



Banco Popular 1Q10 Results

US Roadshow - May 2010

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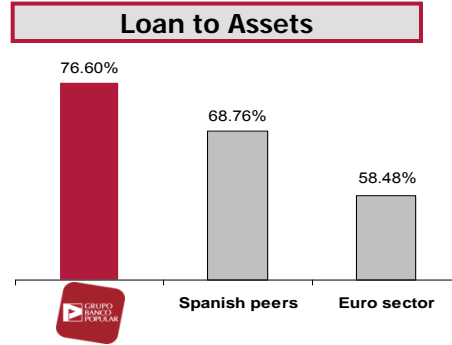
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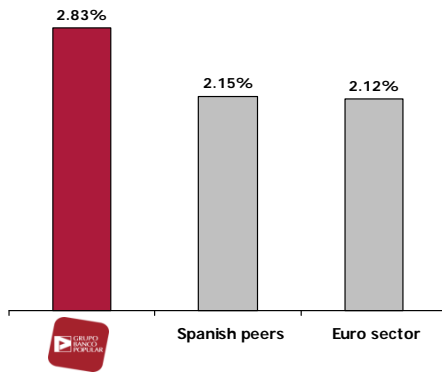
Agenda

- 1. Initial remarks**
- 2. Solid operating performance and high quality earnings**
- 3. Risk management: trends noticeably improving**
- 4. Financial strength: ratios up**
- 5. Outlook**

Banco Popular: a leading commercial franchise



Pre-Provision Profit over loans



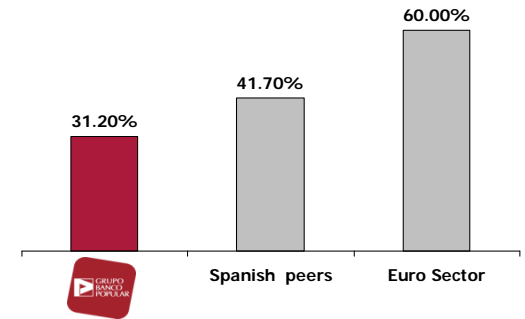
Profitability

Retail Franchise



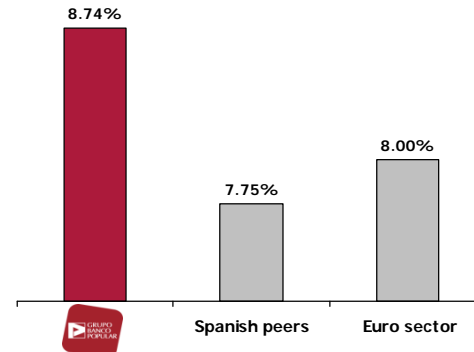
Efficiency

Cost to Income ratio



Fortress capital

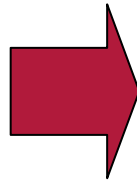
Core capital comparison



Banco Popular: our views on recent trends & challenges

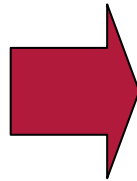


Credit Quality



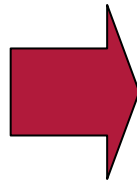
NPLs slowing down,
NPL ratio to peak below 5.5%

Low Interest Rates



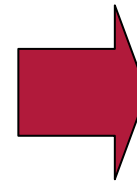
Raising spreads, i.r. floors
and volume growth

Sovereign Risk



2010 maturities prefunded in
1Q10; limited size sovereign
debt

New competitive
& regulatory landscape



Gaining market share from
competitors & clear winner
from Basel III proposals



Agenda

1. Initial remarks

2. Solid operating performance and high quality earnings

3. Risk management: trends noticeably improving

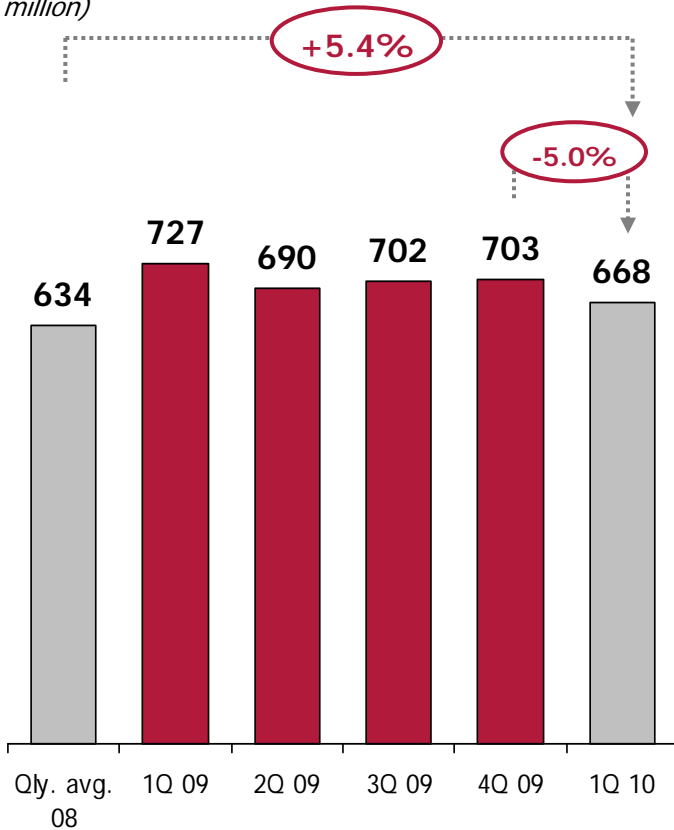
4. Financial strength: ratios up

5. Outlook

NII affected by the yield curve and the repricing mismatch between assets & liabilities

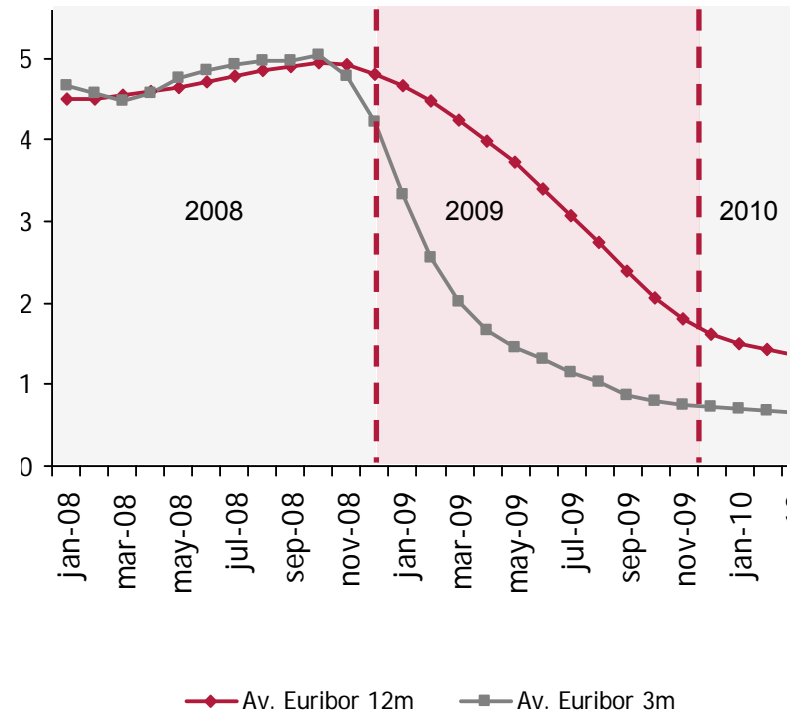
Net Interest Income trend

(€, million)



Interest rates evolution

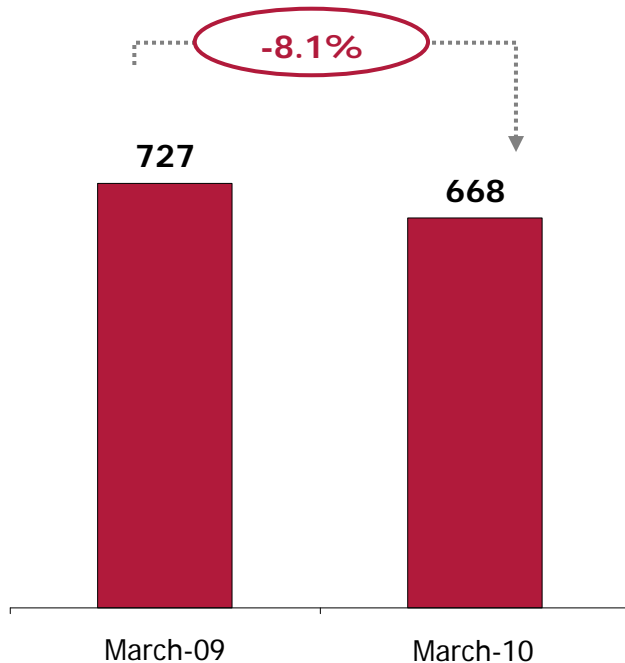
(%)



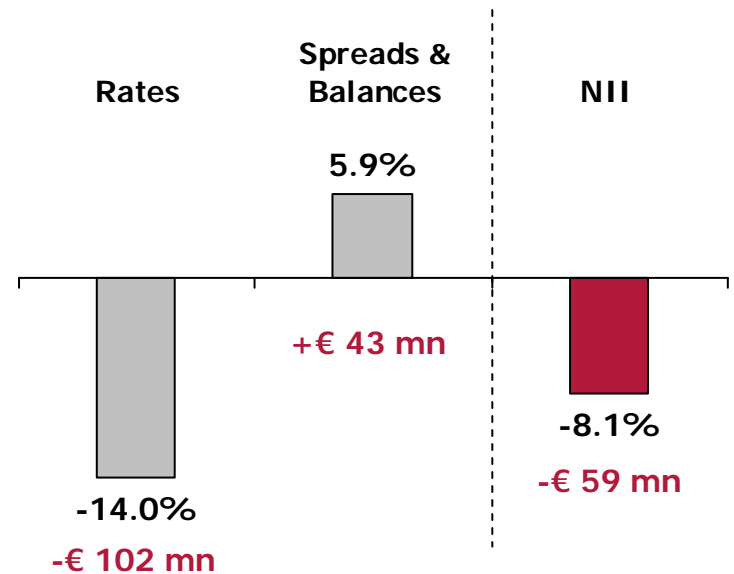
Business growth coupled with a very remarkable spread performance has allowed us to offset, partially, this negative effect

Net Interest Income

(€, million)



NII Impact from rates, spreads and balances

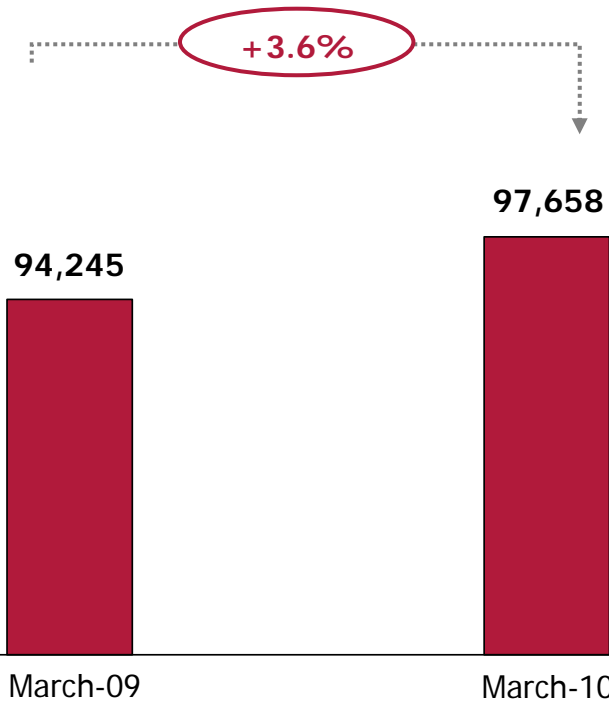


We keep gaining market share in both loans & deposits



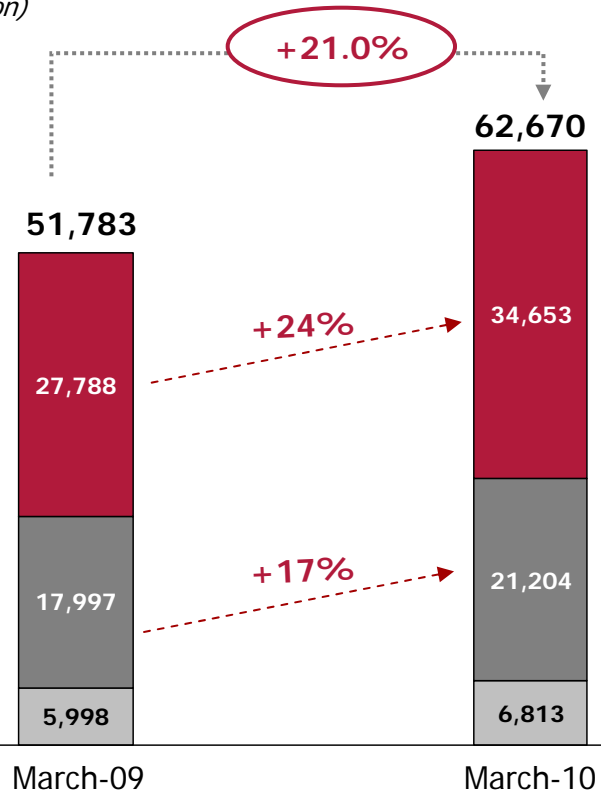
Loans evolution: + 14 bp market share gain YoY

(€, million)



Deposits evolution: + 16 bp market share gain YoY

(€, million)

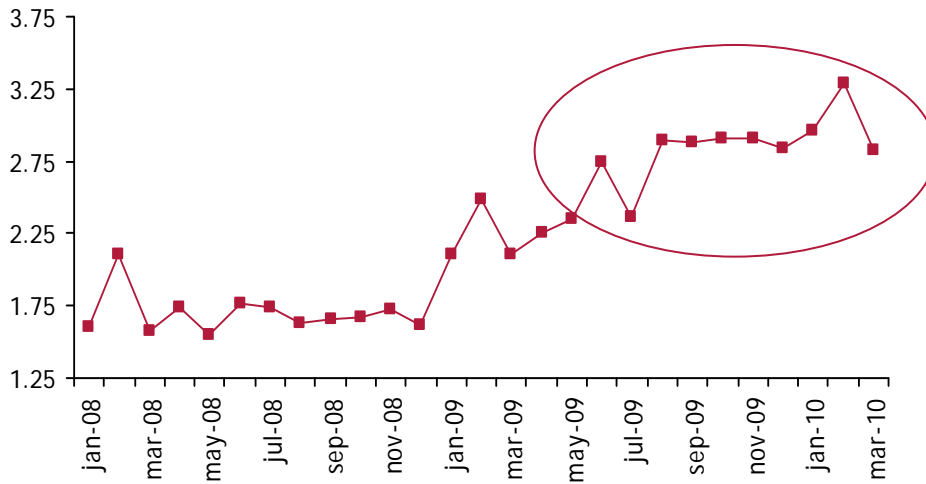


□ Asset repos ■ Demand and saving accounts ■ Time deposits

....while improving even further our "best in class" loan margins

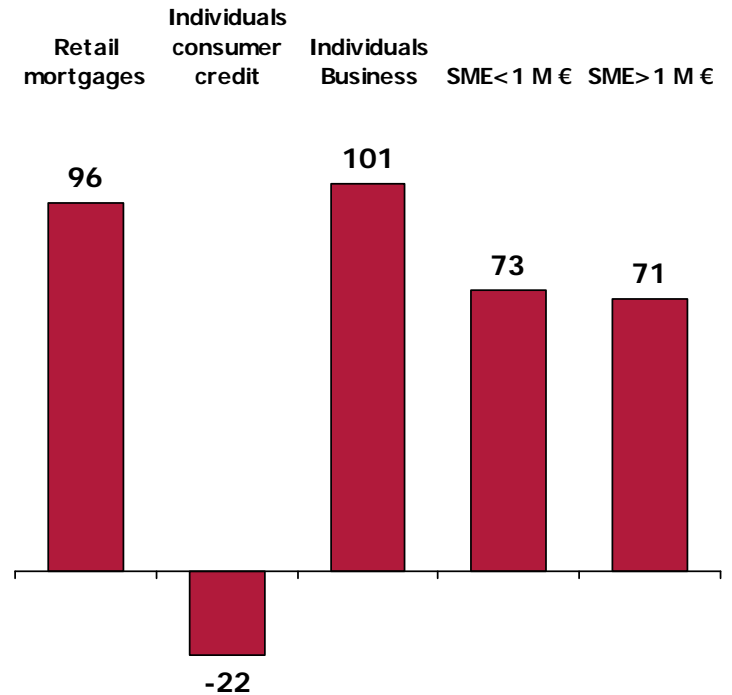
Loan spreads evolution

(%)



Front-book spreads vs. banks as of Feb-10

(b.p)



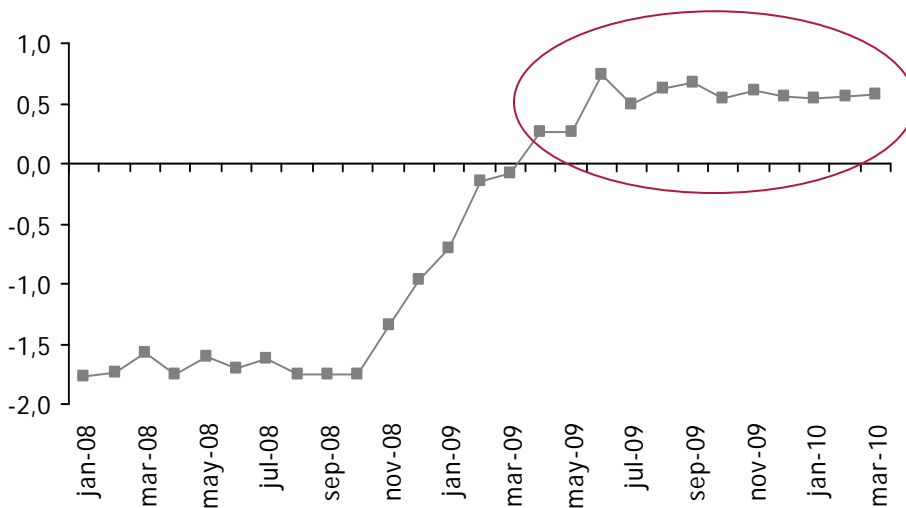
Source: Bank of Spain.

