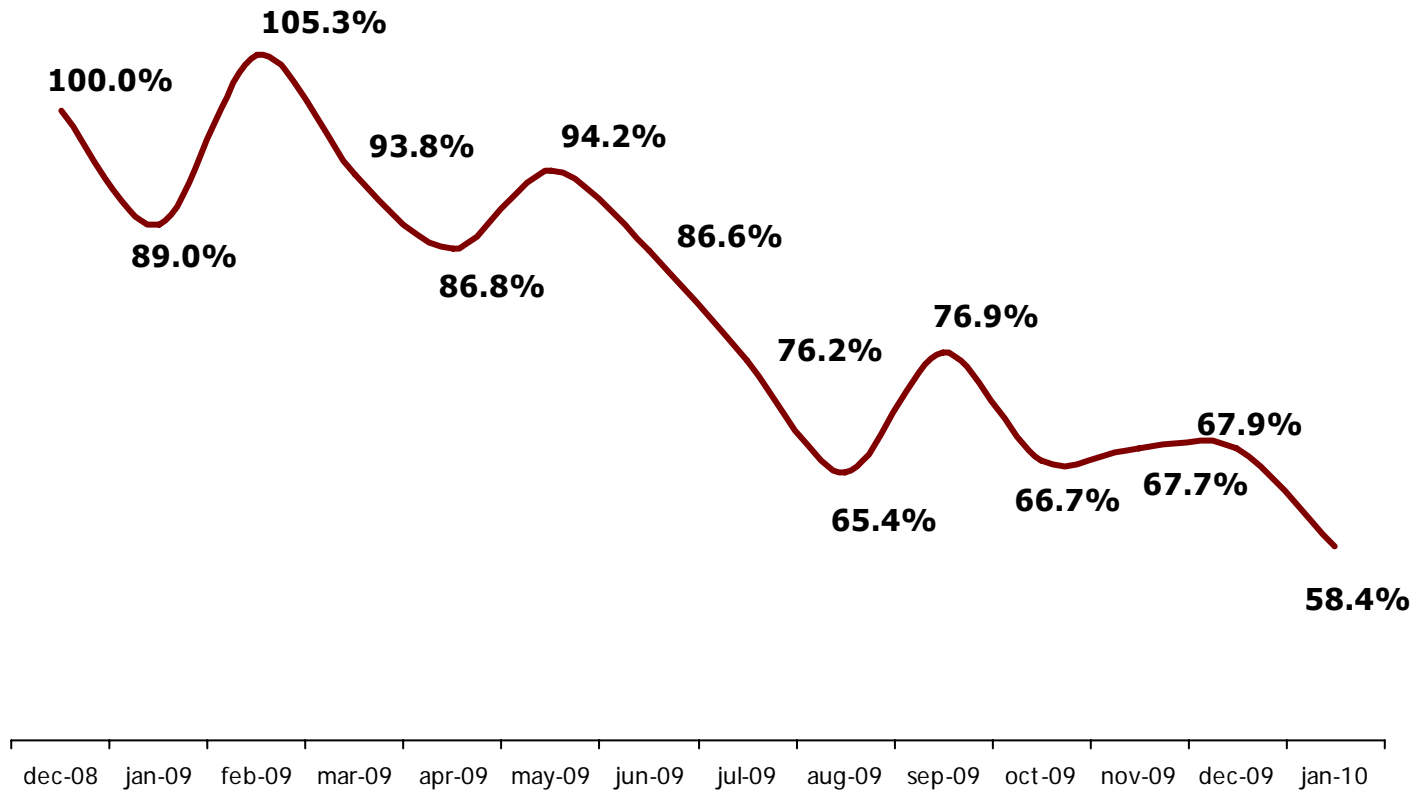
NPL ratio



*Average of banks and savings banks as of November 2009. Other resident sectors. Source: Banco de España

