



Exane – Spain Investors Day

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1. Our short term priorities

- Capital Management
- Pastor Integration
- Asset Quality

2. Banco Popular: a solid and profitable franchise

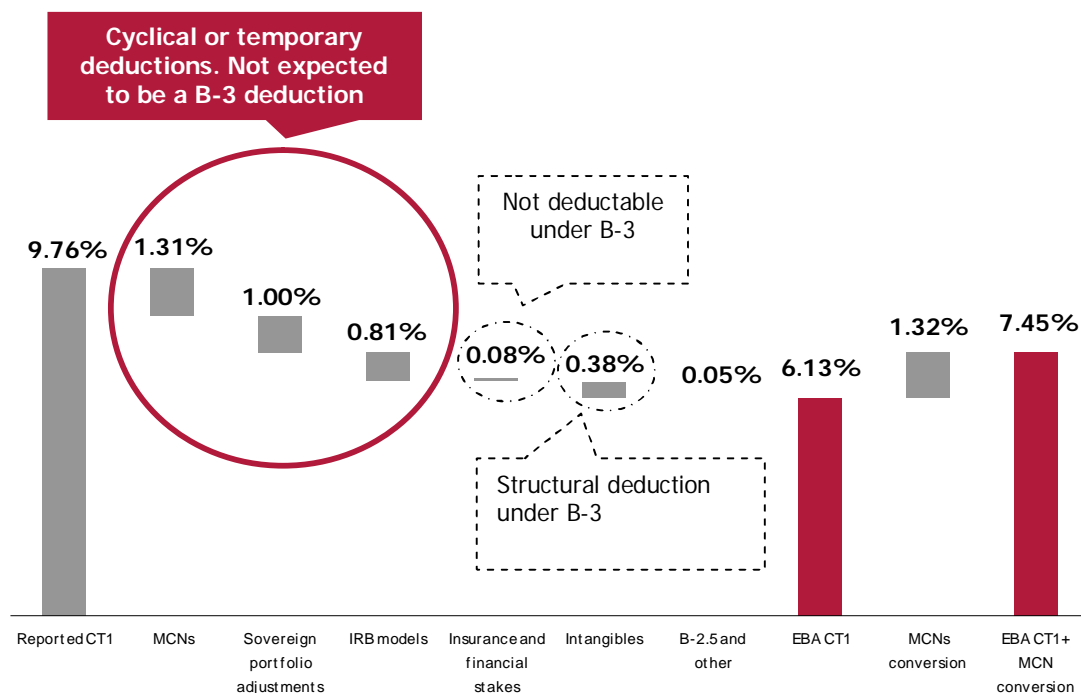
3. Conclusions and Q & A

1. Our short-term priorities: Capital Management

We have full confidence in bridging the gap to the new EBA definitions without any kind of State capital injection.