And maintaining our deposits spreads despite our strong deposit growth



Client deposits spread evolution

(%)



New term deposits: i.e. (Deposit Gasol)

- ✓ Target: individuals and SMEs
- ✓ €2.5bn (81.8% new money)
- ✓ 24,000 new clients
- ✓ Average maturity: 10 months
- ✓ Average amount: €42,000
- ✓ Expected retention rate above 90% and 63% new customers highly loyal after 1 year based on past experience

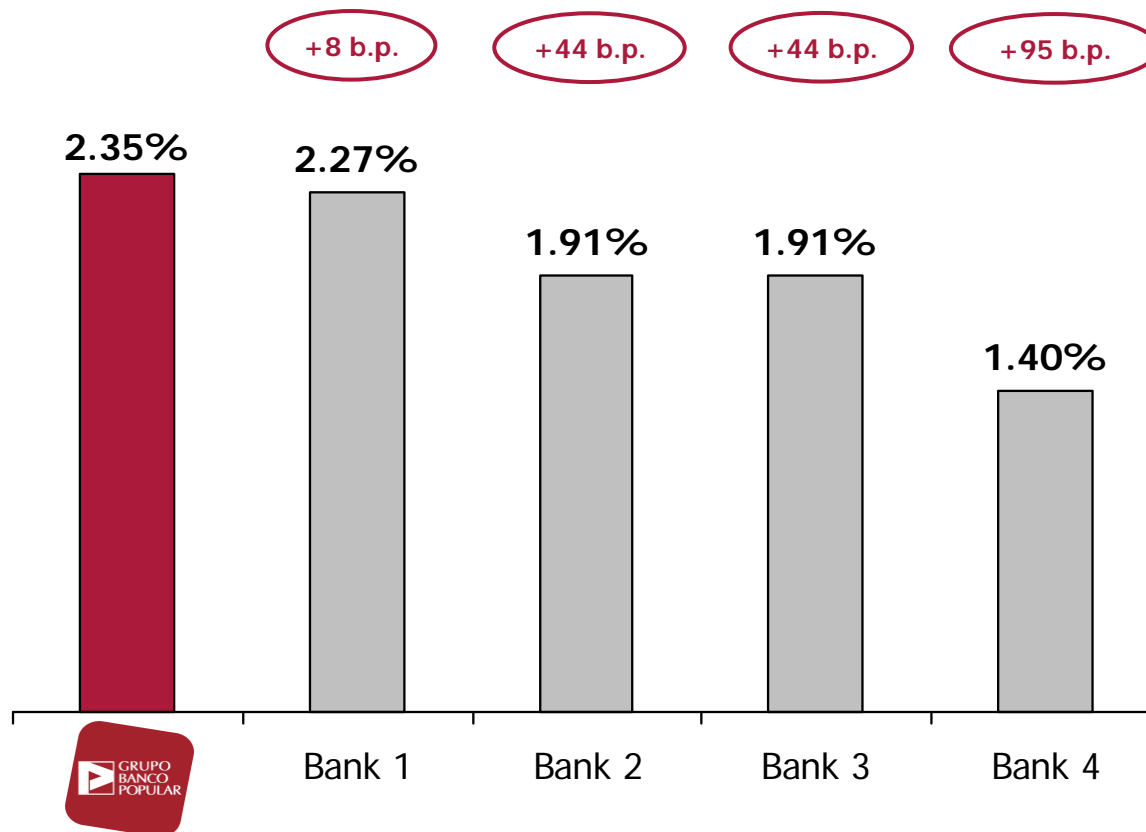
- ✓ Current accounts growth offset higher cost of new term deposits

All in all, we retain the highest margins among peers



1Q 10 Annual Net Interest Margin (NIM)

(%)



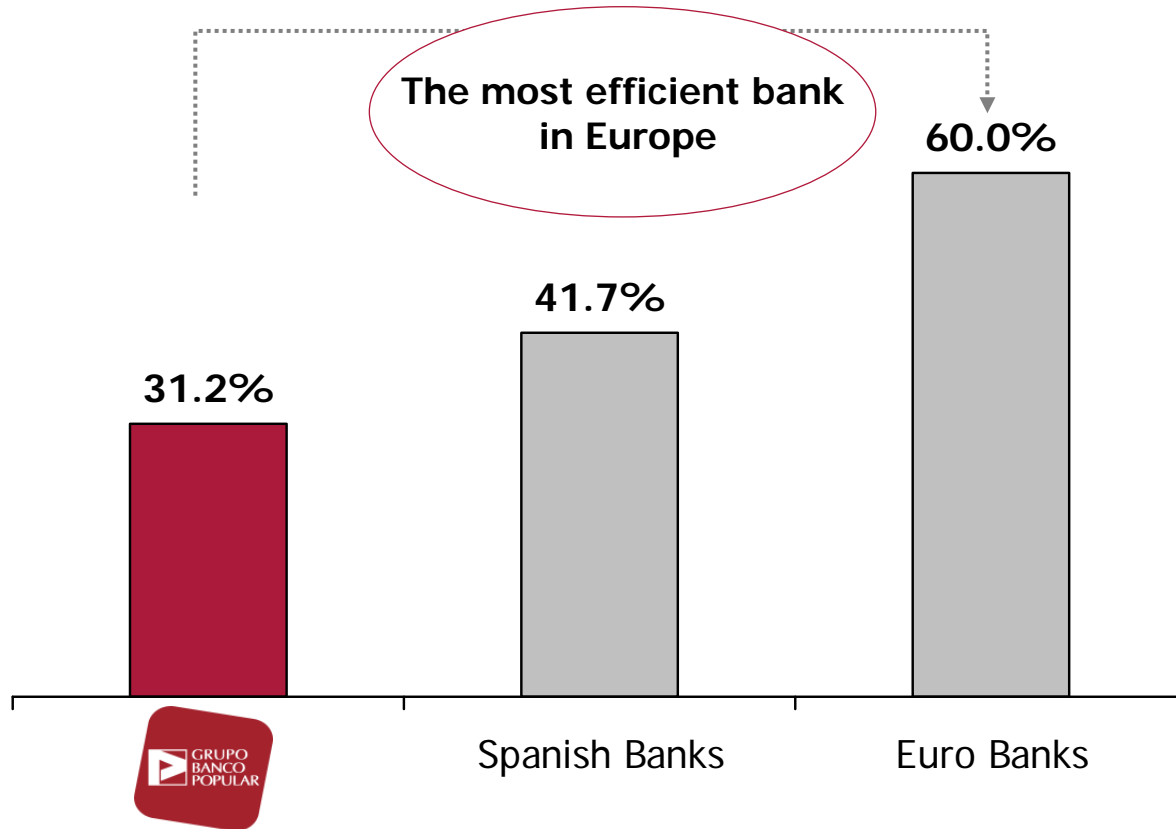
Source: Company reports

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

And also the highest efficiency ratio amongst Euro banks



Cost to income ratio vs. peers (1Q 10)

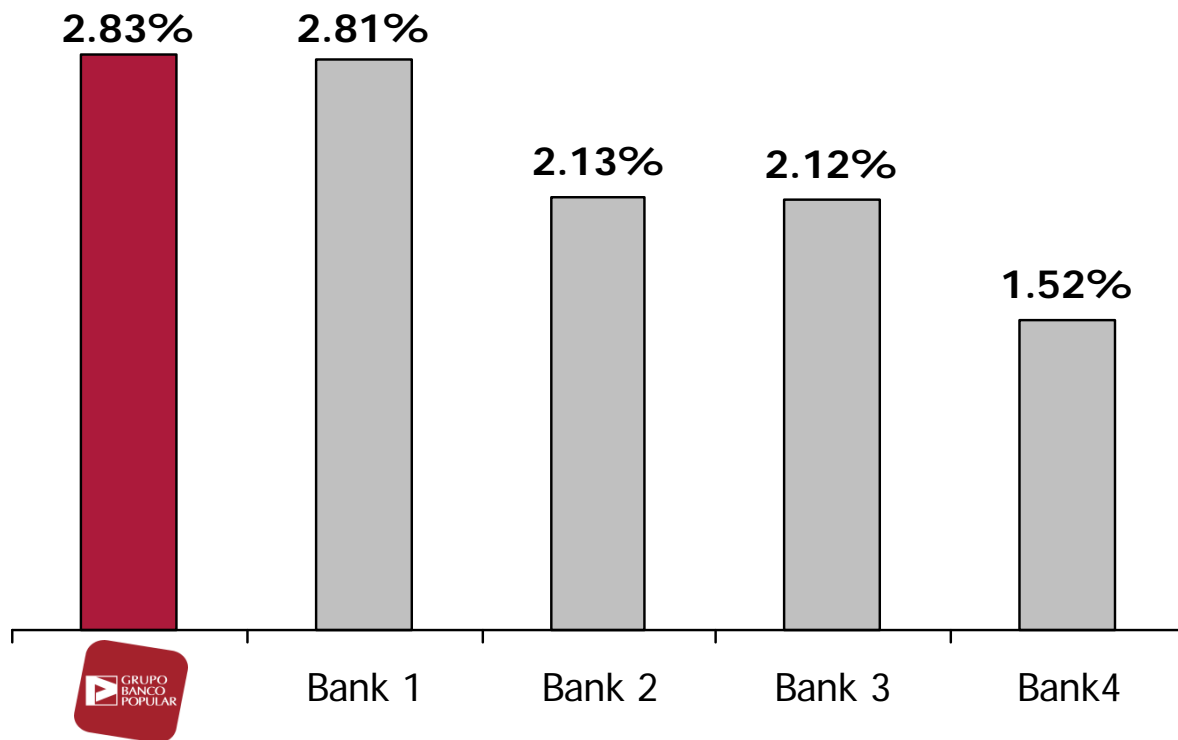


Source: Quarterly reports as of 1Q 10.

Which translates into a higher capacity to absorb provisions in the current cycle...

Annual Pre-provisioning profit 1Q 10/ Gross loans

(%)

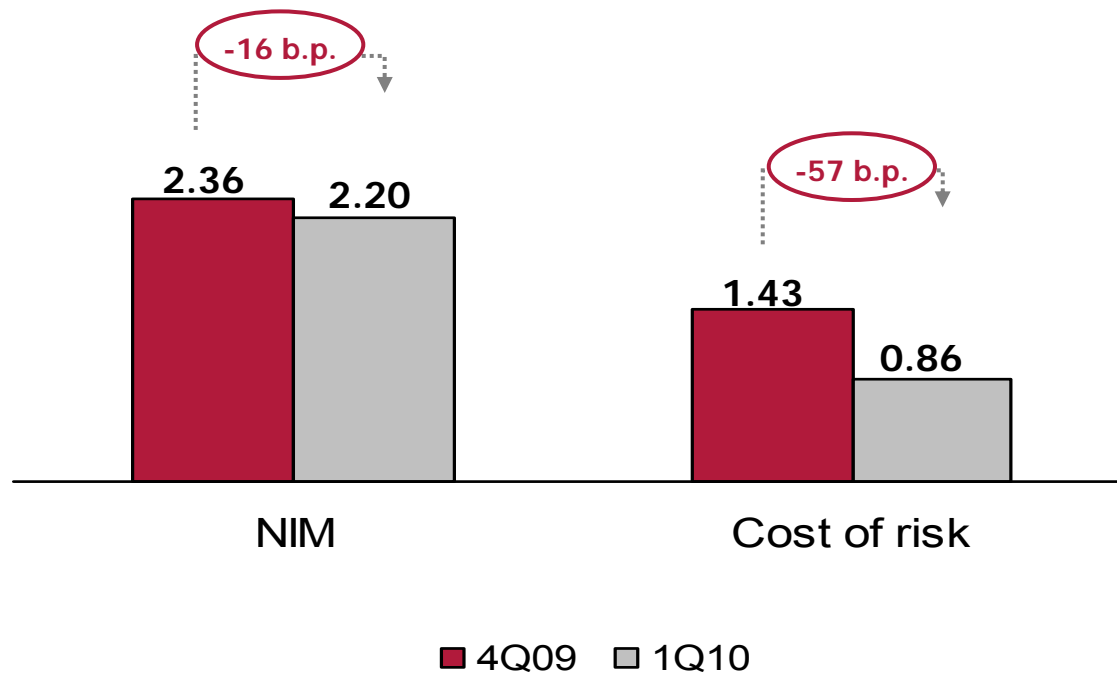


Note: Peer group includes Santander Spain, BBVA Iberia, Sabadell and Bankinter

And in line with our expectations, margins compression will be offset by a lower cost of risk

NIM and cost of risk evolution QoQ

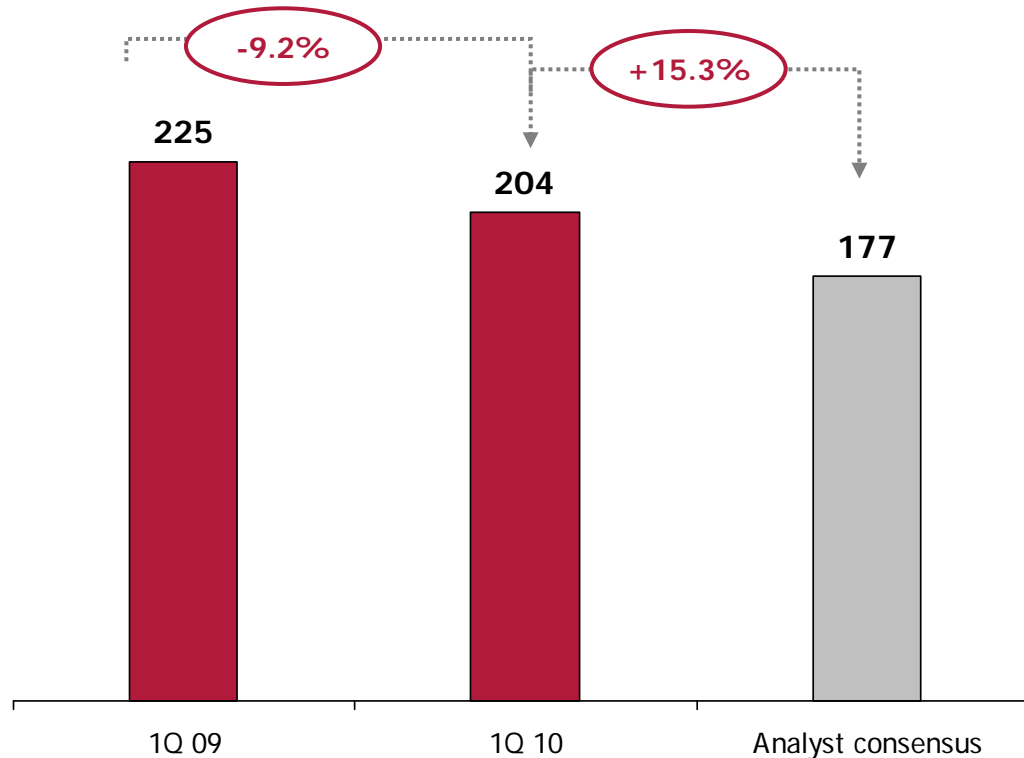
(% over ATAs)



Net profit above market expectations. We keep our commitment not to negatively surprise the market

Net attributable profit: above expectations

(€, million)



On track to beat FY market expectations



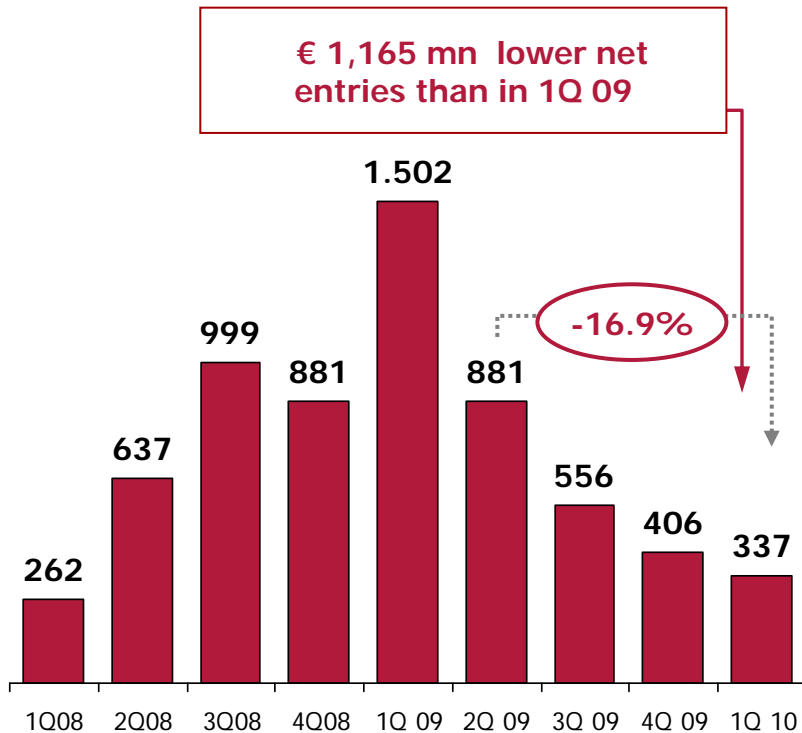
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Net NPLs entries continue declining for the fourth quarter in a row and outperforming peers....