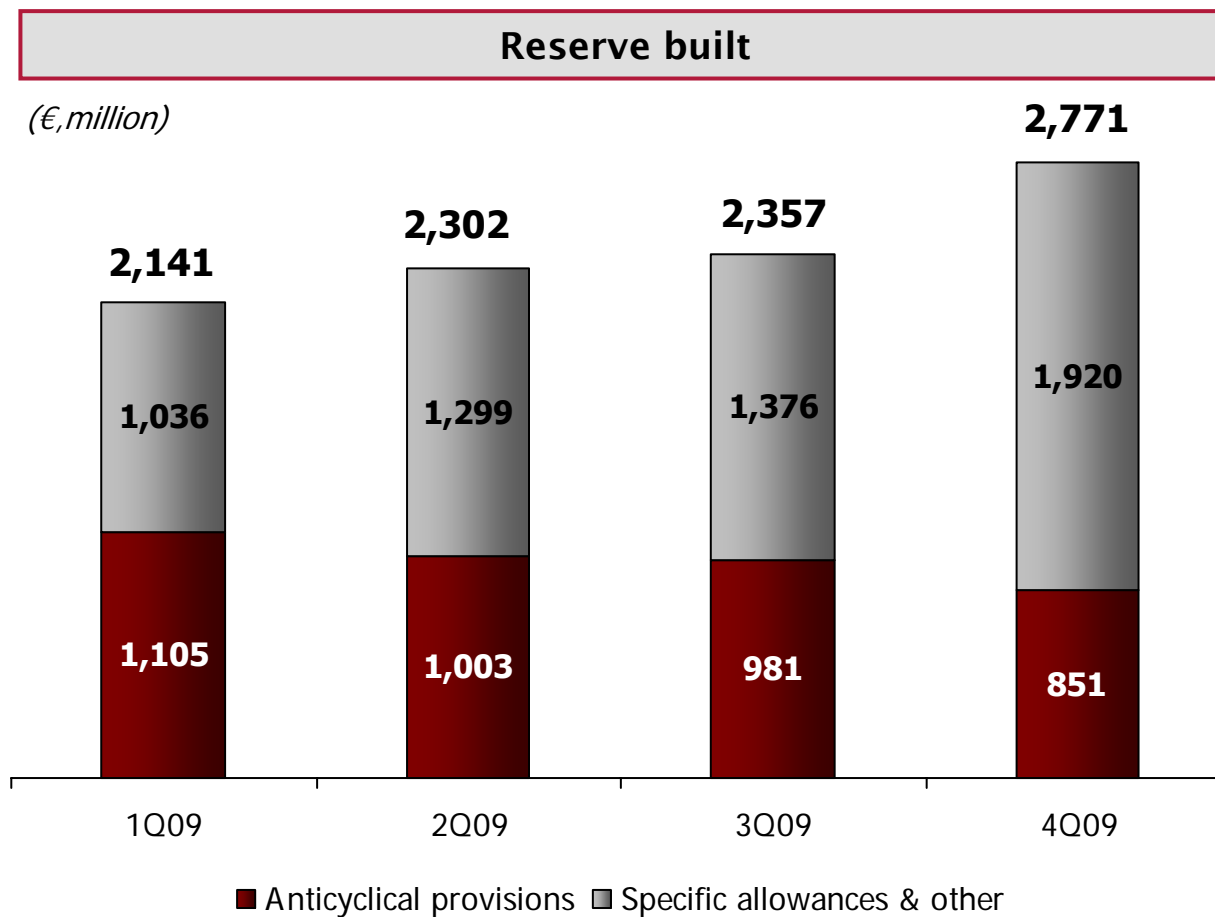
Early problem indicators also show a marked improvement

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



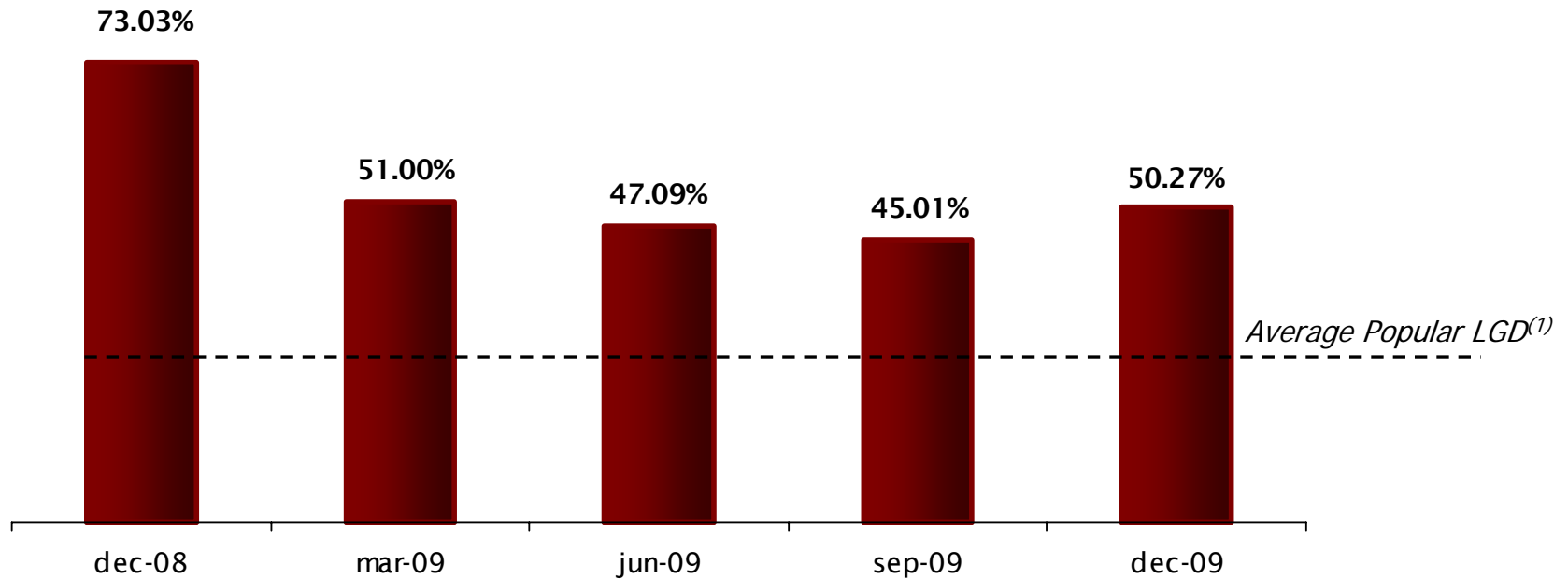
Note: Index shows evolution of € volume of Banco Popular's clients who have failed or defaulted payments (30-90 days) but are not non performing according to Bank of Spain regulation. Base of as December 2008. Data as of the beginning of each month.