✓ Reconciliation reported CT1 and new EBA CT1

Sep 2011. €m



RWA €89,931m → €89,979m

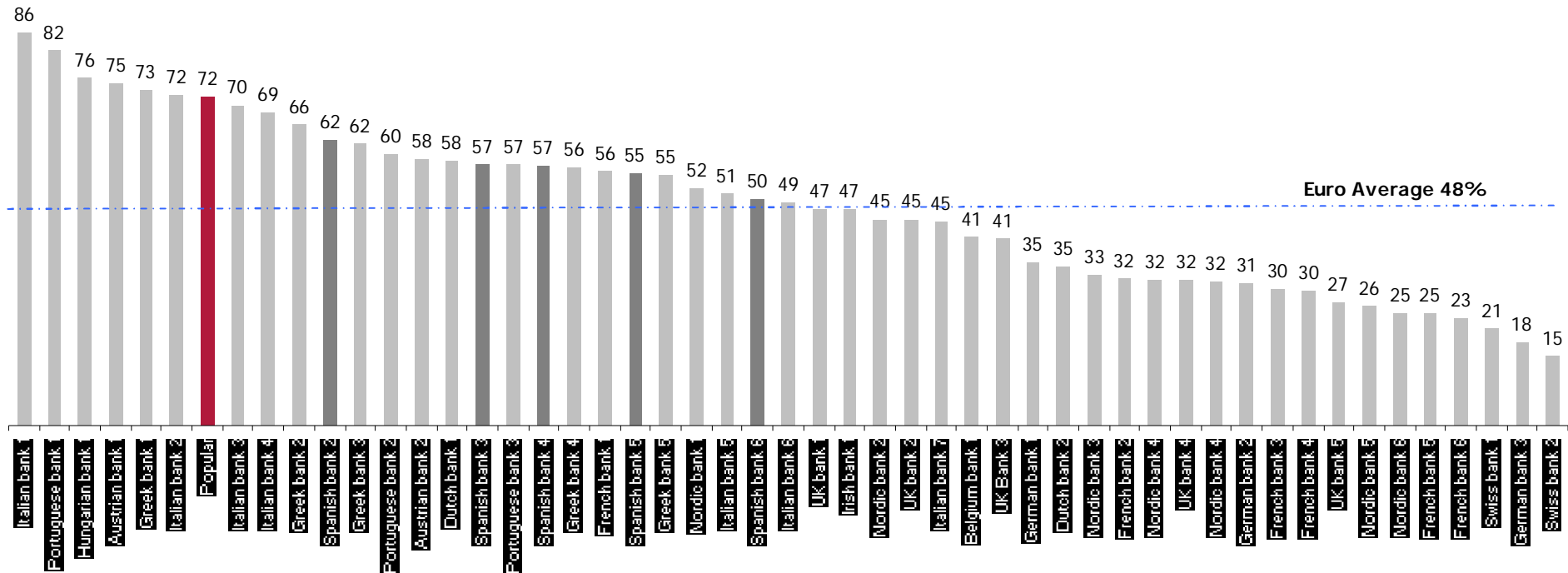
✓ Summary new European capital standards:

- EBA CT1 \geq 9% by June 2012
- MCN not considered as CT1 in contrast to Spanish regulation
- Mark to Market of Sovereign debt and public loans (AFS net and HTM and loans gross). Negative valuations deducted from CT1.
- RWA under B-2.5
- Local IRB models deductions (50% against CT1) vs 50% TIER1/TIER2 under B-2
- Insurance and financial stakes (50% against CT1) vs 50% TIER1/TIER2 under B-2
- Intangibles: deductible gross against CT1 including software related intangibles vs. Tier 1 under B-2.

1. Our short-term priorities: Capital Management

But it's also important to bear in mind that not all capital ratios are comparable. New EBA standards focusing only on capital definition (numerator) and little on the RWA (denominator).

✓ RWA over Total Assets 2010



Source: KBW

European Banks: Mediobanca, BES, OTP, Raiffeisen Int., Alpha Bank, UBI Banca, Banco Popolare, BPM, Piraeus Bank, Sabadell, Bank of Cyprus, Millennium bcp, Erste Bank, VanLanschot, Bankinter, BPI, BBVA, NBG, Credem, Banesto, EFG Eurobank, SpareBank SR1, Intesa Sanpaolo, Santander, Unicredit, Standard Chartered, Bank of Ireland, DnB NOR, HSBC, MPS, KBC, Lloyds Banking Group, Commerzbank, ING, SEB, Natixis, Nordea, RBS, Swedbank, Deutsche Postbank, BNP Paribas, Société Générale, Barclays, Danske Bank, Handelsbanken, Dexia, Crédit Agricole, Credit Suisse, Deutsche Bank, UBS.

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2. Banco Popular: a solid and profitable franchise

3. Conclusions and Q & A

1. Our short-term priorities: Pastor Integration

Pastor brings a similar business models to create value and enhance the franchise

1

Financially attractive to our shareholders

- EPS⁽¹⁾ accretive from day 1; ROI >15% by year 3
- Premium paid is 2.5x covered by the NPV of the synergies

2

Strategically relevant

- Consolidates Banco Popular as a leading player in the Spanish market
- Brings a profitable underlying business with a low execution risk given its similar business mix

3

Balance sheet reinforcement

- Banco Popular will put aside €1.6bn (pre-tax) of allowances anticipating future provisioning needs (7x Banco Pastor's current rate)
- NPA coverage rises from 47% to 54%, among the highest in the industry