Evolution of net entries of NPLs

(€, million)



NPL ratio evolution

(%)

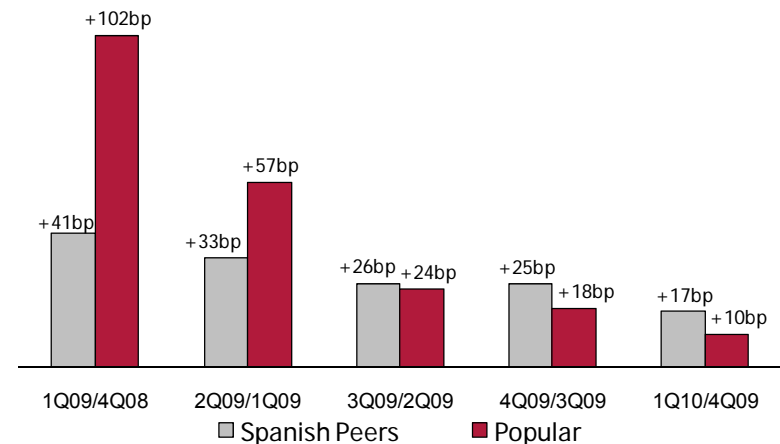
Average Spanish system 5.39%*



mar-09 jun-09 sep-09 dec-09 mar-10

NPL ratio quarterly growth vs. peers

(b.p.)

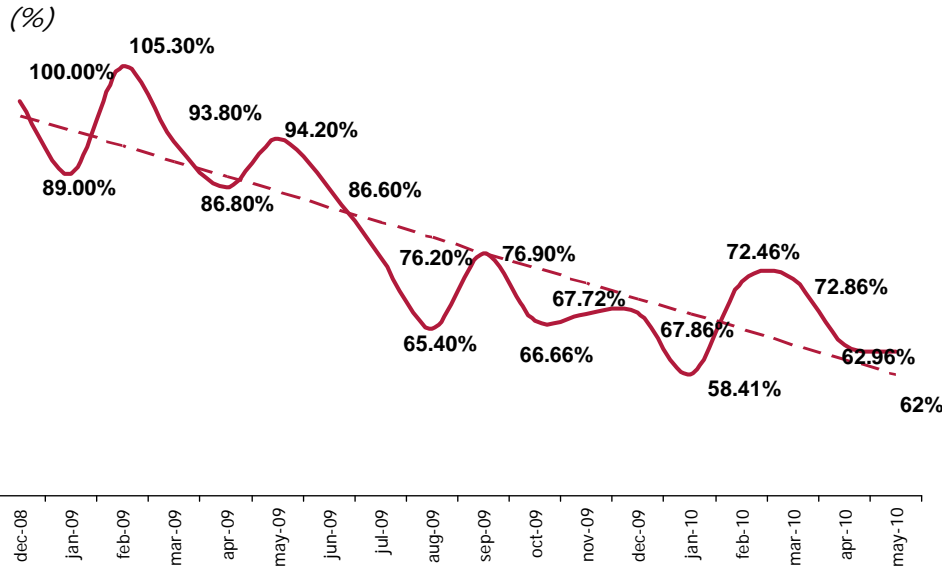


*Average of banks and saving banks as of February 2010. Bank of Spain

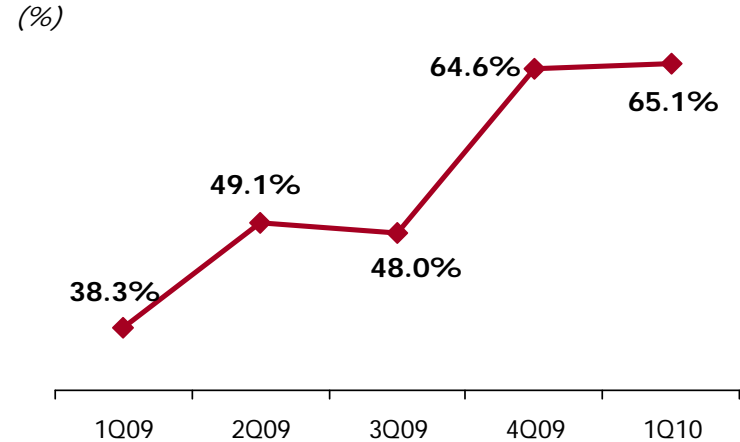


We keep recovering at the same pace and with the highest quality of recoveries among peers. Also, our internal late/missed payment indicator keeps improving

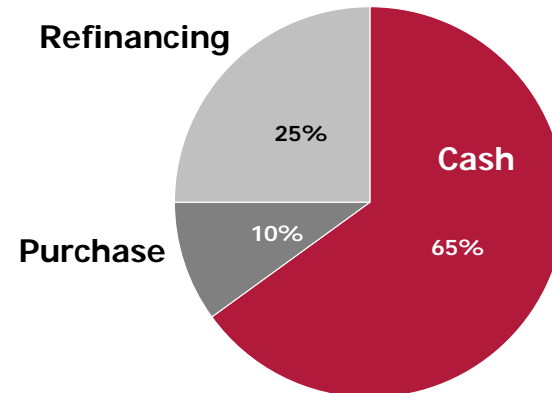
Banco Popular's late/missed payment (30-90 days past dues) index evolution



Recovery rates



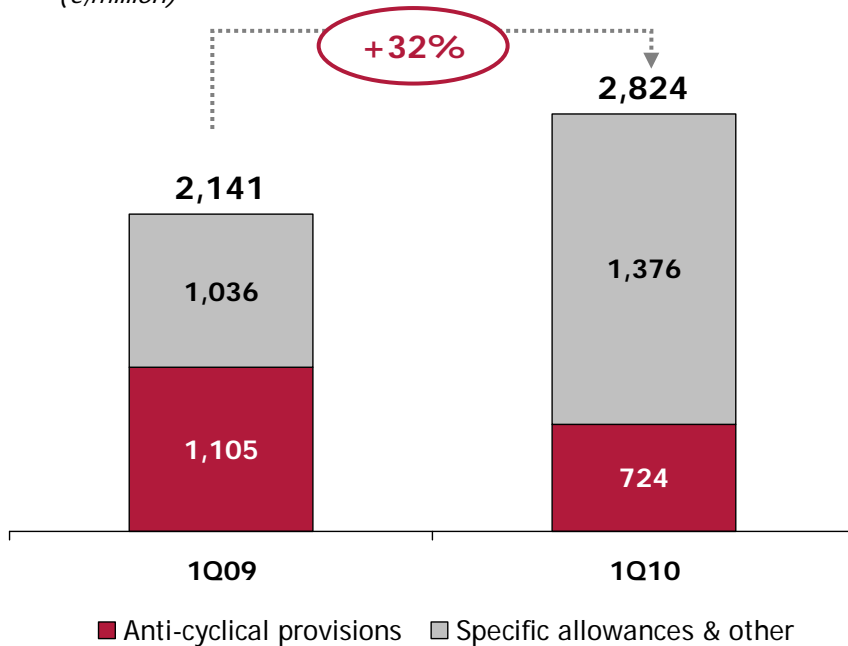
Split of Recoveries 1Q 10



While we remain building provisions and maintaining our coverage ratio

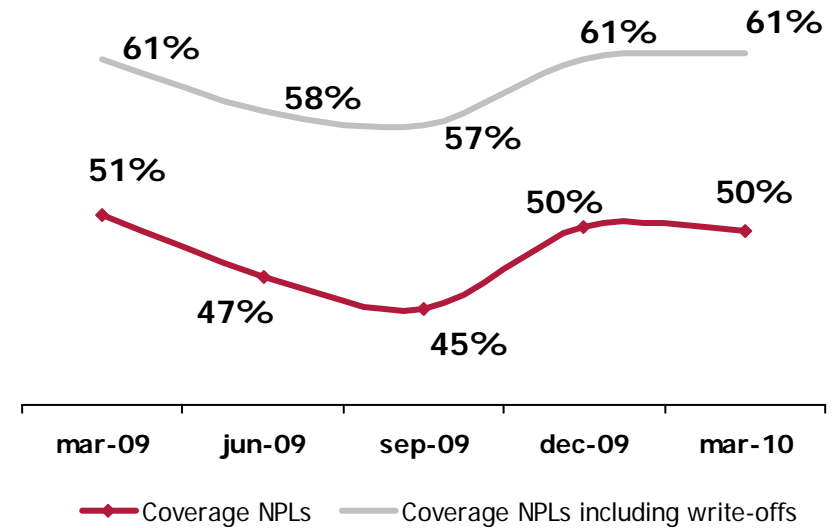
Balance sheet Provisions

(€,million)



Coverage ratio evolution

(%)



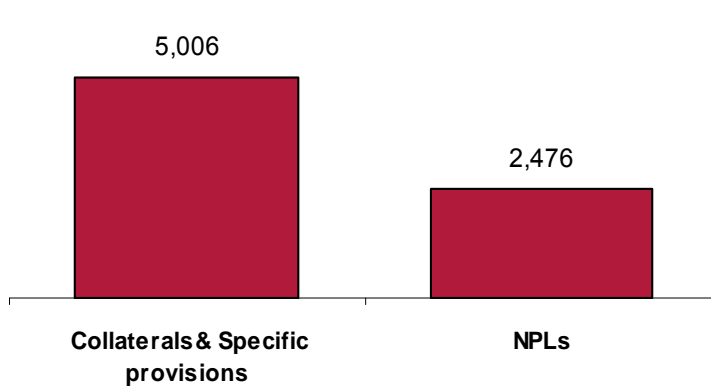
The anti-cyclical provision fund could last until mid-2011

And if we consider collaterals, NPLs are over covered

With mortgage collateral

(€,million)

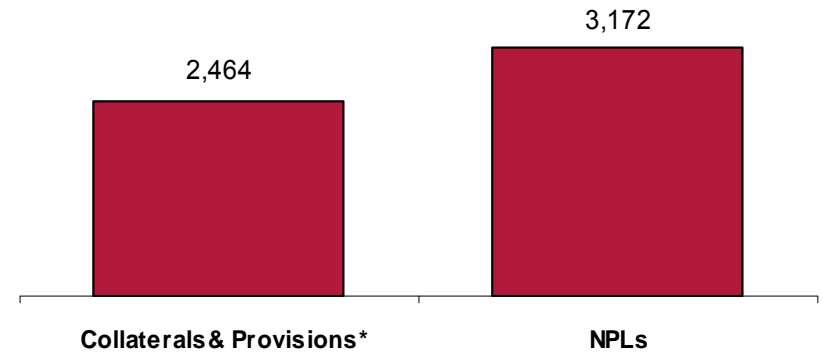
202% coverage



Without collateral

(€,million)

78% coverage



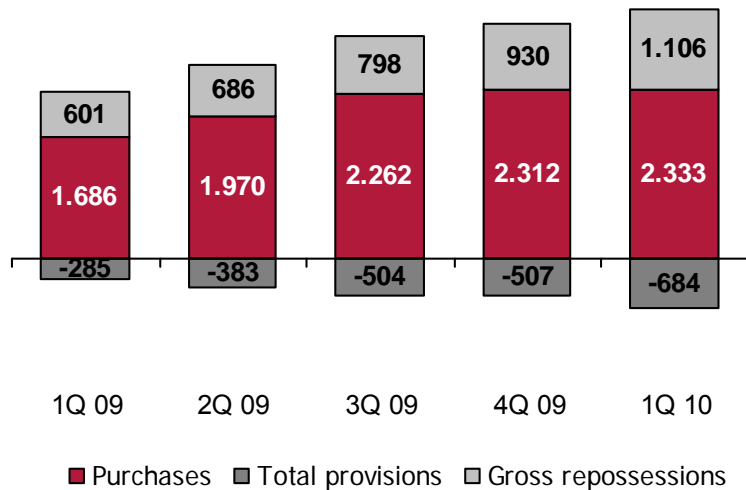
* Including total generic provisions.

132% GLOBAL COVERAGE

Limited purchases of new RE assets and anticipating coverage to regulatory levels

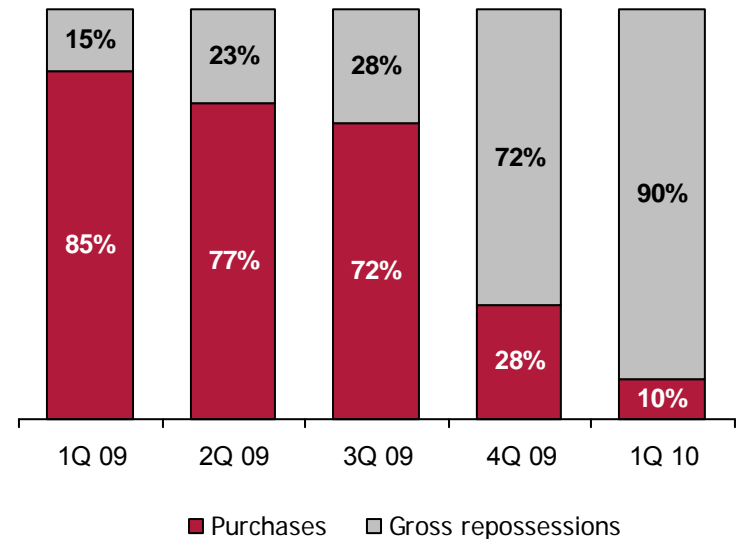
Portfolio evolution and accounting coverage

(€,million)



Quarterly RE assets growth by origin

(%)

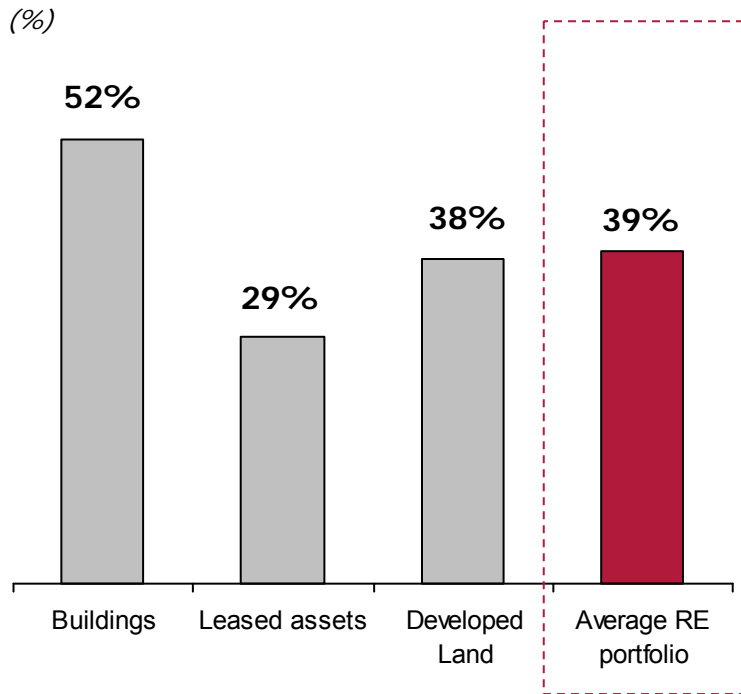


	1Q09	2Q09	3Q09	4Q09	1Q10
Net value (€ bn)	2.00	2.27	2.55	2.73	2.75
Coverage	12%	14%	16%	16%	20%

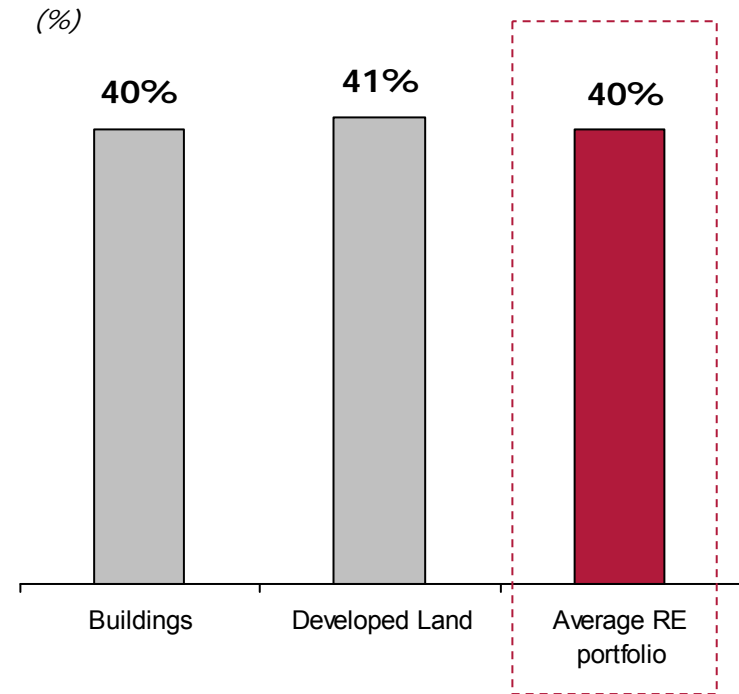
**Limited size: RE asset
2% of total assets**

...and the book value of both acquired and repossessed assets, is at a significant discount to peak prices, allowing us to manage them professionally

Discount^(*) over peak price in purchases
(2007/2008)



Discount^(*) over peak price in repossessions
(2007/2008)



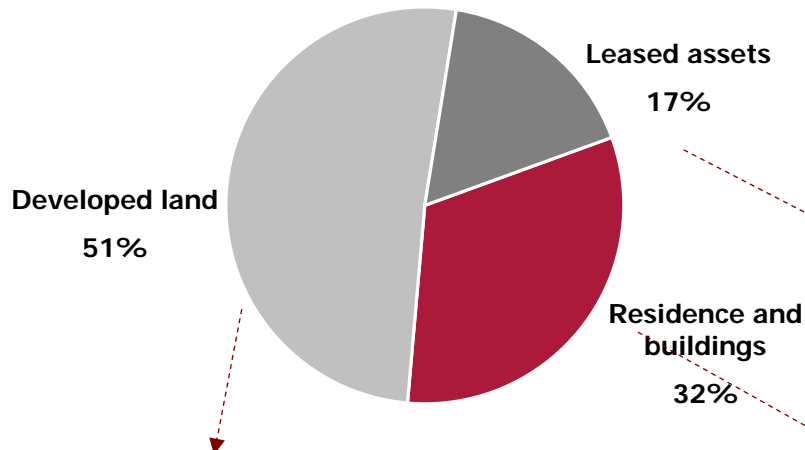
^(*) Discount = (Acquisition price net of provisions) / Peak price of the asset (2007/2008)

... and to dispose these assets above book value

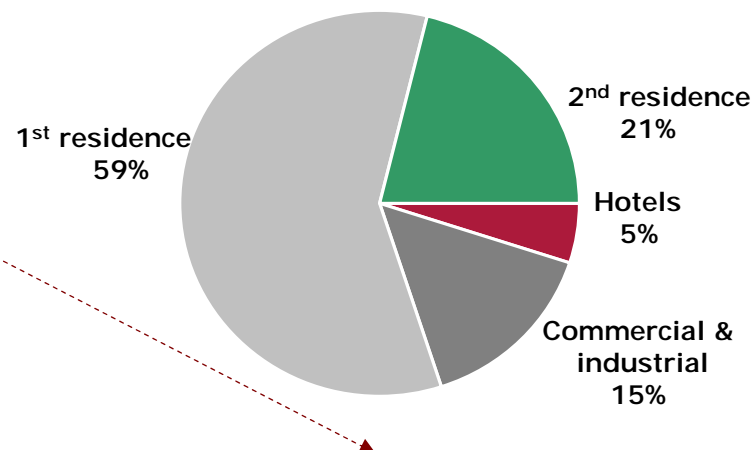
Real estate assets are diversified by type and use...