Strong revenues: We keep building allowances



Coverage improved more than 5p.p in 4Q09 as NPL normalises

Coverage ratio evolution



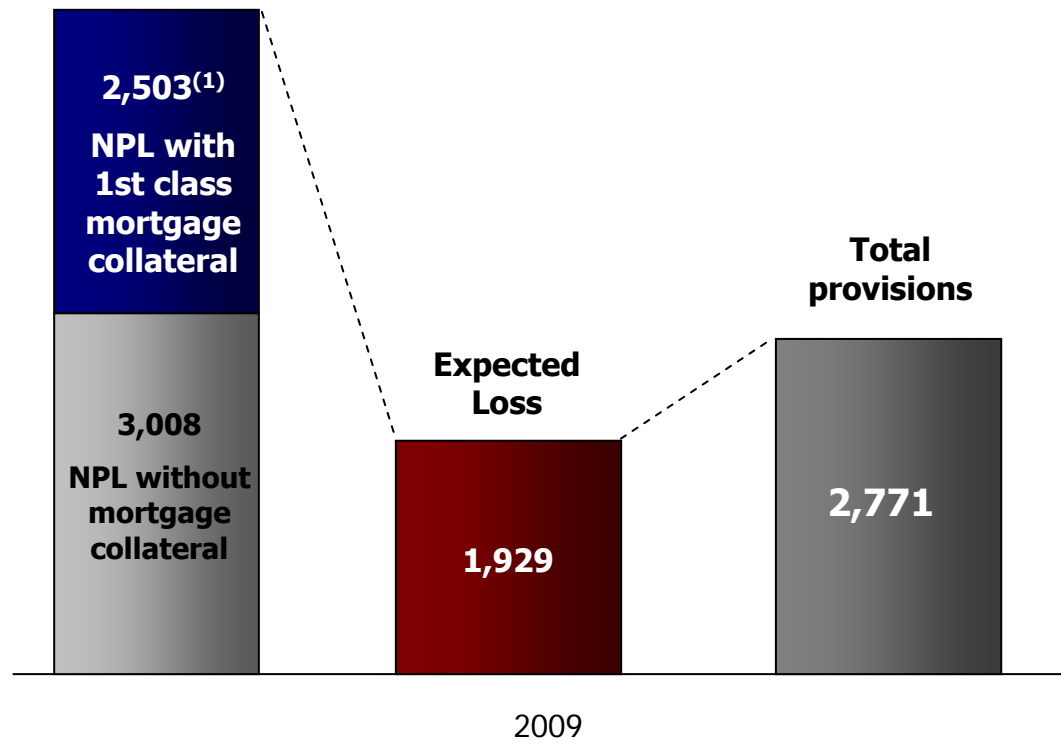
⁽¹⁾LGD: Loss Given Default. Includes internal IRB models for SME and mortgages and regulatory LGD for the rest of the portfolio.

We keep insisting as well that the expected loss should be lower than the provisions. NPL ≠ losses!



NPL's vs. EL and provisions

(€, million)



⁽¹⁾ Properties value of €4,117m.

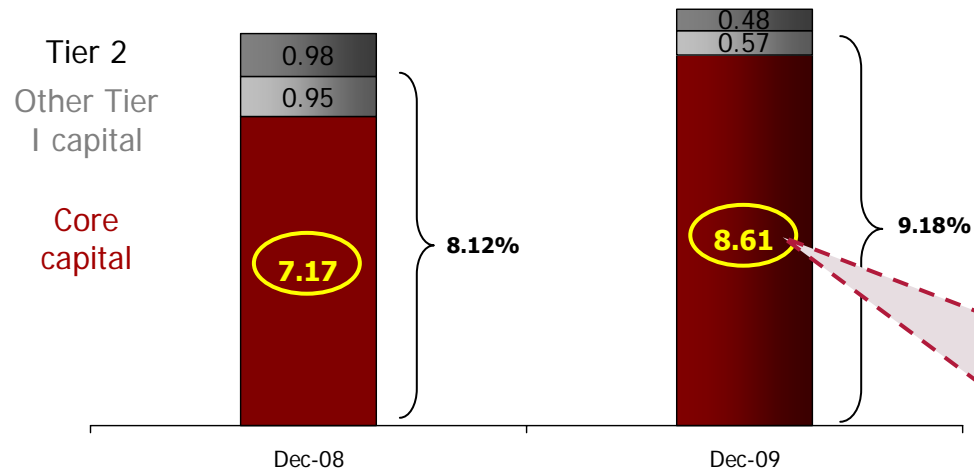


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Popular has the highest core capital ratios (w/o public injections) and anticipated itself to the new capital requirements. Core capital 8.61% vs. 7.17% a year ago

Capital ratios evolution



108 b.p above Spanish banks average(*)
131 b.p above European banks (ex-UK) average(*)

| | | |
|---------------------------------|----------------|----------------|
| Core Capital (€Bn) | 6.6 bn | 7.9 bn |
| Surplus Capital over BIS | 1,011 m | 1,530 m |