4

Shareholders Bases reinforced and Top Capital levels maintained

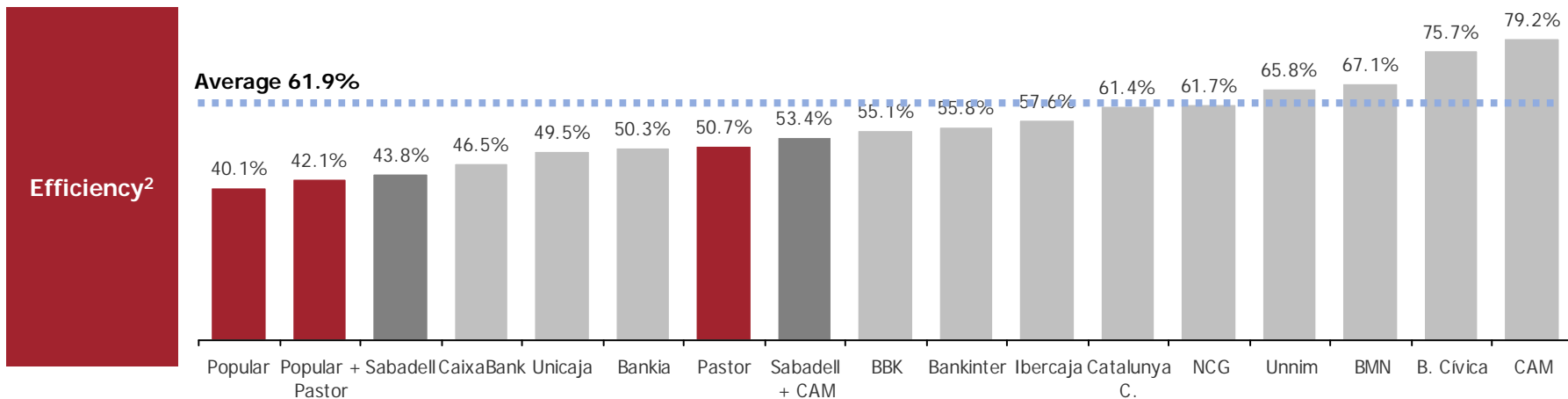
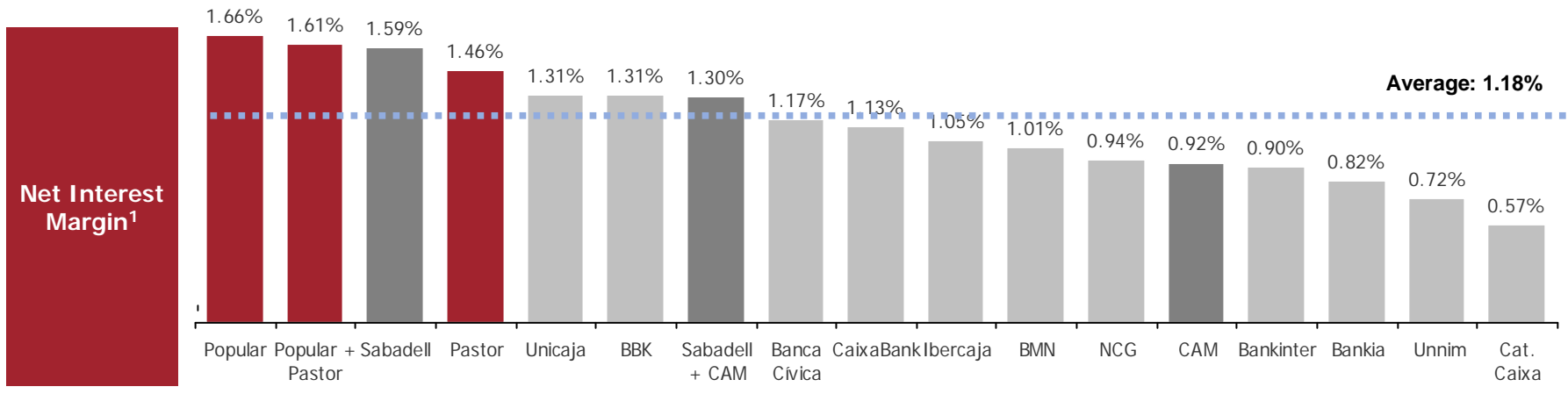
- Key Banco Pastor shareholders become key shareholders of Popular
- We plan to issue €700m of EBA eligible capital instruments to offset the goodwill generated by anticipated new provisioning charges