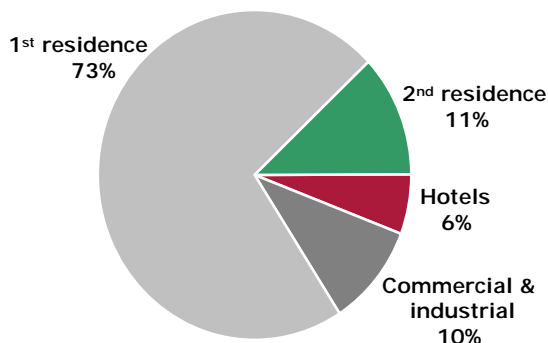
Total assets by type



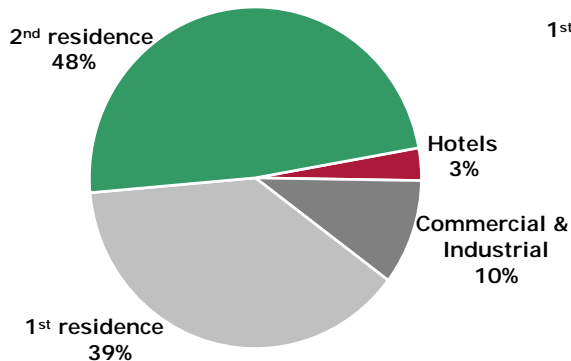
Total assets by use



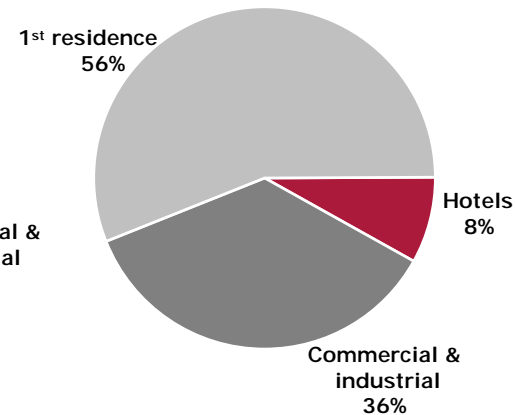
Developed land by use



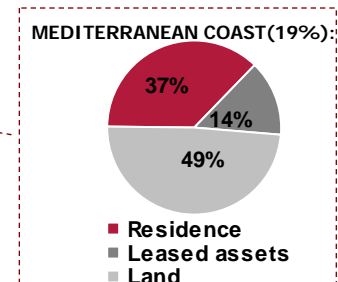
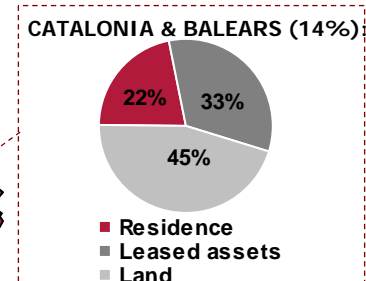
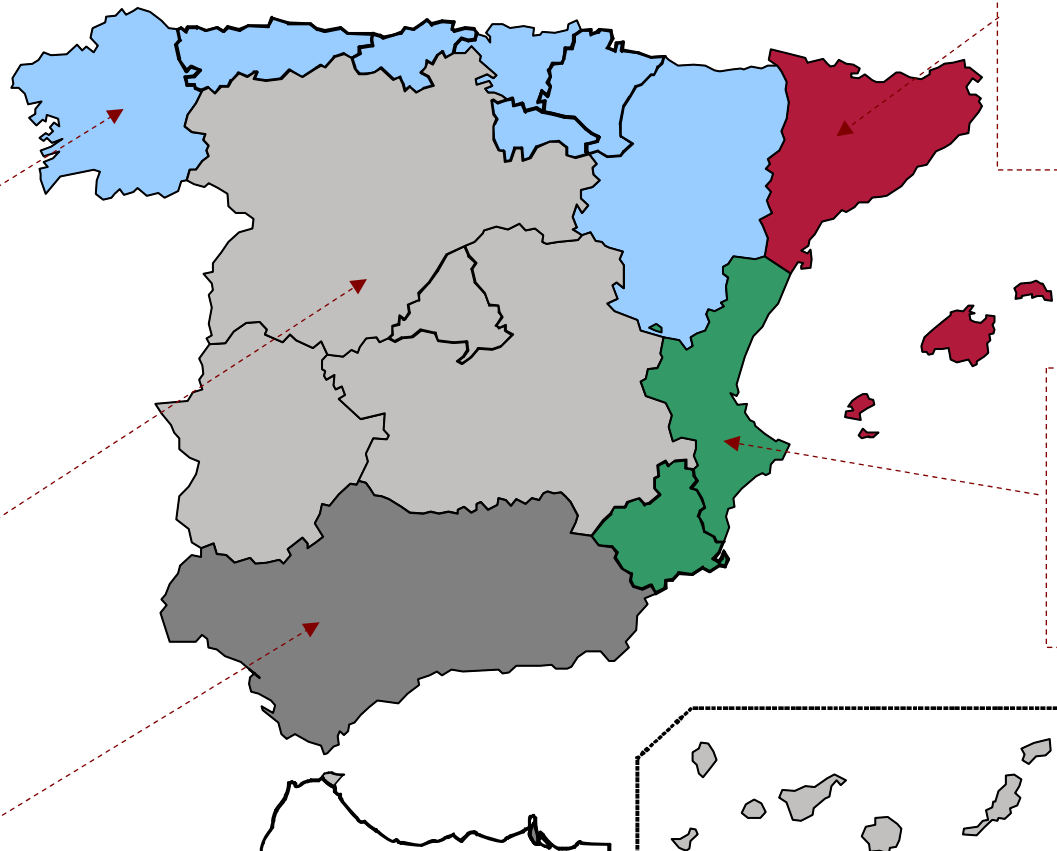
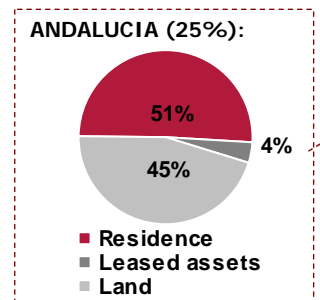
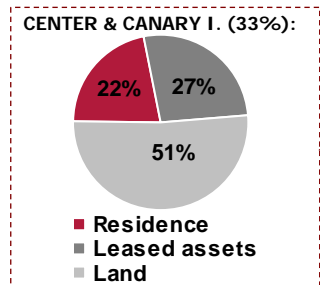
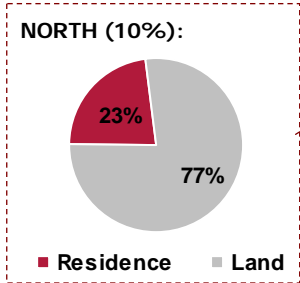
Residence & buildings by use



Leased assets by use



... and by region





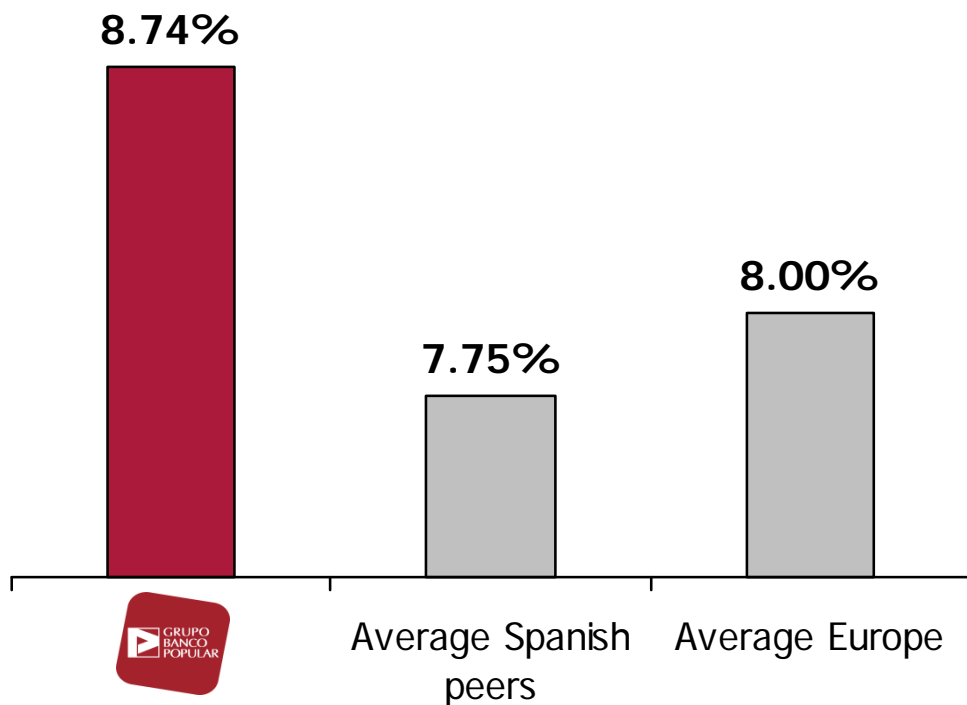
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The highest core capital ratio among peers without public injections



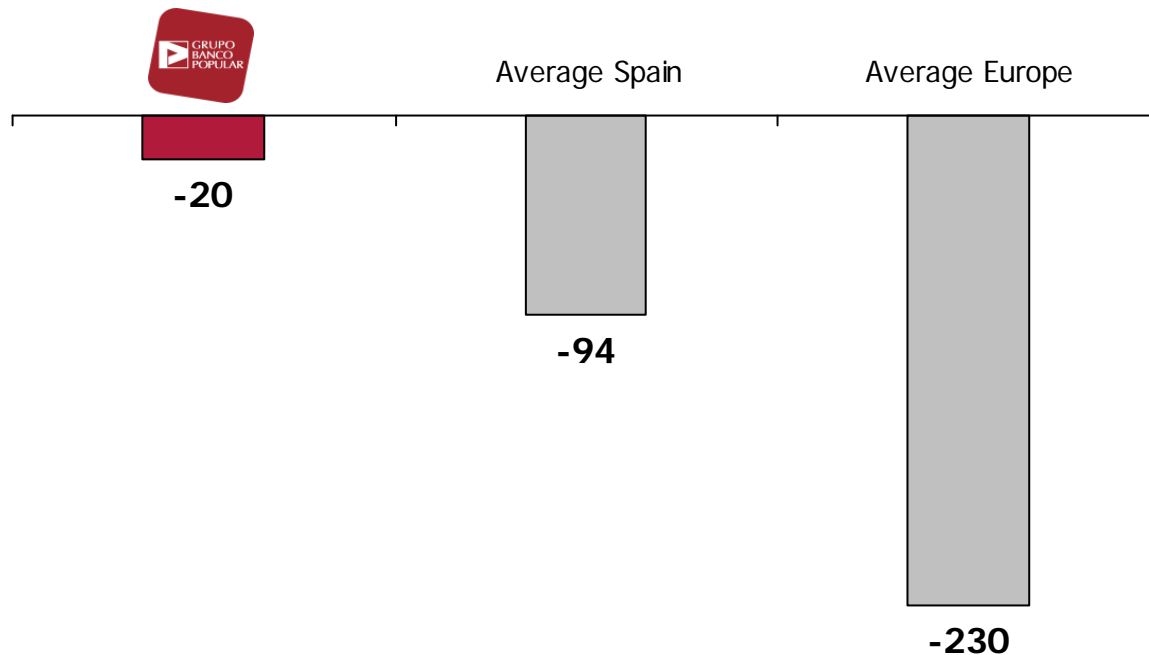
Core capital comparison



While a preliminary assessment of the new BIS draft reflects our privileged position

Preliminary Assessment of BIS Impact on core capital

Impact of Proposed deductions (bp)

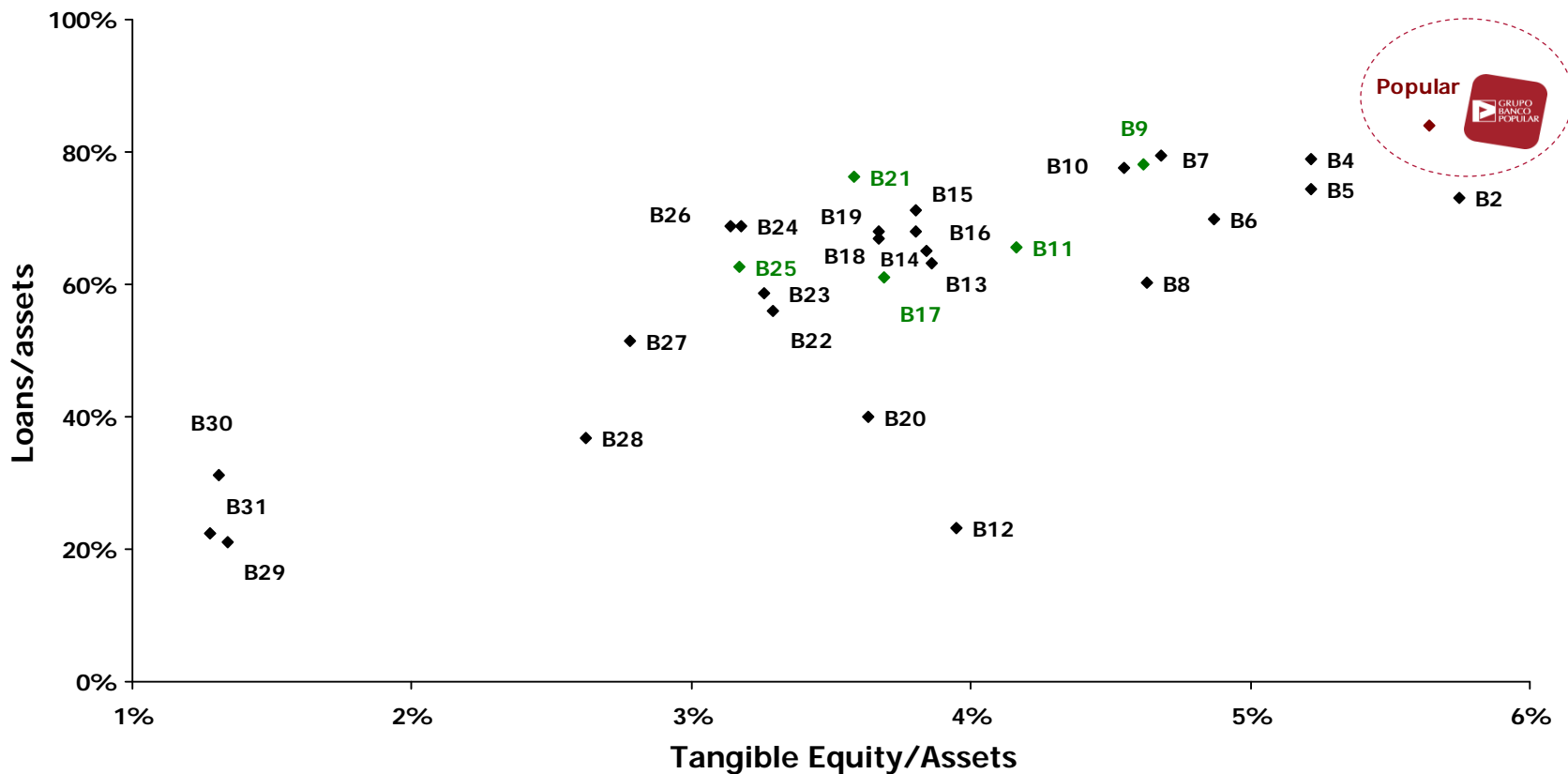


Source: Autonomous, UBS, ML, JPM, MS, CS

We are a clear example of a valid business model going forward: low leverage and purely retail



