KBW UK & European Financials Conference 2010

BANCO POPULAR

London, September 14th 2010

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Agenda

1. Banco Popular: Managing through the cycle with a superior business model
2. Business resilience
3. Active risk management
4. Reinforcing liquidity & funding policy
5. Solid capital position
6. Conclusions

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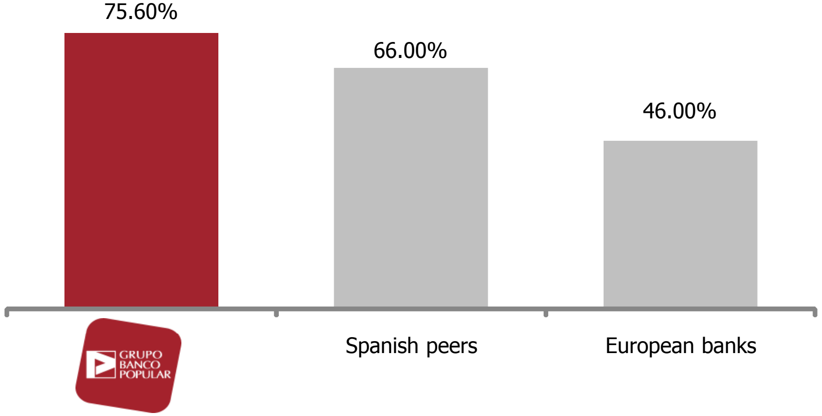
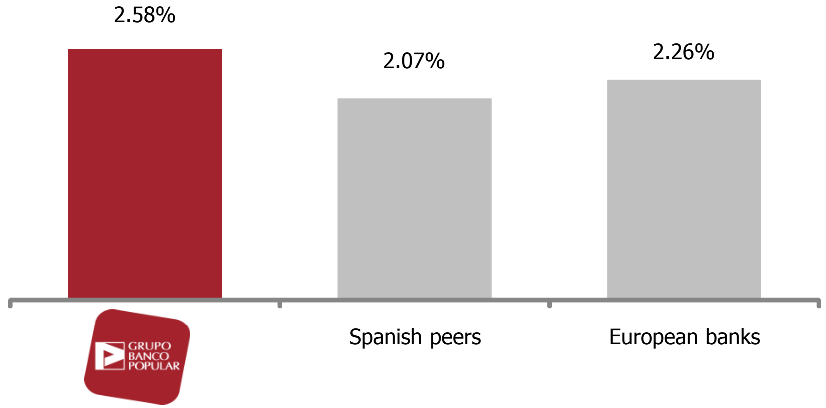
Our model: a leading commercial franchise