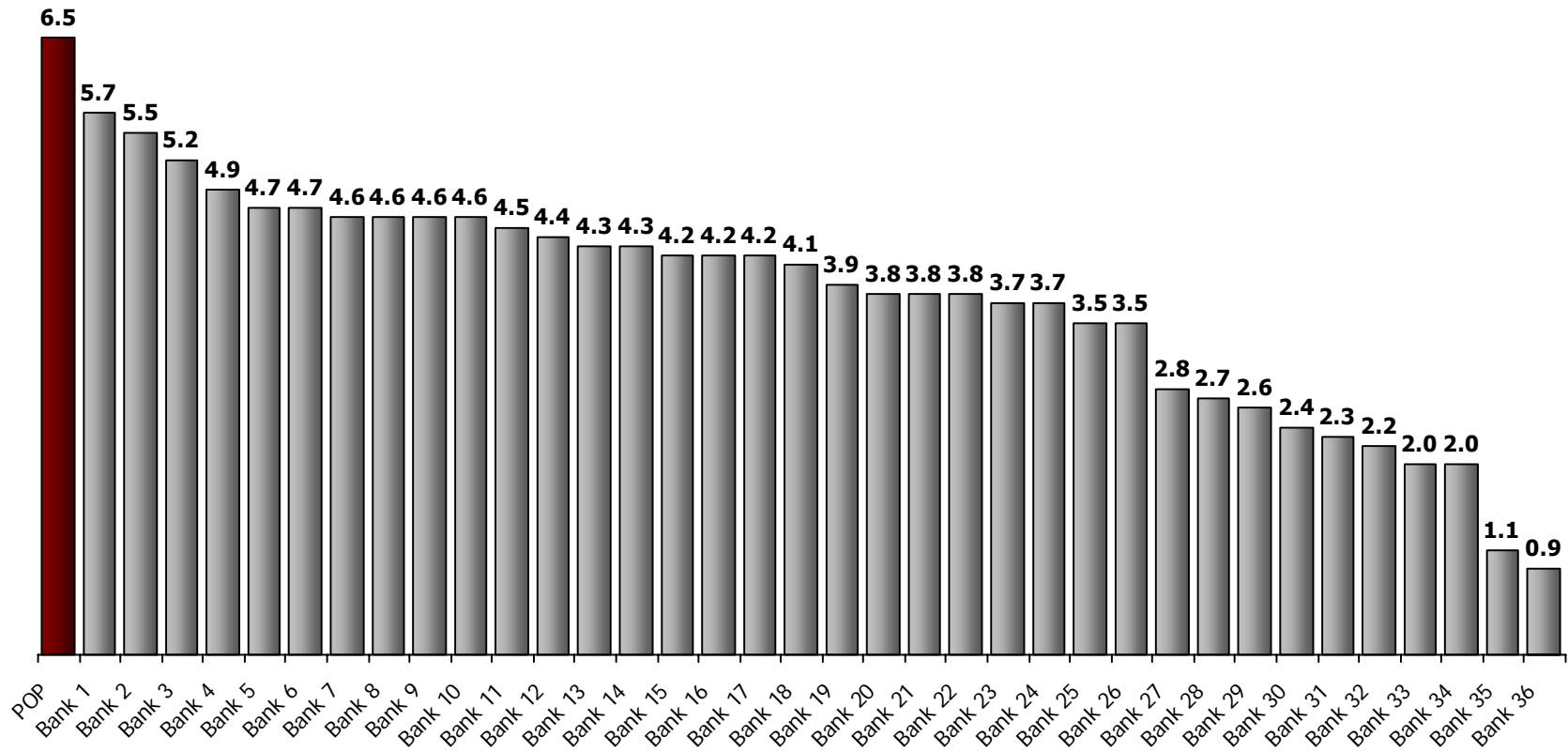
(*) Data as September 2009

We are the European bank with the highest tangible capital ratio



Tangible equity / Tangible total assets

(In %)



Source: Morgan Stanley, 11 Sep 2009.

Note: Comparable banks include SAB, RBS, Pireau, USB, NDA, JPM, SAN, BBVA, EFG, STT, BAC, ALPHA, ISP, DNS, NBG, BKI, SEB, STAN, SWED, UCI, MPS, BK, BARC, HSBC, WFC, SHB, DAN, GLE, DBK, UBS, BNPP, C, CSG, LLOY, DBP, CBK