European Banks Leverage and Loans to Assets

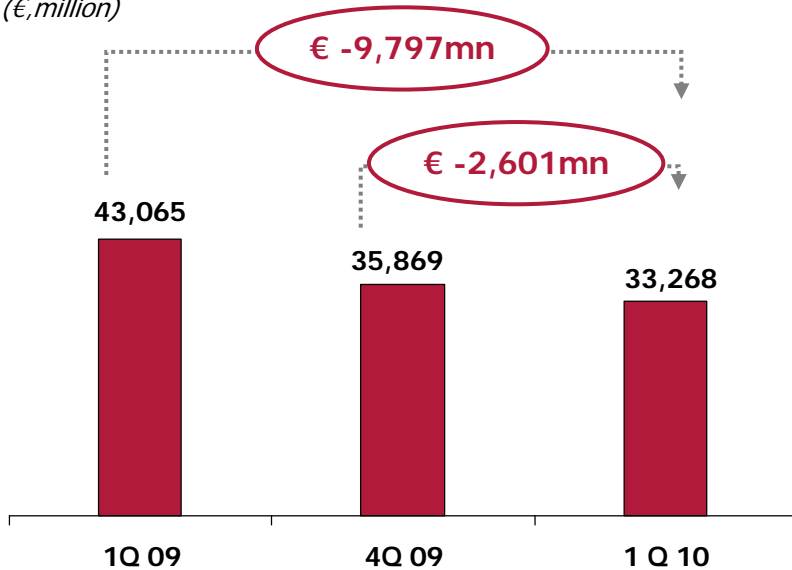


Source: Date BoAML 2 March; Banco Popular
Note: Spanish banks in green

In terms of liquidity, we have already prefunded in 1Q10 all 2010 maturities

Evolution of the commercial gap

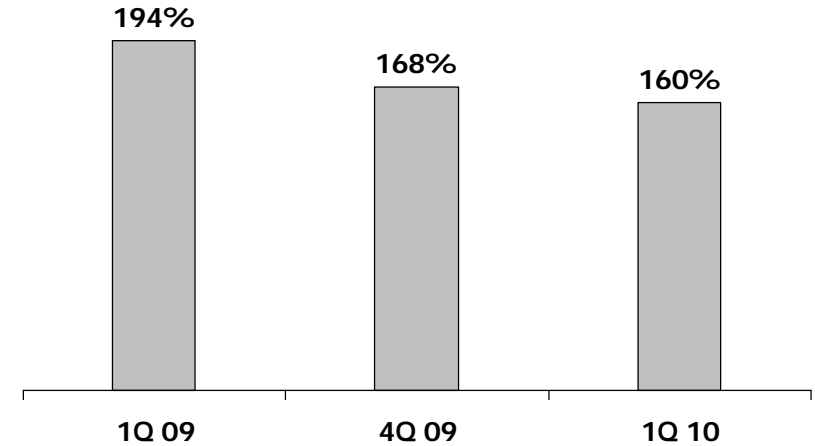
(€,million)



Additionally, we have issued a €1 bn 8Y covered bond in March

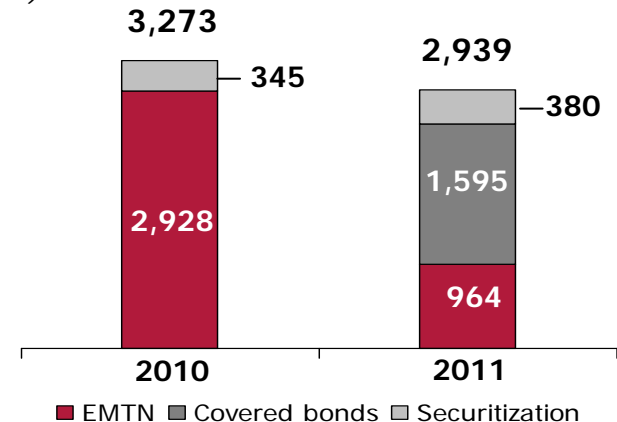
Loans/deposits ratio

(%)



Long and medium term debt maturities

(€,million)

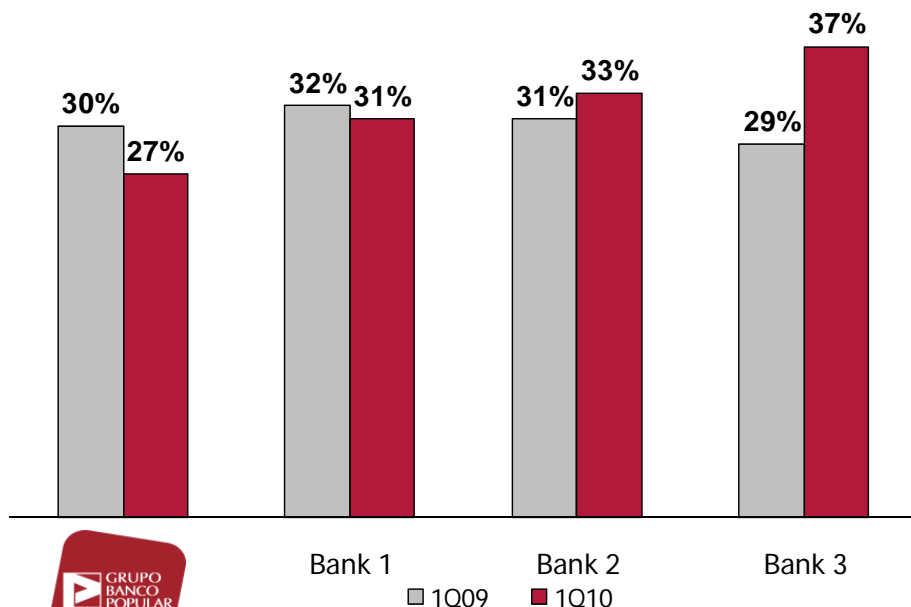


Reducing strongly our wholesale exposure, already well below peers, while we keep lengthening maturities



Wholesale funding exposure

(% over ATAs)



Wholesale funding exposure

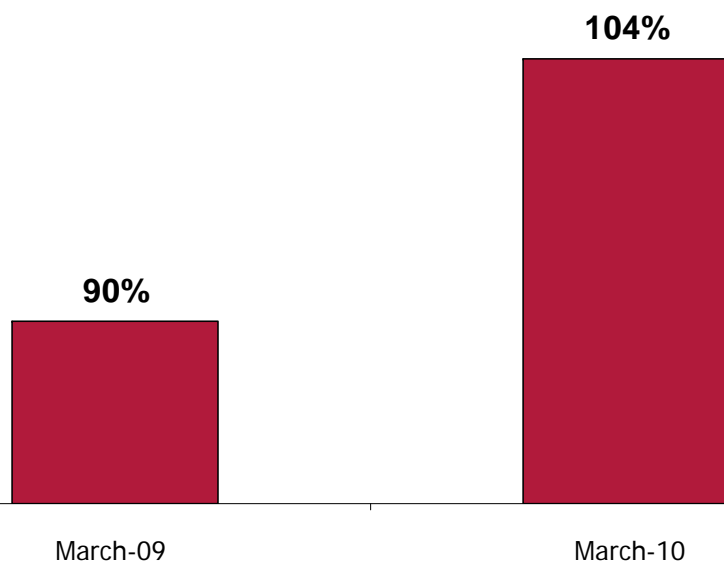
(€, million)

	1Q 09	1Q 10
Short term funding	38%	30%
Long term funding	62%	70%
Total	36,296	32,077

We are in a comfortable position to meet Basel III liquidity rules

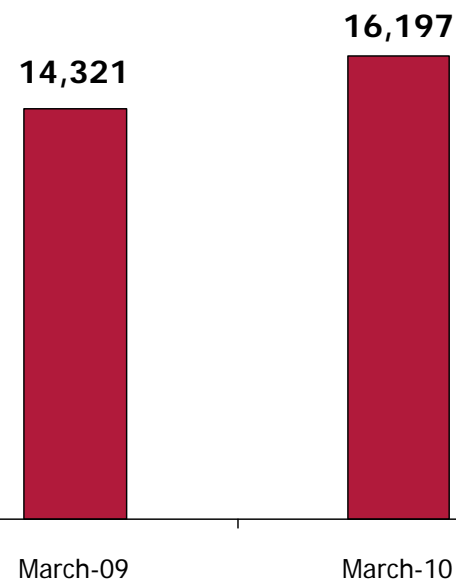
Long term funding to Loans

(%)



Second line of liquidity (cash basis)

(€, million)



LTF ratio= (Retail funding ex repo + Medium & Long Term wholesale funding + Equity)/ Loans ex repo



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2010 Outlook



- **Still cautious with the economic situation: preserving capital & reinforcing liquidity position.**
- **We forecast lower NII compensated by lower provisions for bad debts.**
- **We expect NPL to peak below 5.5%.**
- **We remain very confident about the proven resilience of our business model, of our capacity to generate recurrent operating profit and of our financial strength.**
- **Full year: our target is to be above the current market consensus.**

Financial Highlights (I)



<i>(€, million)</i>	1Q 10	1Q 09	Change
Net interest income	668	727	-8.1%
Pre-provisioning profit	605	695	-12.9%
Provisions for loans and investments	294	304	-€10M
Extraordinary items	-39	-75	+€36M
Net profit	204	225	-9.2%
Non-performing ratio	4.91%	3.82%	+109 b.p.
Efficiency ratio	31%	28%	+2.8 p.p.
Loans to deposits ratio	160%	194%	-34 p.p.
Core Capital	8.74%	7.23%	+1.5 p.p.

Financial Highlights (II)



<i>(€, million)</i>	1Q 10	4Q 09	Change
Net interest income	668	703	-5.0%
Pre-provisioning profit	605	693	-12.7%
Provisions for loans and investments	294	529	-€235M
Extraordinary items	-39	3	-€42M
Net profit	204	115	+77.4%
Non-performing ratio	4.91%	4.81%	+10 b.p.
Efficiency ratio	31%	29%	+2 p.p.
Loans to deposits ratio	160%	168%	-8 p.p.
Core Capital	8.74%	8.57%	+17 b.p.

ALM portfolio March 2010: 8% of total assets

ALCO Portfolio Composition		
Euro Million	Size	%
HTM	2,376	23%
Sovereign Debt	1,883	19%
<i>o/w Spanish</i>	1,548	15%
<i>o/w other</i>	335	3%
Covered Bonds	186	2%
Other*	307	3%
AFS	7,786	77%
Sovereign Debt	4,633	46%
<i>o/w Spanish</i>	4,114	40%
<i>o/w other</i>	519	5%
State guaranteed debt	733	7%
Covered Bonds	1,267	12%
Other*	1,152	11%
TOTAL	10,162	100%

Interest rate risk fully covered in the AFS portfolio

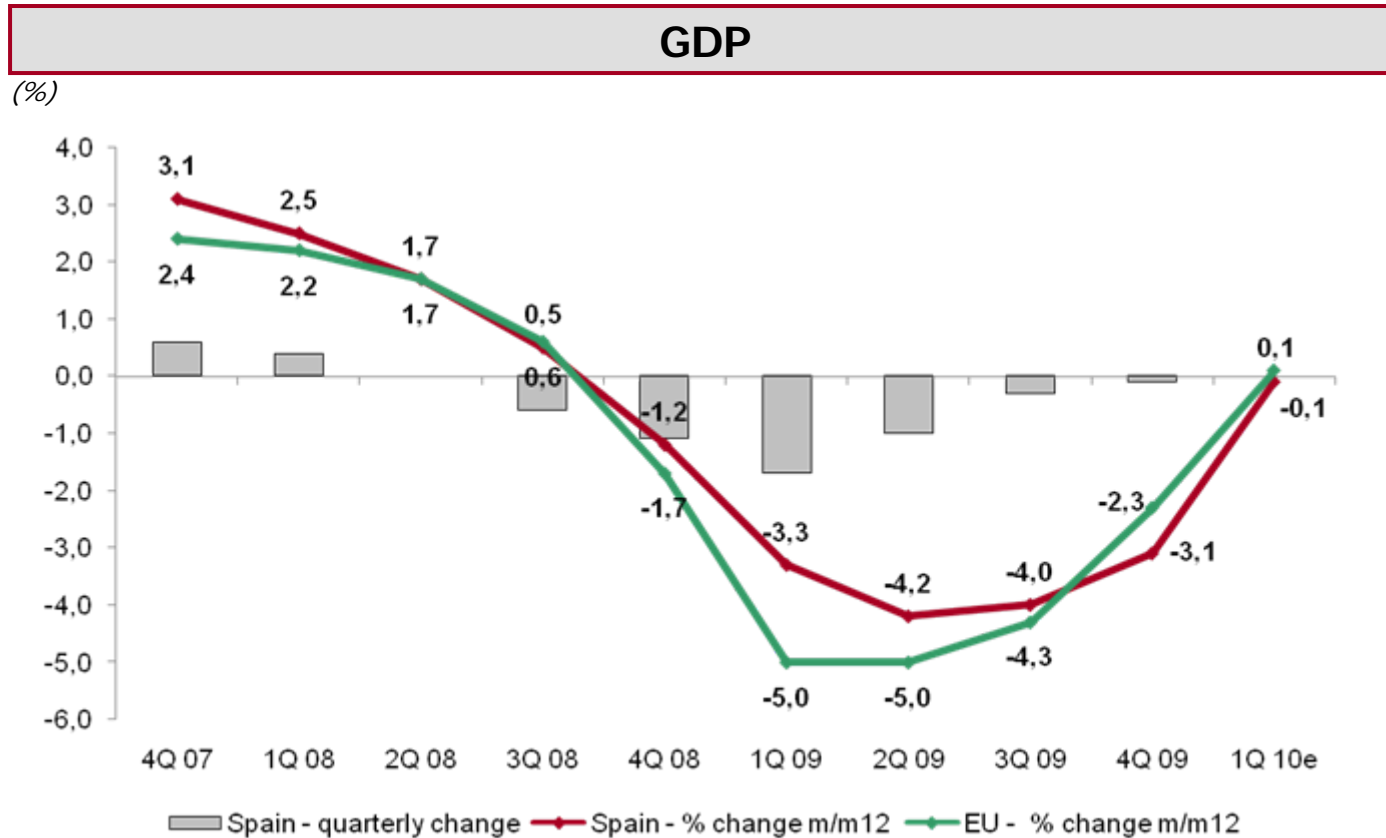
Note: No exposure to Greece



Appendix II: Spanish Macro

Spanish economy: GDP performance

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

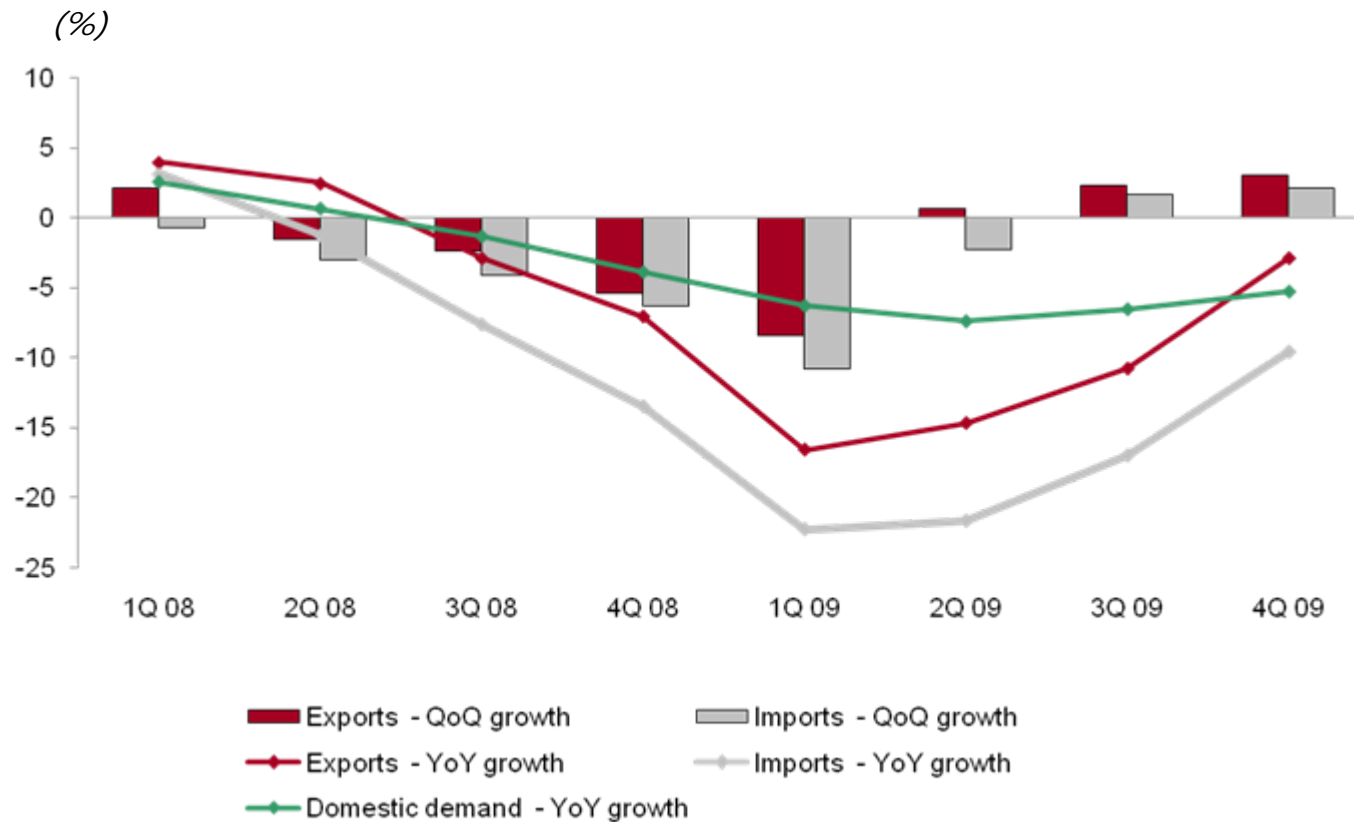


... though we should wait until the second half of 2010 to see if the economic recovery is sustained

Spanish economy: GDP performance



Exports and Imports show several consecutive quarters with growth ...