1. Ex-restructuring costs

1. Our short-term priorities: Pastor Integration

Perfect fit with the highest margins and efficiency levels

Banco Pastor's underlying banking business is very profitable compared to the sector



Note: Information as of 1H 2011 except Unicaja, BBK and Caja Vital as of 1Q2011
 1. Net interest margin over average total assets
 2. General and administration costs over total revenues

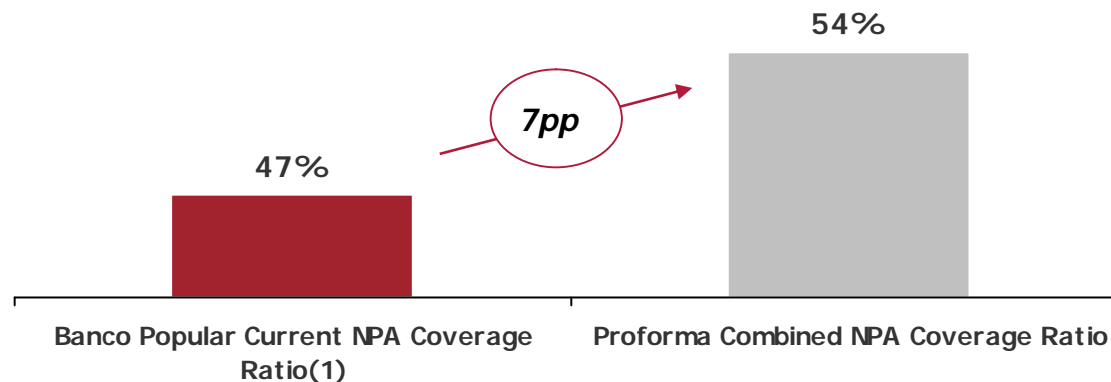
1. Our short-term priorities: Pastor Integration

Balance sheet reinforcement. Extraordinary provisions and increased coverage levels

The extraordinary provisions charged against reserves upon closing of the transaction will allow the group to significantly reduce provisioning requirements going forward

As a consequence of the transaction, coverage levels of the combined entity will increase by €1,583m (€1,108m net)

✓ Pro-forma Combined Coverage Ratios



1. NPAs= NPLs + Real estate assets + written off loans. Coverage includes specific, generic provisions and R.E. assets provisions

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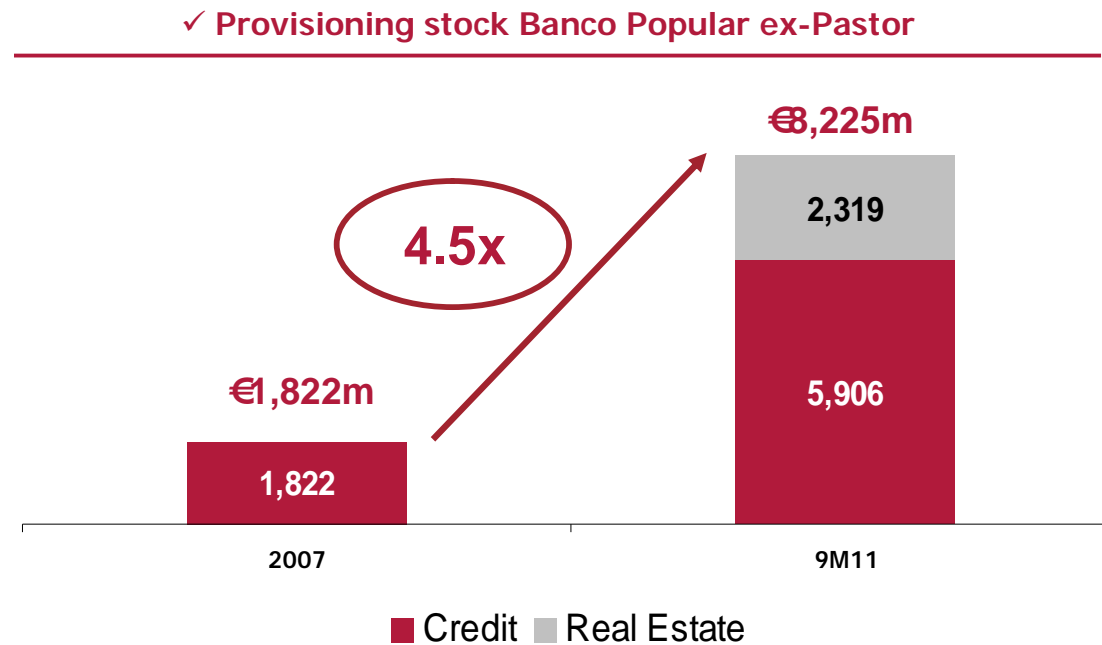
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1. Our short-term priorities: Asset Quality