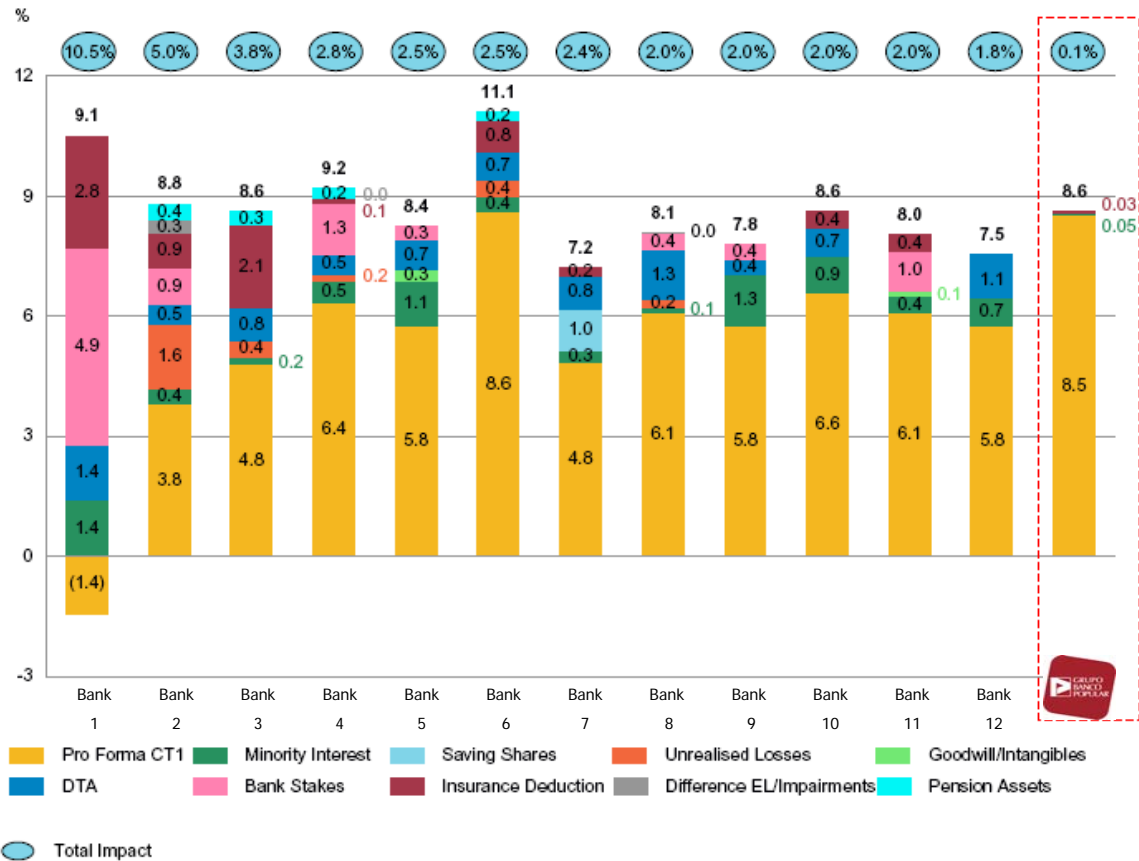
Preliminary assessment of the new BIS draft reflect our privileged position



Preliminary Assessment of BIS Impact. Source: Morgan Stanley

Impact of Proposed deductions

Core Tier 1 Impact



Source: Morgan Stanley, 12 Jan 2010

Note: Comparable banks include CASA, HSBC, Lloyds, Barclays, Santander, RBS, Intesa, Deutsche Bank, BNPP, Socegen, BBVA and Unicredit



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- **Keep growing & gaining market share, both in loans and in deposits.**
- **Still in a tough cycle, but trends improving substantially: net 4Q09 entries down 73% vs. 1Q09.**
- **Results ahead of market expectations & above June 09 guidance.**
- **€766m Net profit, allowing for over €2bn in provisions, twice as much as in 2008.**
- **Balance Sheet strengthening: core capital up by €1,3bn, or 20.3%.**

Outlook



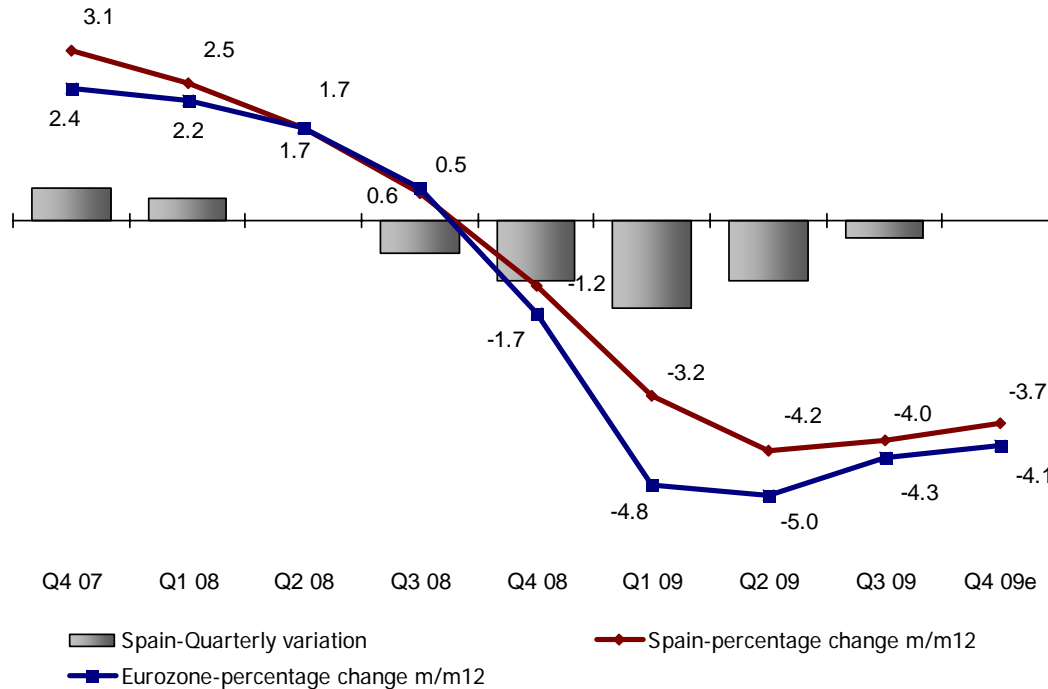
- **Still cautious with the economic situation.**
- **We remain determined to help our customers through the cycle.**
- **We are very confident about the proven resilience of our business model and of our financial strength.**
- **2010: We expect to be above the current market consensus.**

APPENDIX

Spanish Economy: GDP performance

The last quarters of 2009 have shown clear symptoms of stabilization...