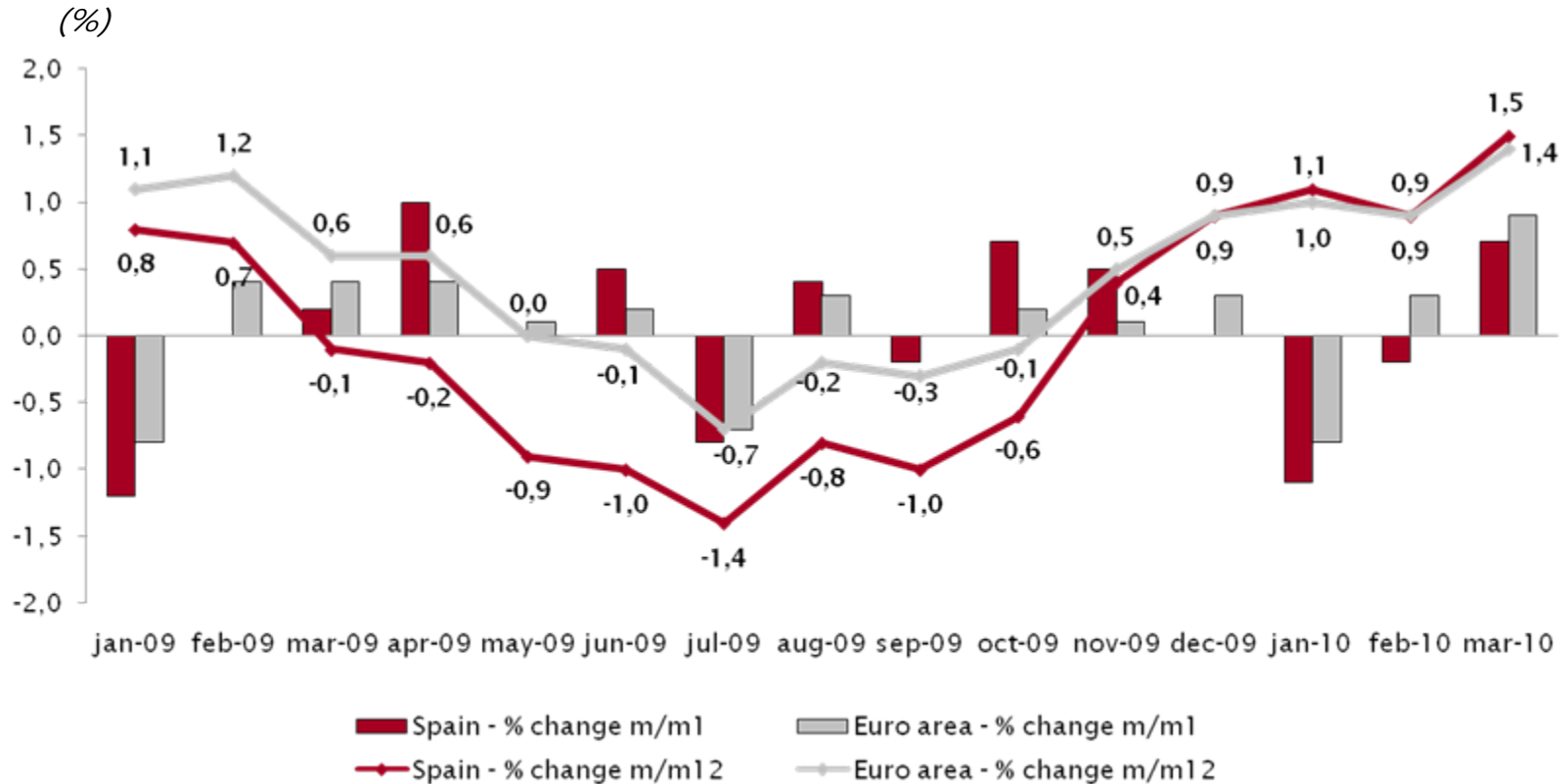


... while domestic demand has stabilized

Spanish economy: inflation evolution



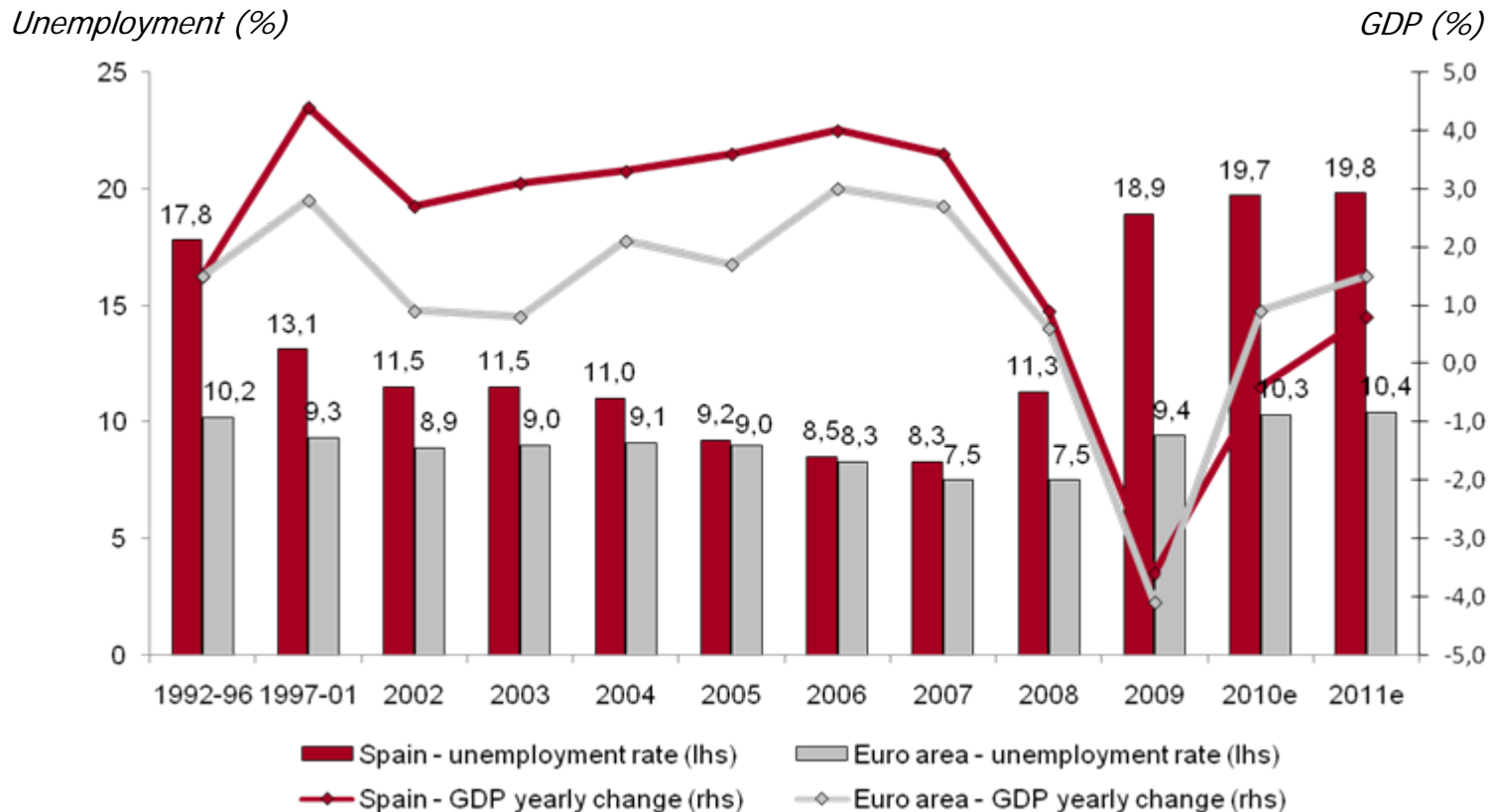
Deflation risk have diminished significantly ...



... and inflation is already in line with the Euro Area

Spanish economy: unemployment rate

Unemployment keeps growing...

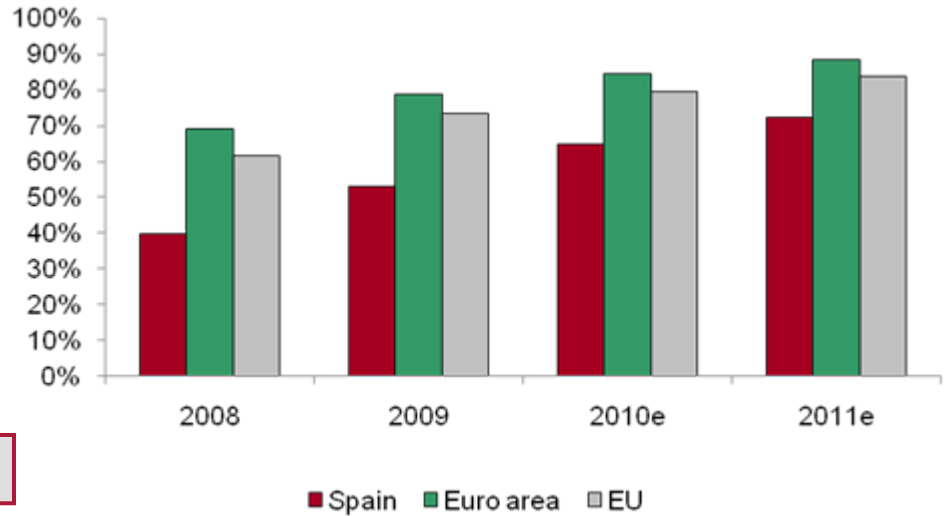


..., but history shows that economic growth in Spain can happen despite high unemployment levels

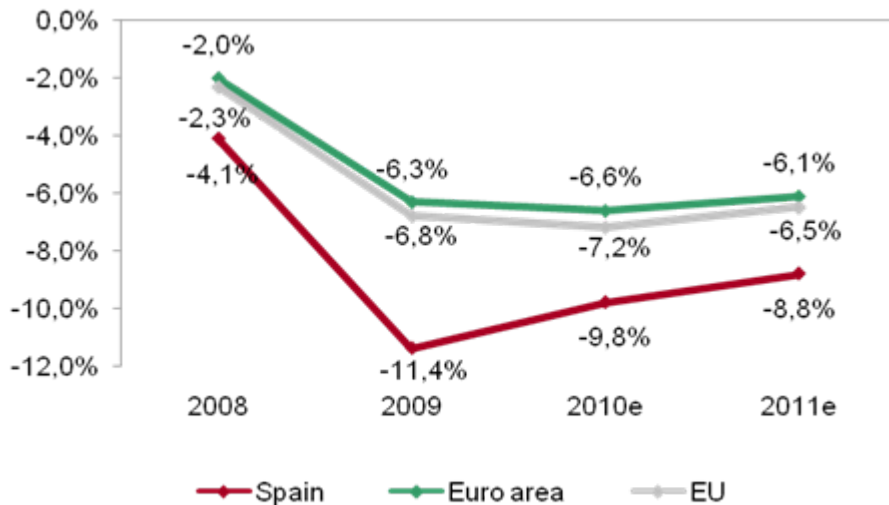
Spanish economy: public deficit and debt

The weight of public debt over GDP will remain below European levels ...

Public debt (% of GDP)



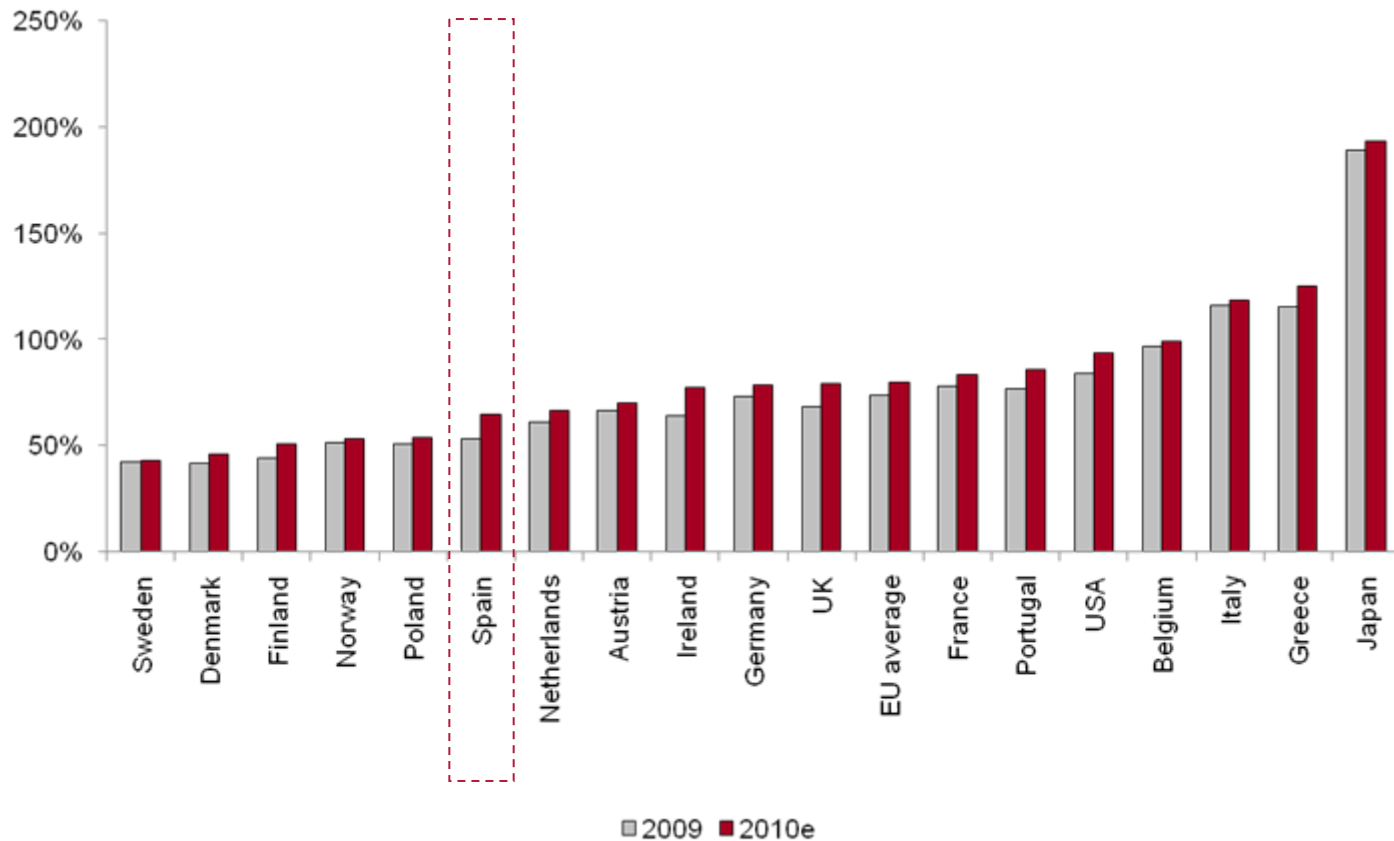
Public deficit (% of GDP)



... while the public deficit will converge into the European average in coming years

Spanish economy: public debt over GDP

Public debt over GDP by country



Spanish economy: main estimates

Main macroeconomic estimates from the European Commission

<i>SPAIN</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
GDP	-3.6%	-0.4%	0.8%
Private consumption	-4.9%	-0.2%	1.2%
Inflation	-0.3%	1.6%	1.6%

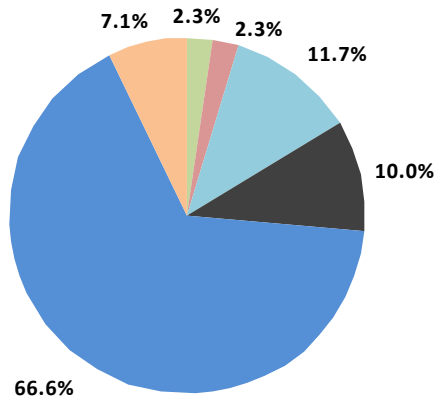
<i>EURO AREA</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
GDP	-4.1%	0.9%	1.5%
Private consumption	-1.1%	0.0%	1.1%
Inflation	0.3%	1.5%	1.7%

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

Spanish GDP: weight and evolution by sector

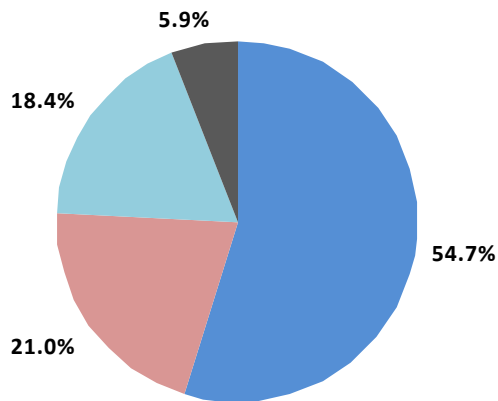


Weight by sector 2009 - (offer)