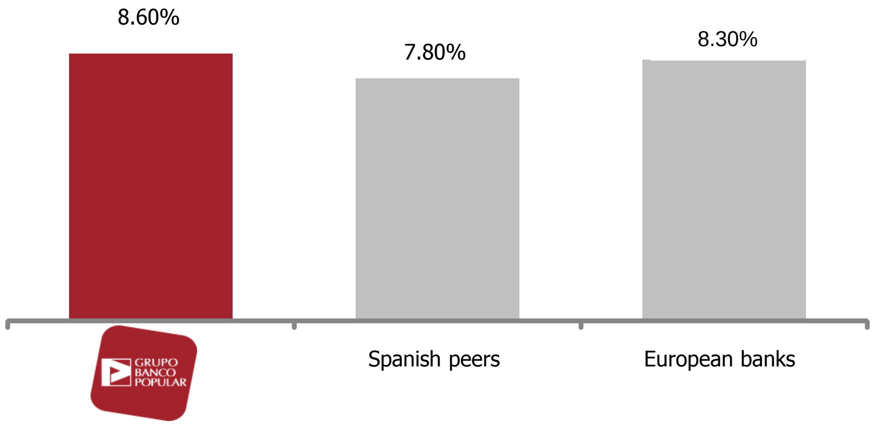
Retail and commercial: loan to assets



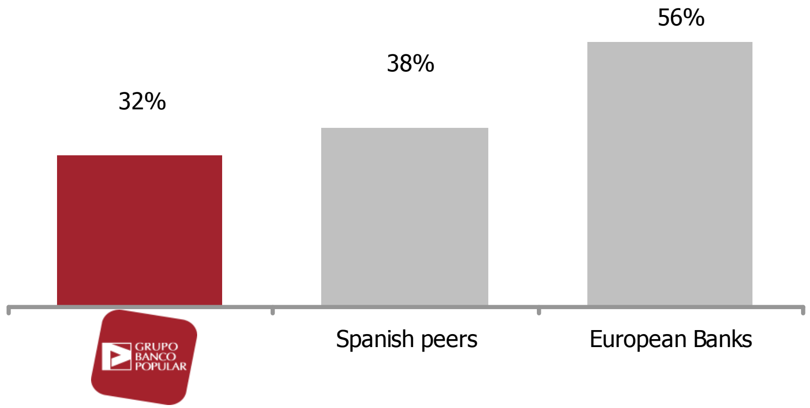
Pre-provision profit over loans



Core capital



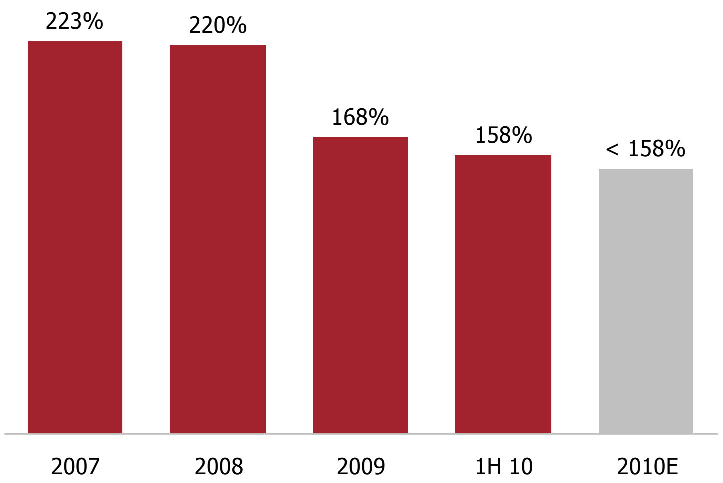
Cost to income ratio



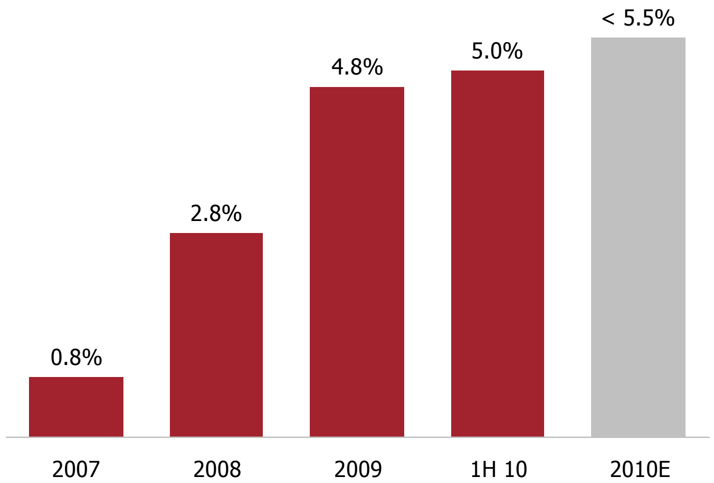
Source: Quarterly reports; Spanish peers: Santander Spain, BBVA Iberia, Banesto, Sabadell & Bankinter
European banks: Credit Suisse Banks Valuation, July 2010 & KBW Valuation July 2010

Managing through the cycle: preserving capital and liquidity while focused on business opportunities as credit deterioration eases