Huge effort increasing total credit and RE provisions...

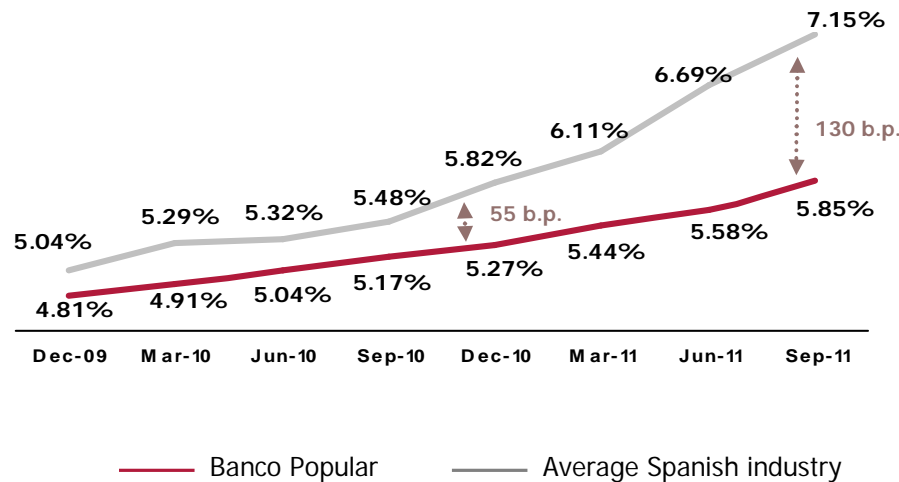


✓ NPA's coverage at 47% and will rise to 54% with Pastor Deal.

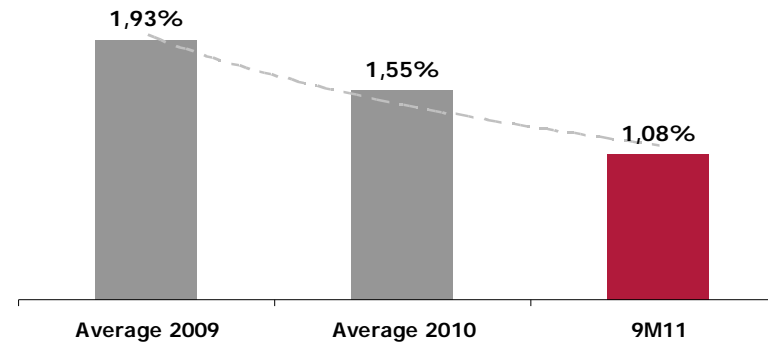
1. Our short-term priorities: Asset Quality

... Coupled with an active risk management that is paying-off: NPLs out-performing peers and we keep reducing the cost of risk

✓ NPL ratio evolution



✓ Ordinary specific provisions cost of risk evolution⁽¹⁾



✓ We actively manage risk... Strong team in place: from 400 to 700 employees fully devoted on recoveries and AQ management

(1) Average ordinary specific over average loans

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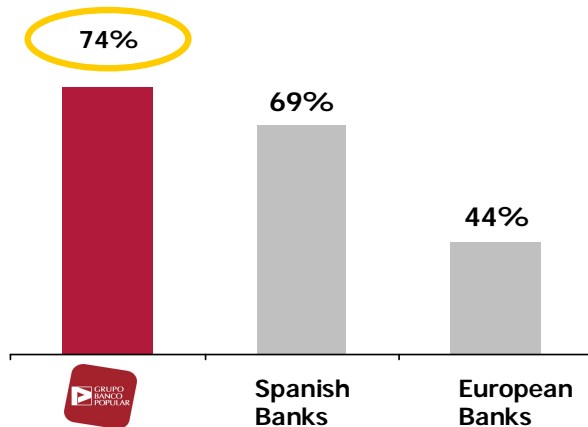
2. Banco Popular: a solid and profitable franchise