GDP (%)

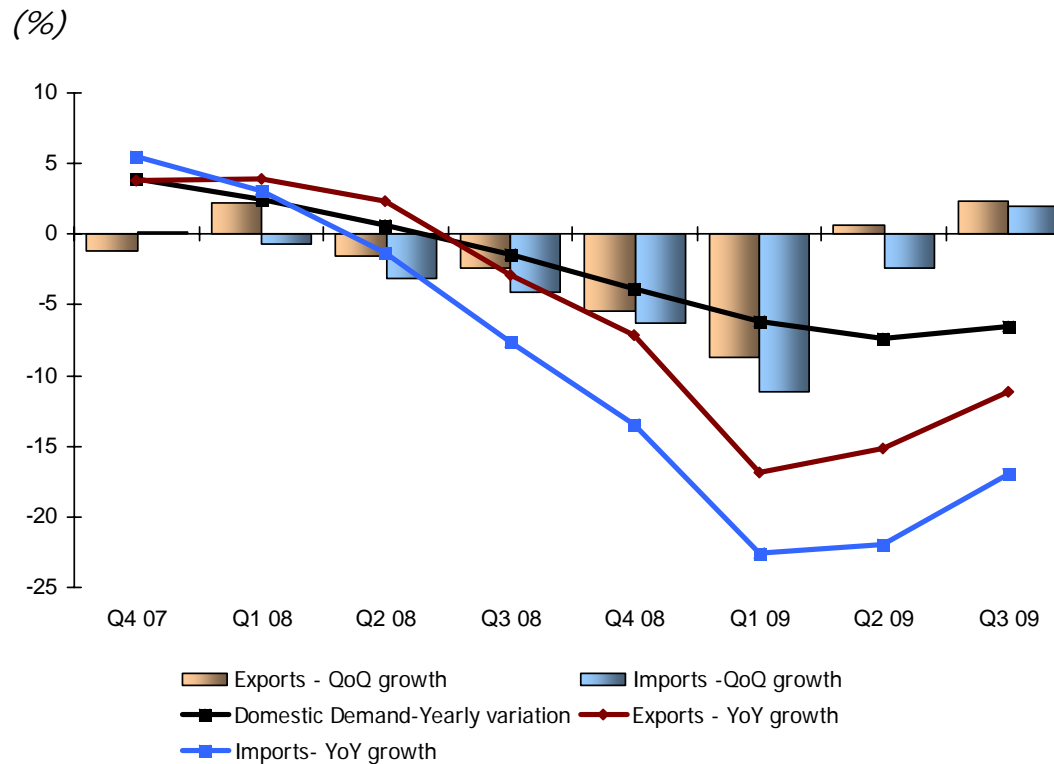


... though we should wait until 2010 to see if the economic recovery is sustained

Spanish Economy: GDP performance



Exports and Imports have started to grow ...