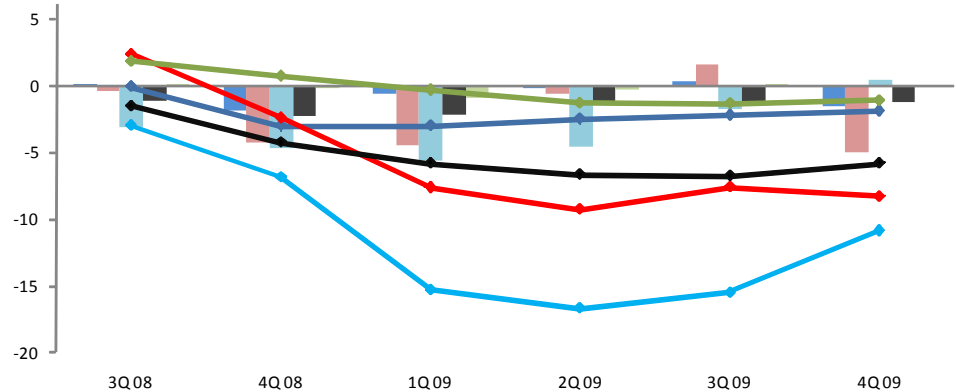
Primary sector Energy Industry Construction Services Net taxes on products

Weight by sector 2009 - (demand)



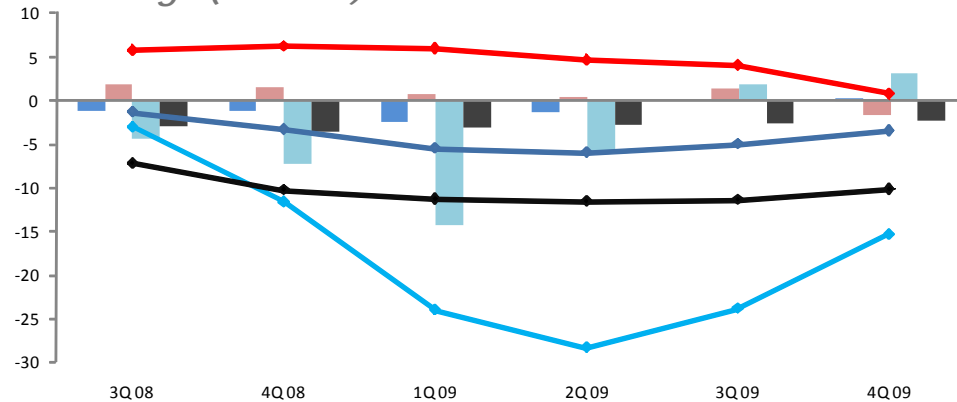
Private consumption Public consumption Capital formation Homes

% change (offer)



Primary sector - QoQ Energy - QoQ Industry - QoQ Construction - QoQ
 Services - QoQ Primary sector - YoY Energy - YoY Industry - YoY
 Construction - YoY Services - YoY

% change (demand)



Private consumption - QoQ Public consumption - QoQ Capital formation - QoQ
 Construction - QoQ Private consumption - YoY Public consumption - YoY
 Capital formation - YoY Construction - YoY

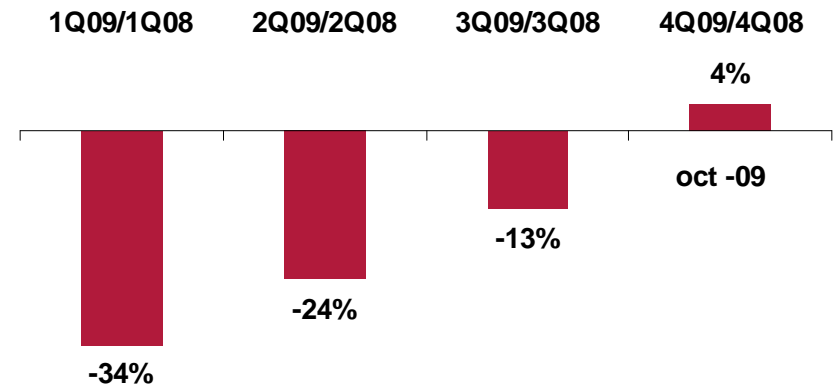
Real estate industry in Spain: stabilizing?



Quarterly number of housing transactions



Quarterly housing transactions YoY %



Housing transactions increased in 4Q09, reverting a declining trend since 1Q07.

462,000 housing transactions in 2009

Spain is different...

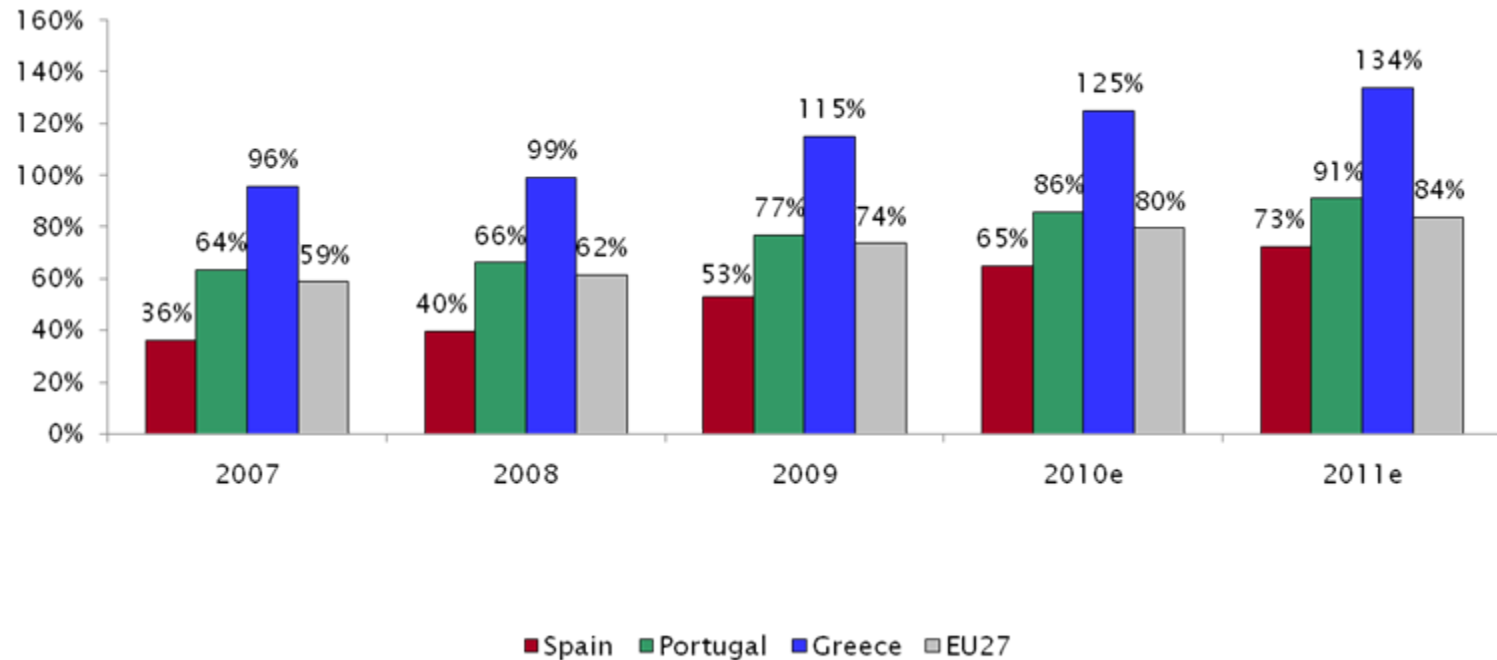


Some investors are comparing the situation of Spain with that of Greece or Portugal, but there are major differences between those 3 countries:

- ✓ Much lower government debt to GDP**
- ✓ Lower government deficit to GDP than Greece**
- ✓ One of the lowest interest burden levels in Europe**
- ✓ Much higher domestic savings**
- ✓ Lower external debt to GDP**
- ✓ Higher credit ratings**
- ✓ Similar GDP forecasts for 2010-11 for Spain and Portugal, above those for Greece**
- ✓ But a larger recovery of private consumption expected in Spain despite high unemployment levels**

Public debt as a % of GDP

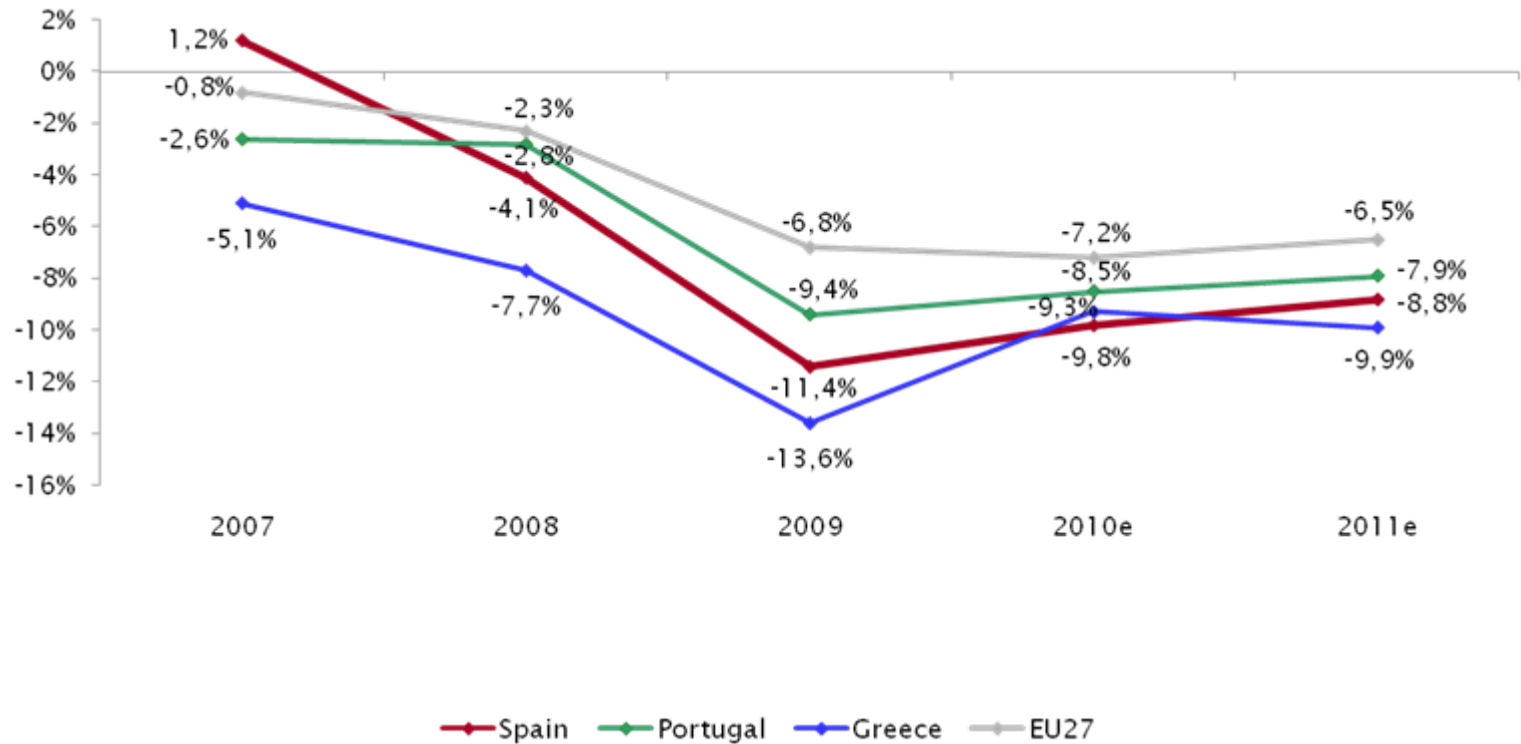
Spain has one of the lowest government debt as a percentage of GDP among developed countries ...



... and forecasts point to still significantly relatively better levels in 2010 and 2011

Public deficit as a % of GDP

Spain has a lower public deficit over GDP compared to Greece



Stability and growth programmes announced by these countries should improve fiscal problems and restore credibility

Immediate financing needs

Spain's gross financing needs for 2010 are proportionately lower

2010 Financing Needs

	€ bn	As % of GDP
SPAIN	97	9.7%
GREECE	40	17.4%
PORTUGAL	13	8.9%

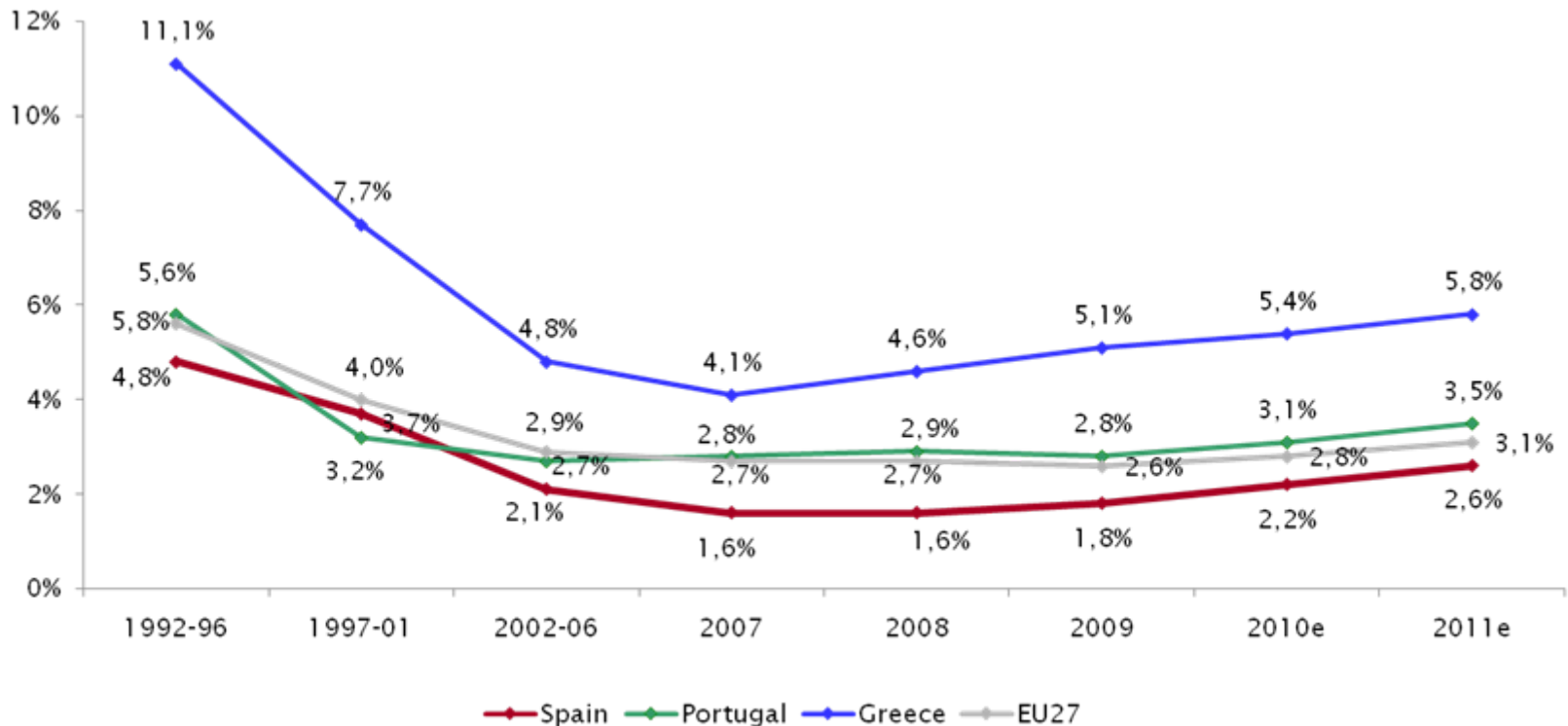
Financing needs: debt issuance required to cover upcoming amortizations and 2010 budget deficit

Lowest interest burden within affordable limits

Spain has a lower interest burden than most of the European countries, including Greece and Portugal, but also lower than Germany, France, UK and Italy

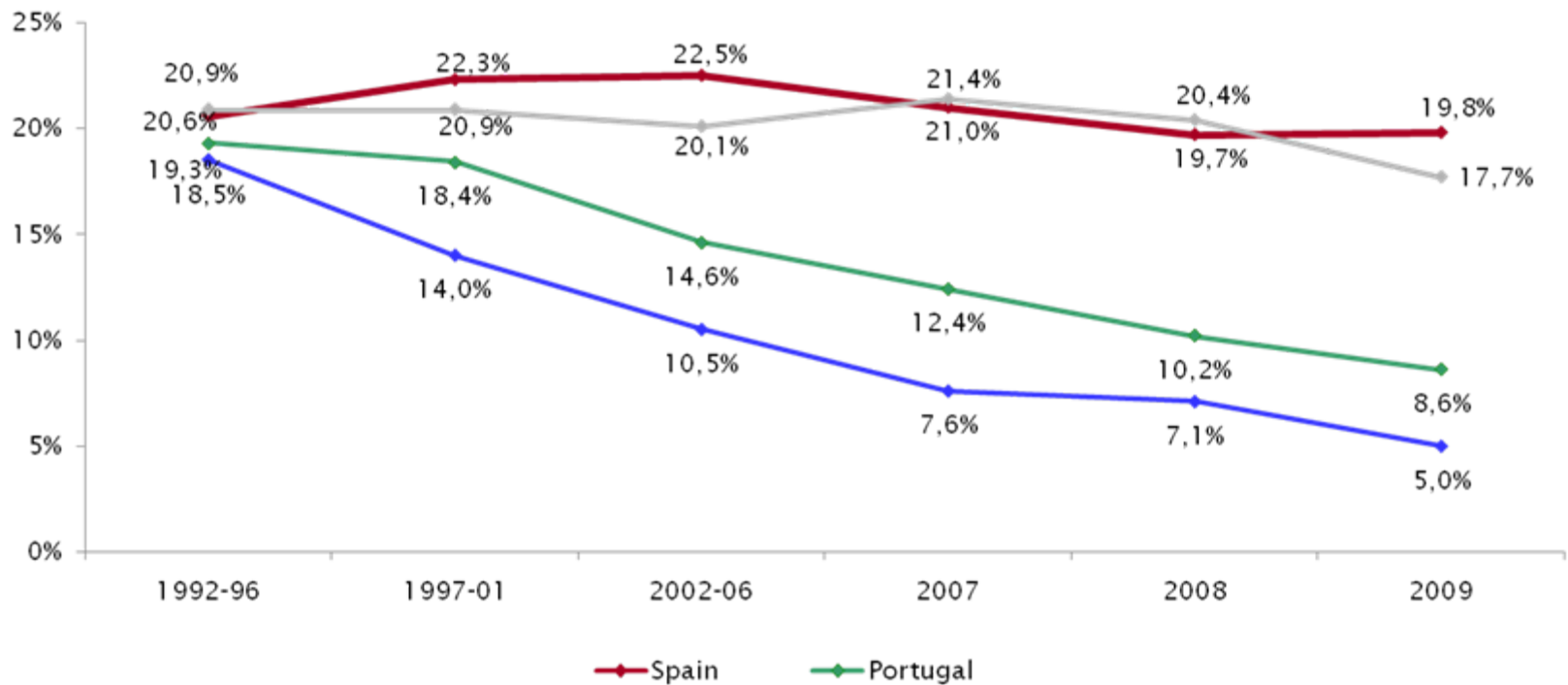
Ratio of interest expenditure to GDP, general government