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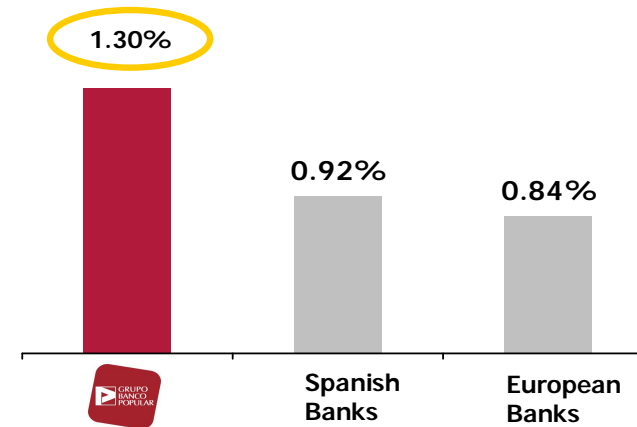
2. Banco Popular: a solid and profitable franchise

In spite of the crisis our strengths remain in good shape...

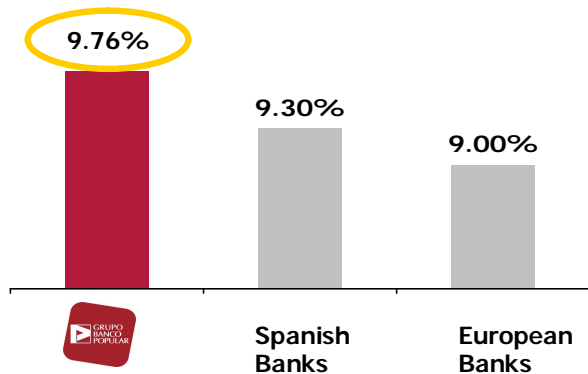
✓ A pure retail and commercial bank:
loan to assets



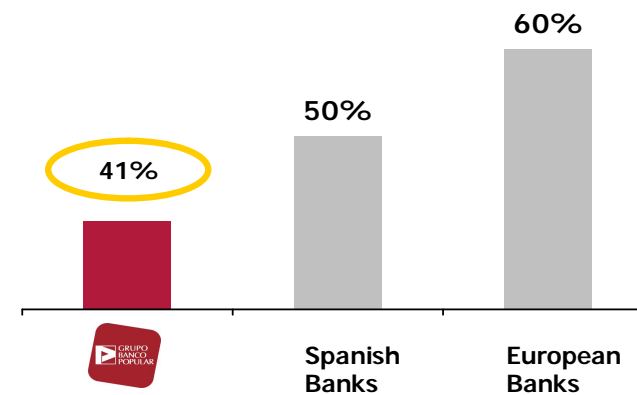
✓ A privileged operating margin ⁽¹⁾



✓ A strong core capital ⁽²⁾



✓ The most efficient bank: C/I ratio



(1) Pre-provision profit/ ATAs

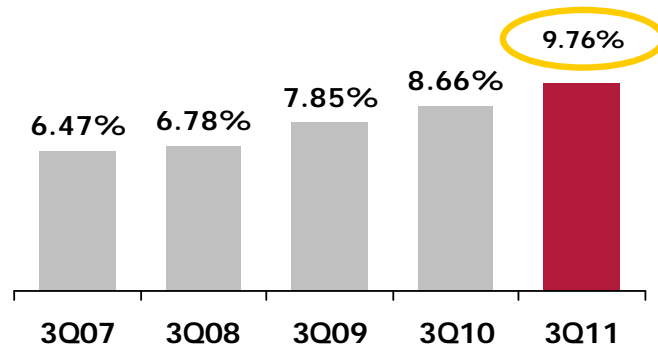
(2) Core capital under local regulation, which includes MCNs and local deductions

Source: Quarterly reports as of Sep 11; Spanish Banks: Caixabank, Sabadell, Bankia, Banesto and Bankinter
European Banks, KBW European Banks & Credit Suisse Banks valuation