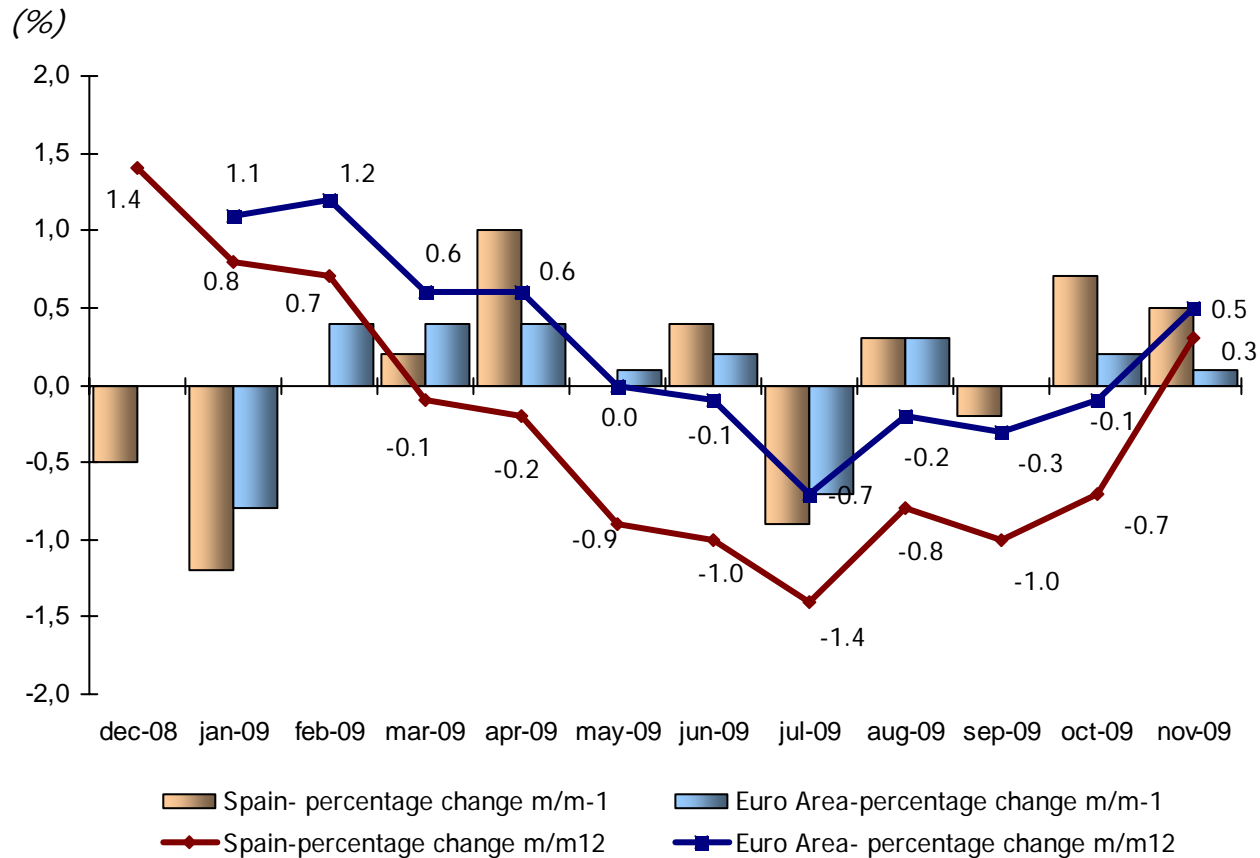


... while domestic demand has stabilized

Spanish Economy: Inflation evolution



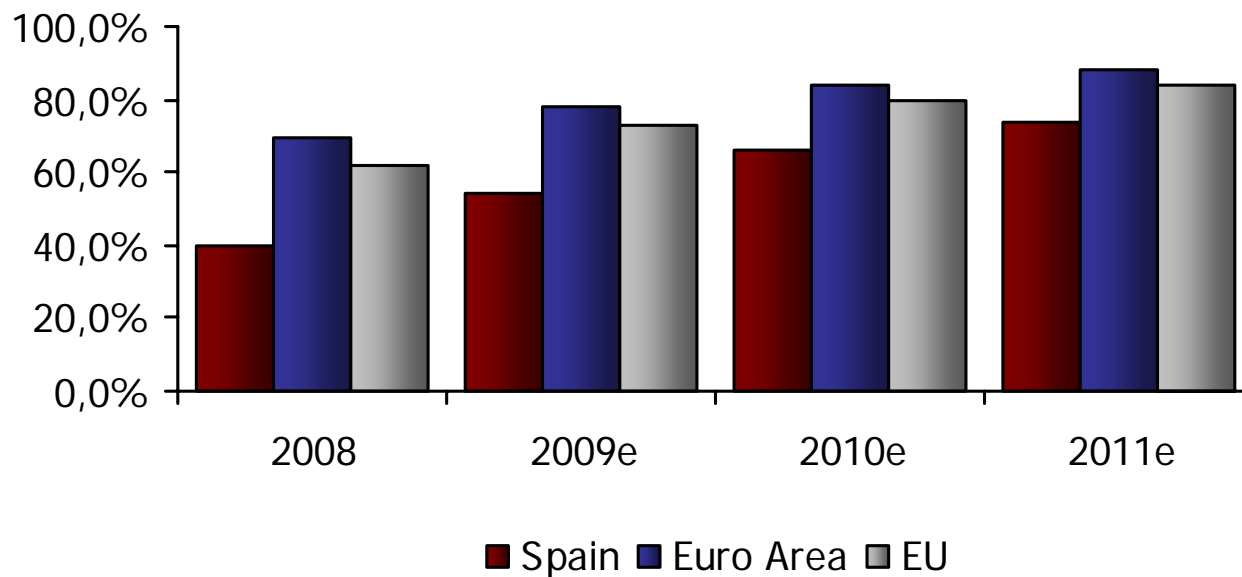
Deflation risk have diminished significantly ...