(% of GDP)



Domestic savings as a % of GDP

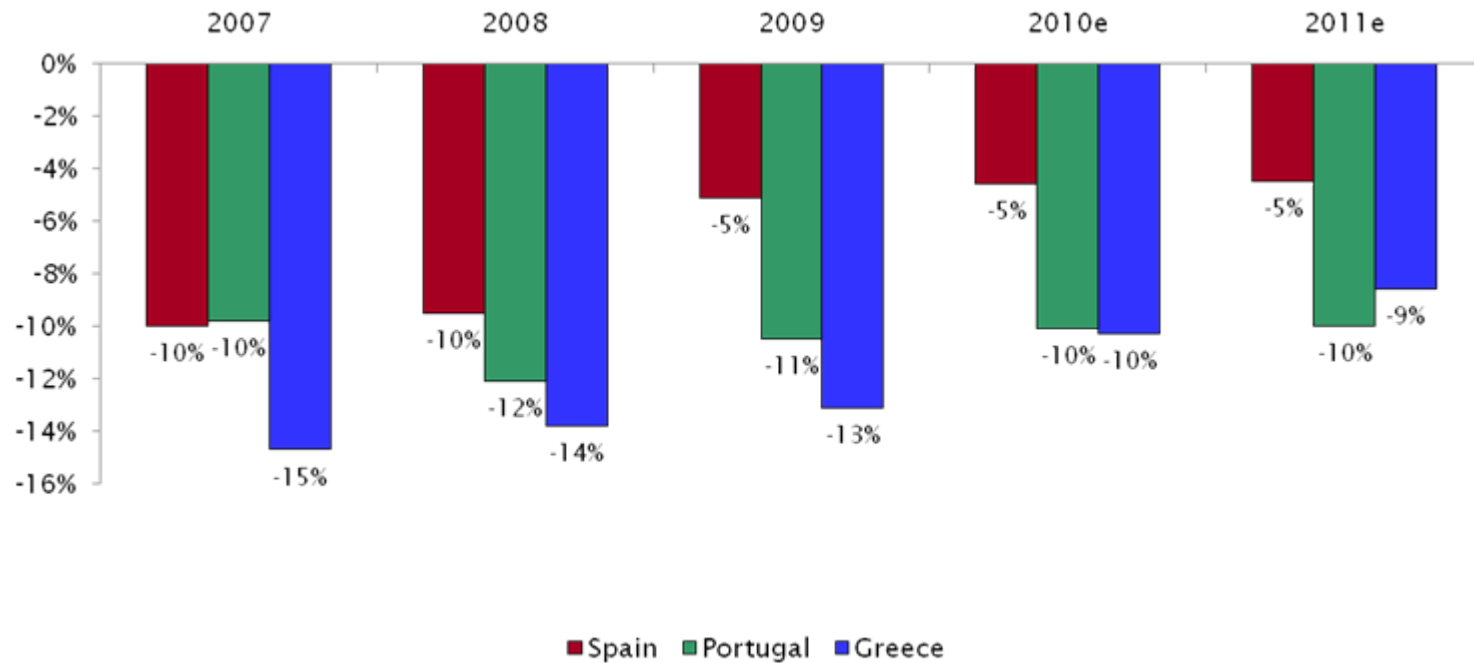
The gross national savings of Greece and Portugal –private and state combined- are at record lows: Greece: 5.0% of GDP, Portugal 8.6% compared to Spain's 19.8% and an average for the EU of 18.5%.



This implies Spain should be able to finance government deficits from its national savings now that the housing investment no longer absorbs such a large portion of savings. Greece and Portugal are unique in their reliance on foreign capital to such a large extent.

Current account deficit as a % of GDP

Spain has a significantly lower current account deficit



Credit ratings

Accordingly, Spain has higher ratings

	SPAIN	GREECE	PORTUGAL
Moody's	Aaa =	A3 ^{u.r.} ↓	Aa2 ^{u.r.} ↓
S&P	AA -	BB+ -	A- -
Fitch	AAA =	BBB- -	AA- -

Outlook stated on the upper right corner of each rating.

u.r.= under review

GDP and inflation forecast

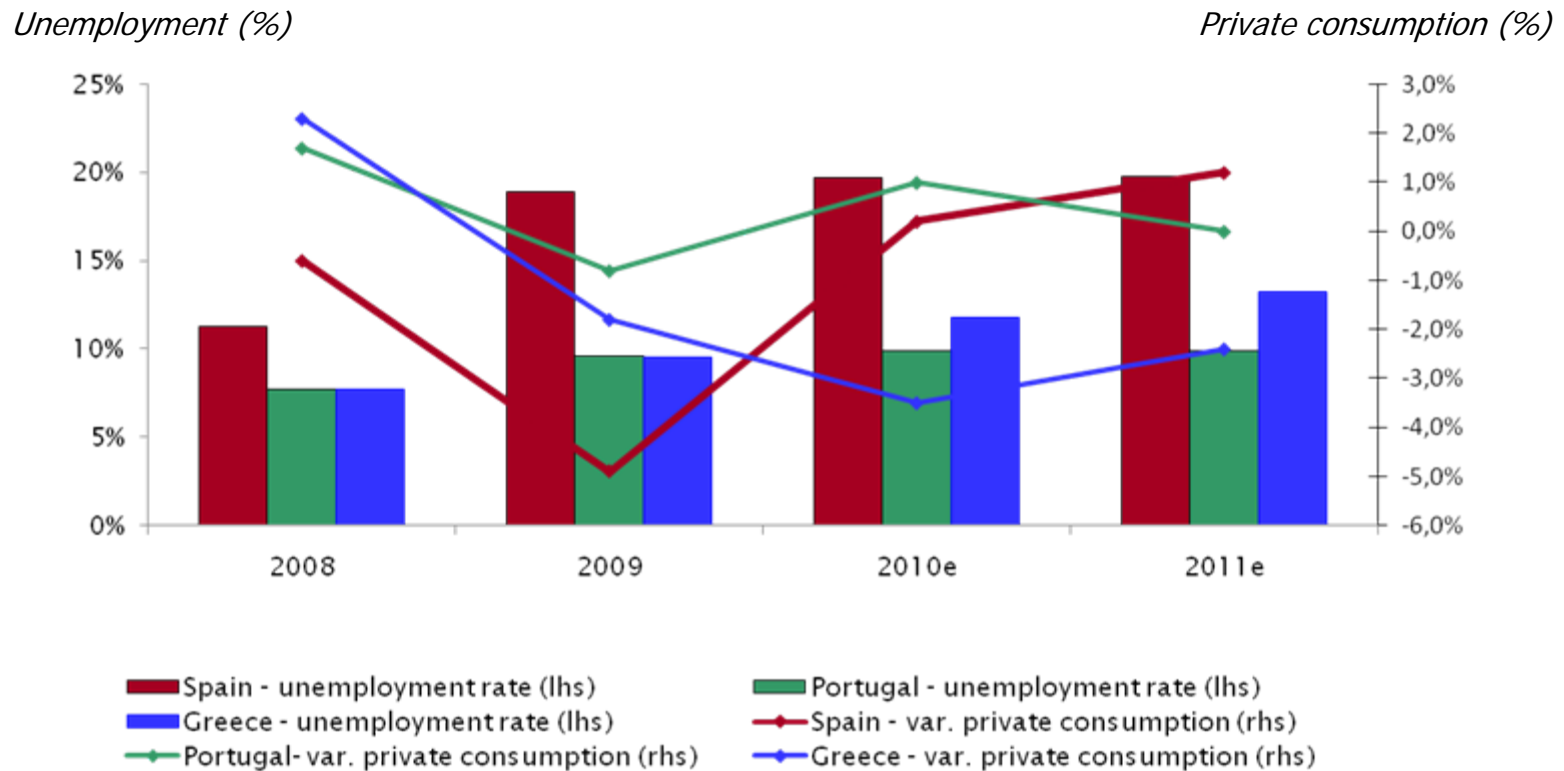
Forecasts point to mild GDP and CPI growth rates in 2010 and 2011 in Spain and Portugal, lagging the EU27 average

<i>GDP growth</i>	<i>2009</i>	<i>2010e</i>	<i>2011e</i>
SPAIN	-3.6%	-0.4%	0.8%
GREECE	-2.0%	-3.0%	-0.5%
PORTUGAL	-2.7%	0.5%	0.7%
EU27	-4.2%	1.0%	1.7%

<i>Inflation</i>	<i>2009</i>	<i>2010e</i>	<i>2011e</i>
SPAIN	-0.3%	1.6%	1.6%
GREECE	1.3%	3.1%	2.1%
PORTUGAL	-0.9%	1.0%	1.4%
EU27	1.0%	1.8%	1.7%

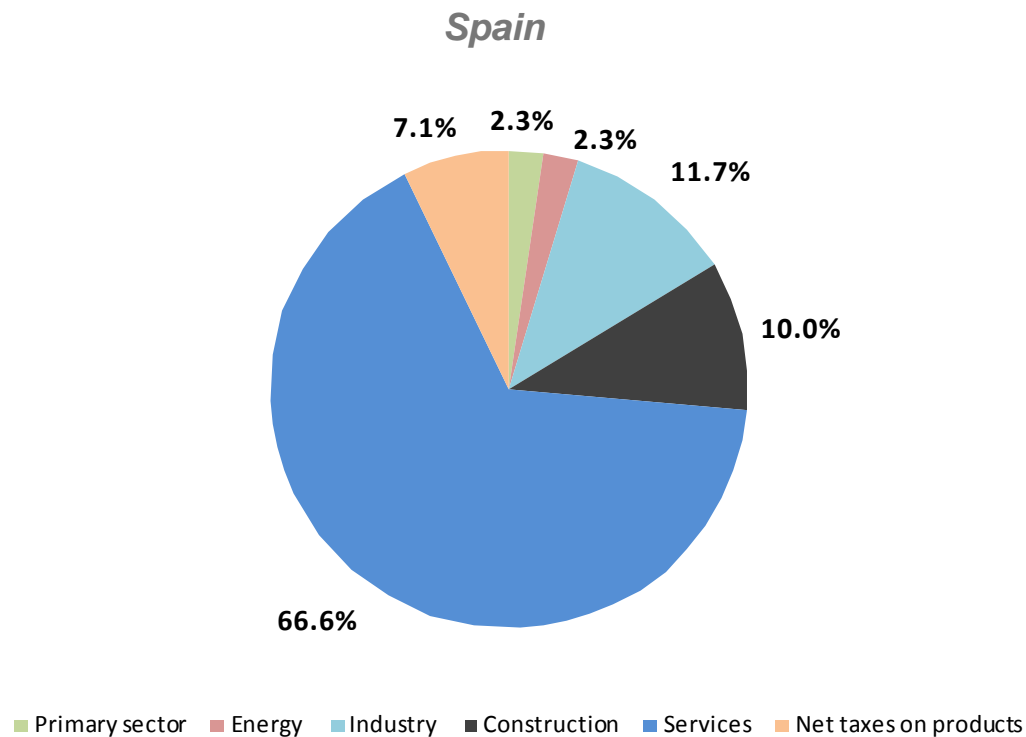
Unemployment rate and private consumption growth

A larger recovery of private consumption expected in Spain in 2010 and 2011 despite high unemployment levels



GDP breakdown by activity

Spain's GDP breakdown reflects a developed economy: services account for 66.6%



In 2009 Spain was the 3rd net receiver of tourists in the world, behind France and the USA

Relative economic sizes within the EU27

Spain has a larger relative weight in the EU27

GDP, current prices

(€, billion – 2009)

SPAIN	1,048,894	9%
GREECE	234,448	2%
PORTUGAL	149,452	1%
EU 27	11,978,852	100%

Population

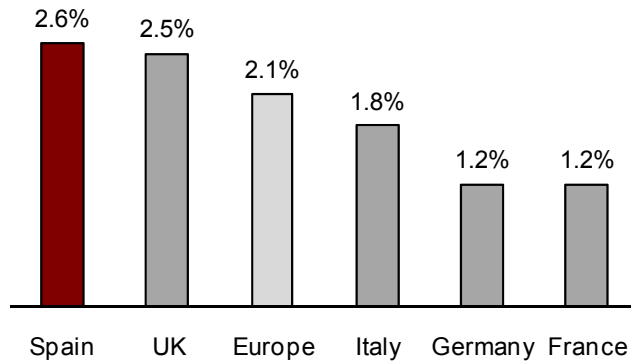
(2009E)

SPAIN	46,087,170	9%
GREECE	11,306,183	2%
PORTUGAL	10,636,888	2%
EU 27	501,259,840	100%

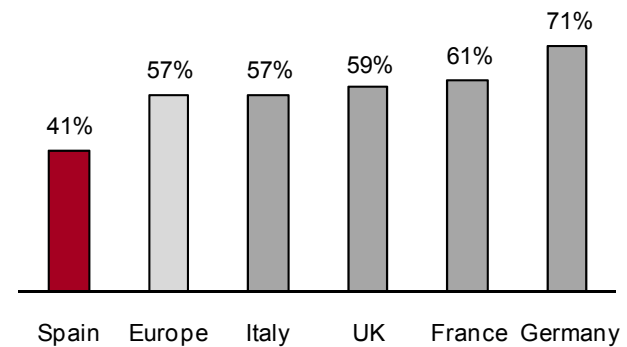
The Spanish banking sector in an international context

Best-of-class profitability and efficiency levels

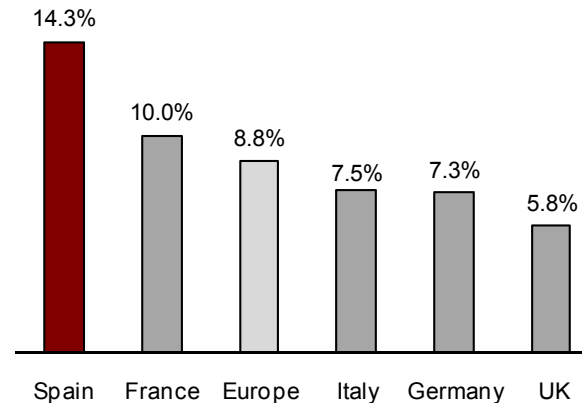
Financial Margin 2010e



Efficiency Ratio 2010e



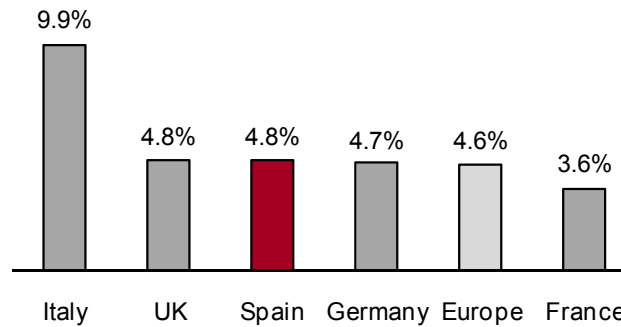
Return on NAV 2010e



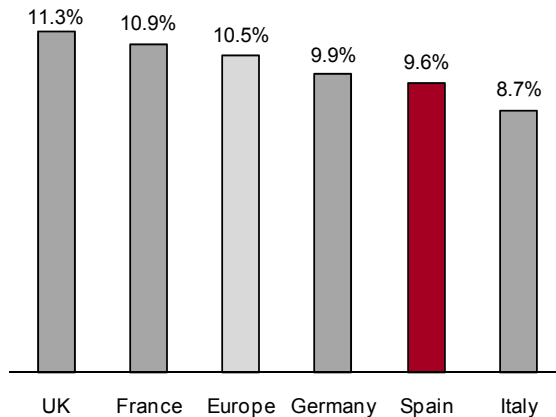
The Spanish banking sector in an international context

Outstanding credit quality and solvency. Focus on retail banking

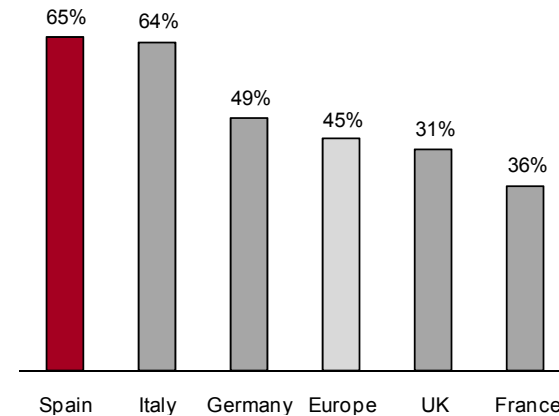
Non Performing Loans 2010e



Tier 1 2010e



Loans/Total Assets 2010e





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