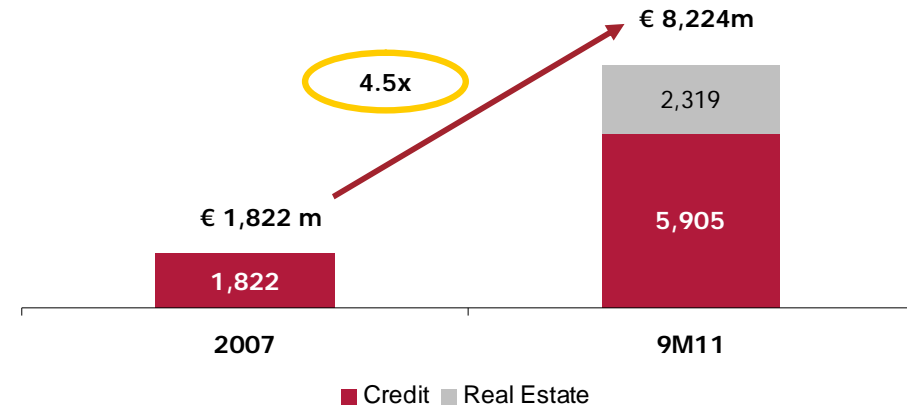
2. Banco Popular: a solid and profitable franchise

Our priorities remain focused...