... and inflation is converging with the Euro Area

Spanish Economy: Public Debt over GDP

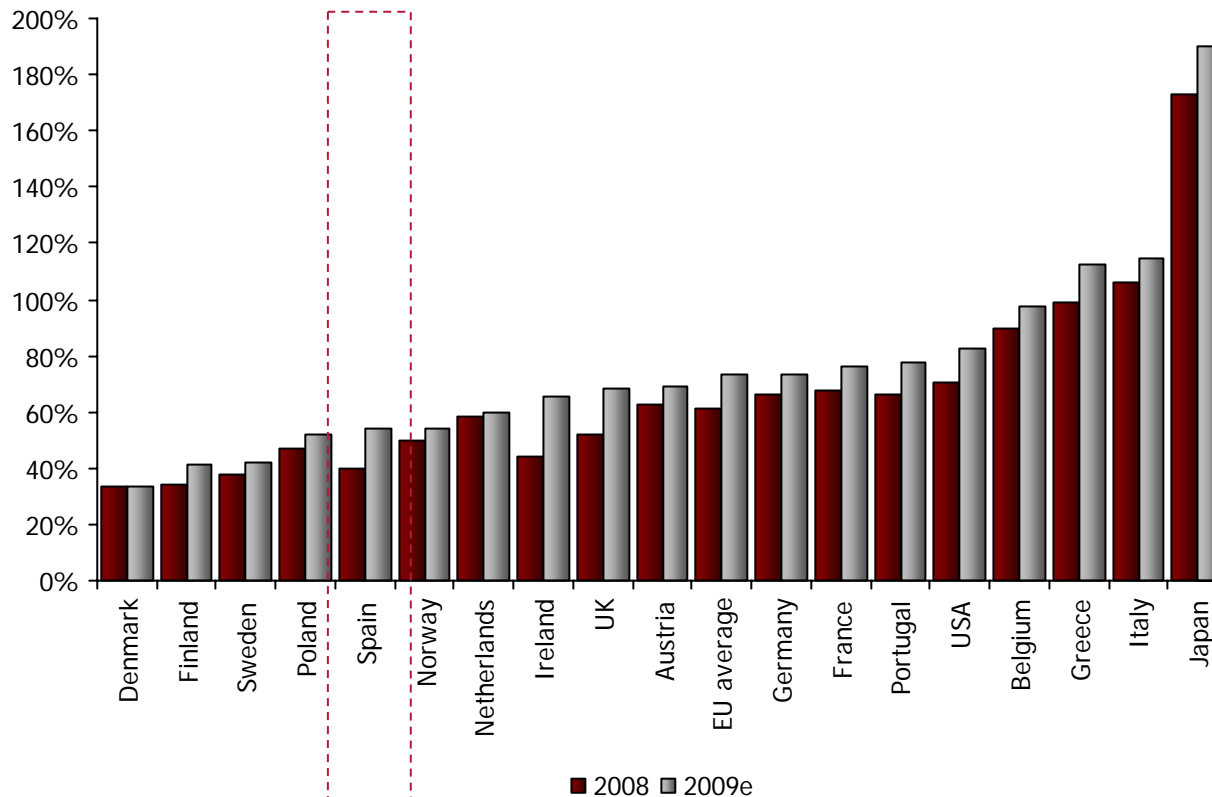
Public Debt (% GDP)



The weight of Public Debt over GDP will remain under European levels

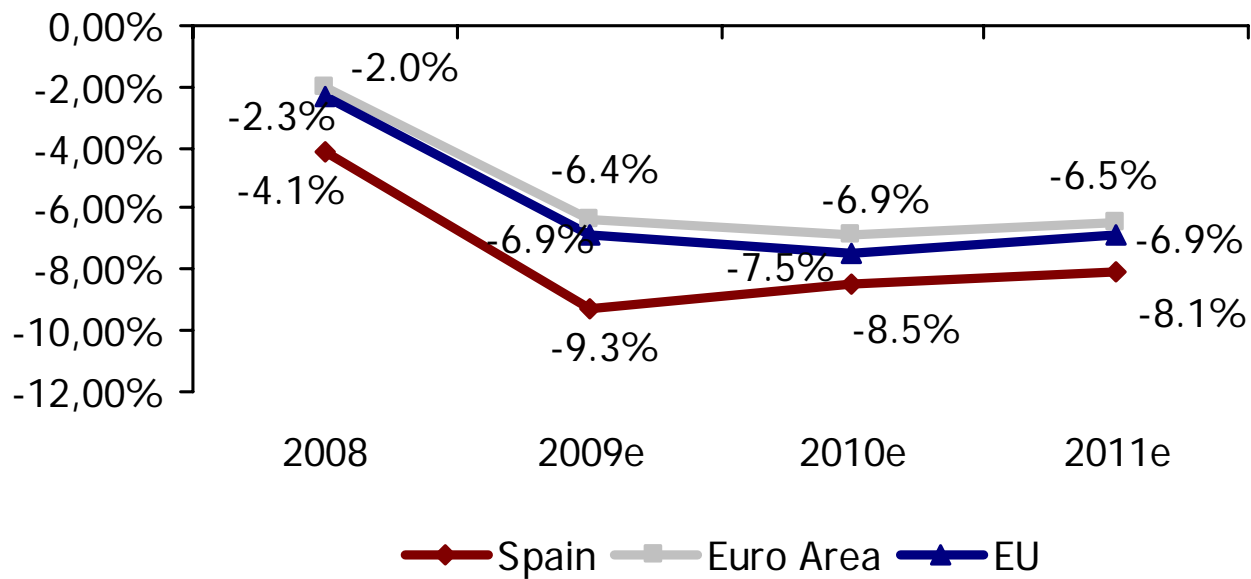
Spanish Economy : Public Debt over GDP

Public Debt over GDP per country



Spanish Economy: Public Deficit (% GDP)

Public Deficit (% GDP)



... while the Public Deficit will converge into the European average

Spanish Economy: main estimates

Main macro economic estimates European Commission

| SPAIN | 2009 | 2010 | 2011 |
|---------------------|-------------|-------------|-------------|
| GDP | -3.7% | -0.8% | 1.0% |
| Private consumption | -5.2% | -0.5% | 0.9% |
| Inflation | -0.4% | 0.8% | 2.0% |

| EURO AREA | 2009 | 2010 | 2011 |
|---------------------|-------------|-------------|-------------|
| GDP | -4.0% | 0.7% | 1.5% |
| Private consumption | -1.0% | 0.2% | 1.0% |
| Inflation | 0.3% | 1.1% | 1.5% |

Having outperformed (GDP growth) Europe in 2009, the recovery will be less patent in 2010 and converge in 2011



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