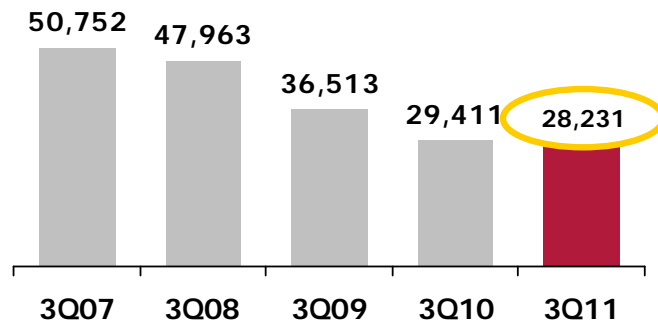
✓ Solvency: Core capital



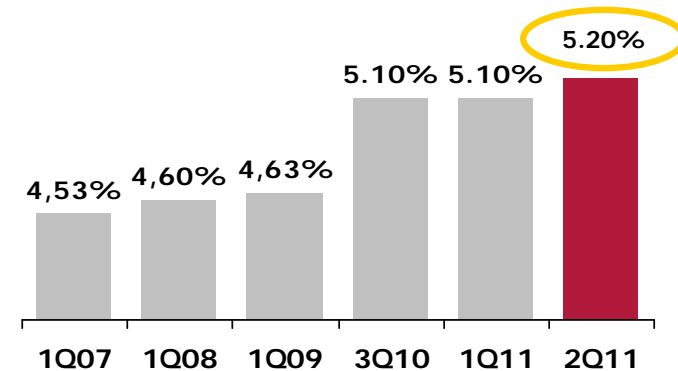
✓ Reinforce credit & RE provisions



✓ Reduce wholesale funding reliance;
Commercial Gap ⁽¹⁾



✓ Gain quality market share ⁽²⁾



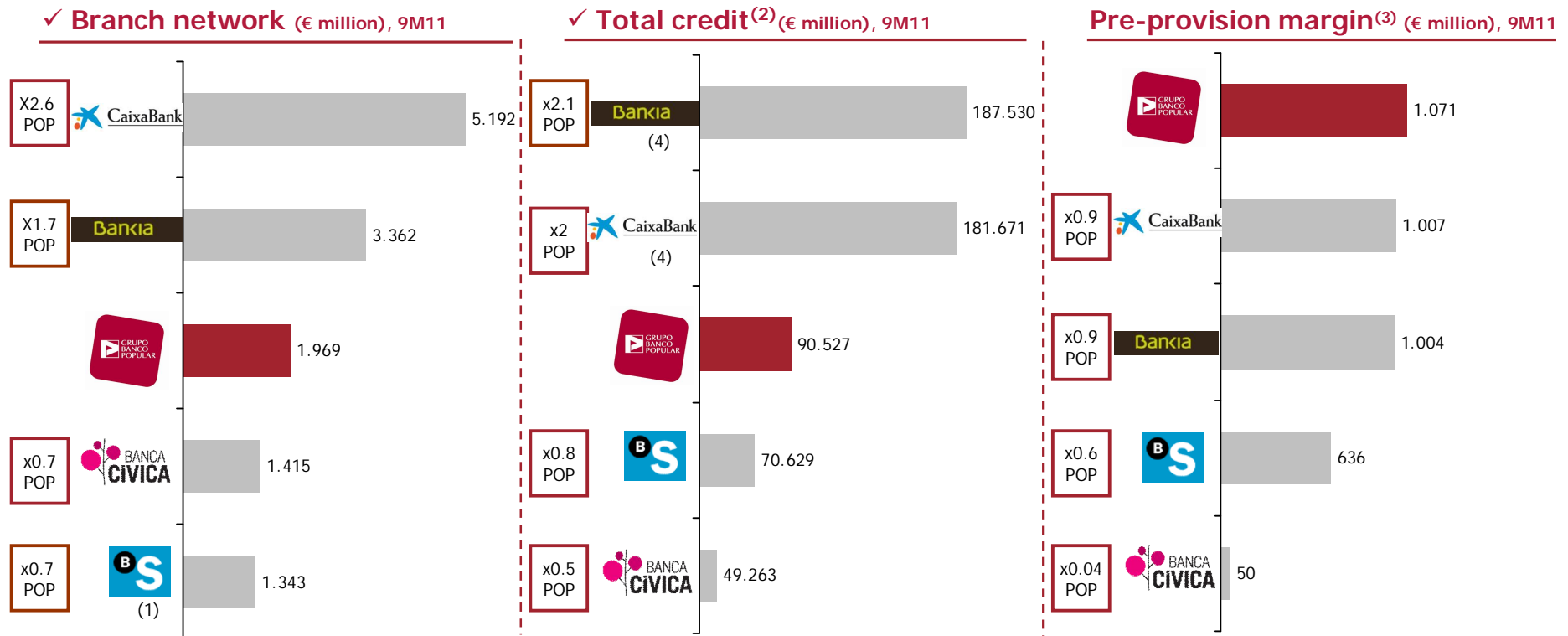
* Core Capital definition under local criteria

(1) Commercial Gap = Loan ex repos – Deposits ex repos

(2) Business market share: credits and deposits. Source: T7 form. Latest available data.

2. Banco Popular: a solid and profitable franchise

Our business model is the most profitable by far



Popular is the most profitable in terms of pre-provision margin⁽⁴⁾, although "La Caixa" and Bankia are significantly bigger (*branches and credits*)

Source: Companies Annual reports. Bank of Spain, N+1 Banca Civica report (June 2011), Bankia and Civica IPO prospectus (June 2011)

(1) Banco Guipuzcoano included

(2) Ex repos

(3) NII + net fees and commissions – operating expenses, non recurring income not included

(4) Total Client loans

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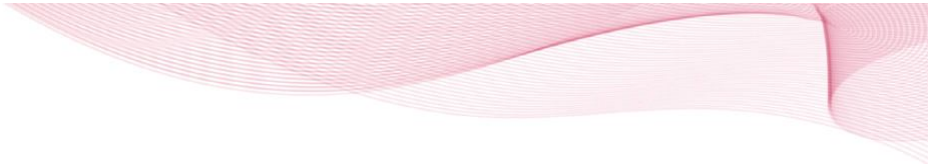
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Outlook

- **Macro, micro and regulatory environment will remain very challenging.**
- **Ordinary Revenues should start improving within the next two quarters.**
- **2011 Net profit within the range of current market consensus.**
- **New EBA Capital Requirements do not alter our plans. We 100% rule out any public capital injection.**
- **2011 has being a tough year for banking, but Popular starts 2012 in a very good position, being able to**
 - i. benefit from Pastor acquisition, both in terms of lower combined provisioning needs and in terms of NPAs higher coverage**
 - ii. benefit from the build up of NPV €800m of synergies and**
 - iii. hopefully enjoy a clearer regulatory and sovereign environment.**



Many Thanks.

Happy to take any questions.



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