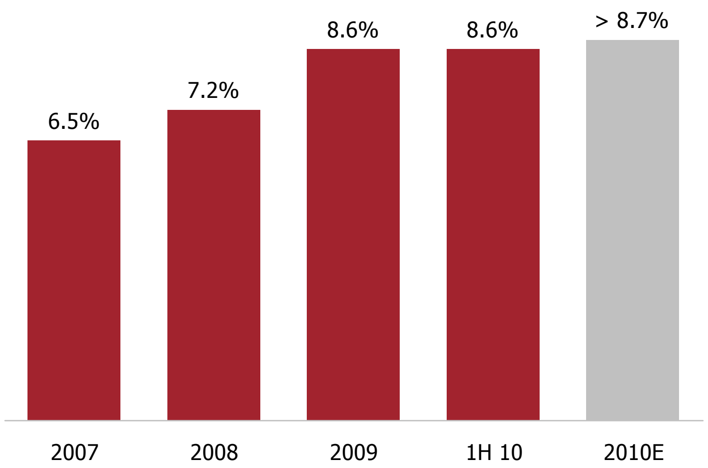
Loan to Deposits



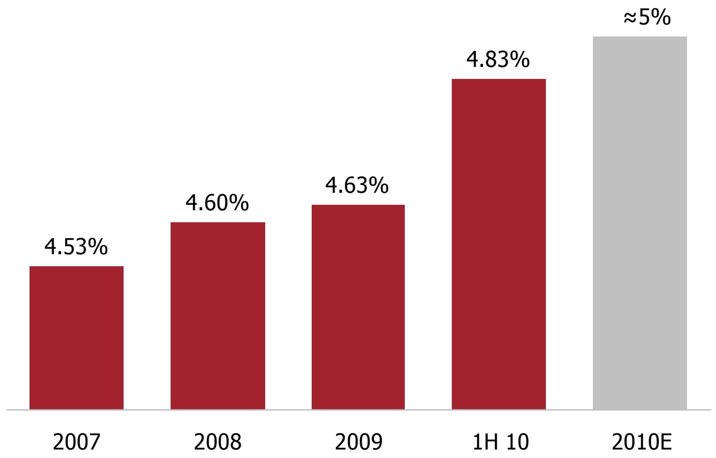
NPL ratio



Core capital



Business market share (1)



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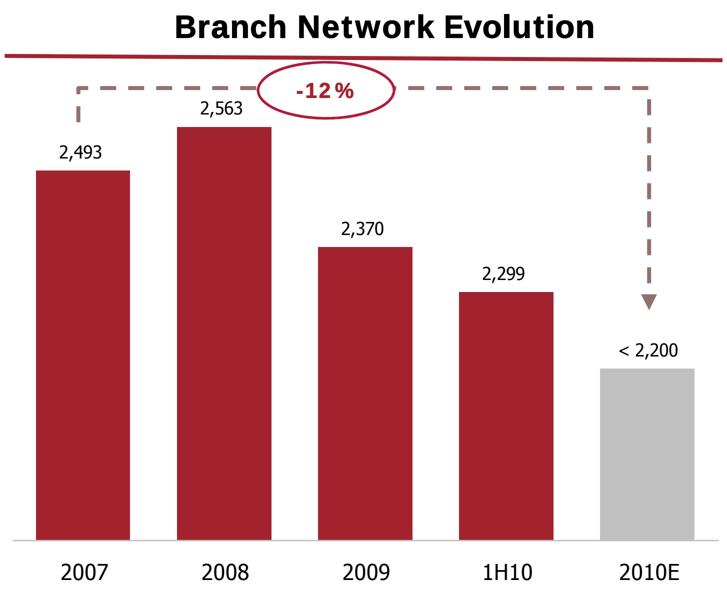
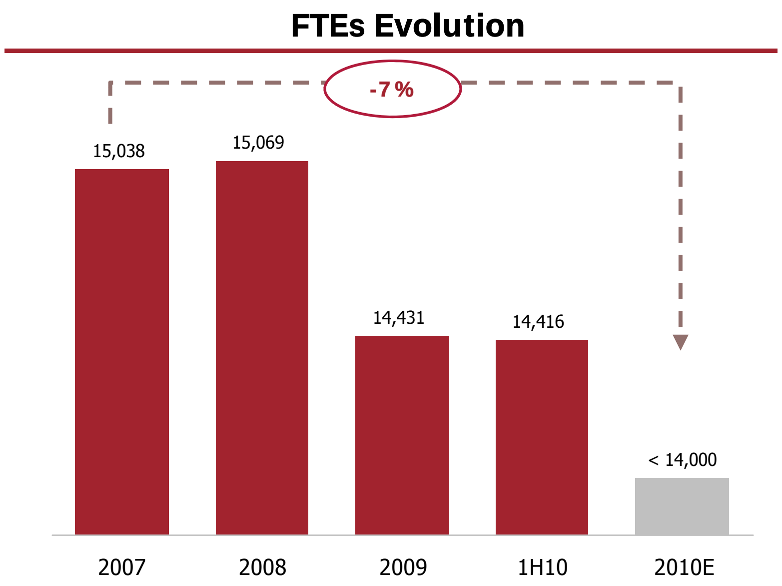
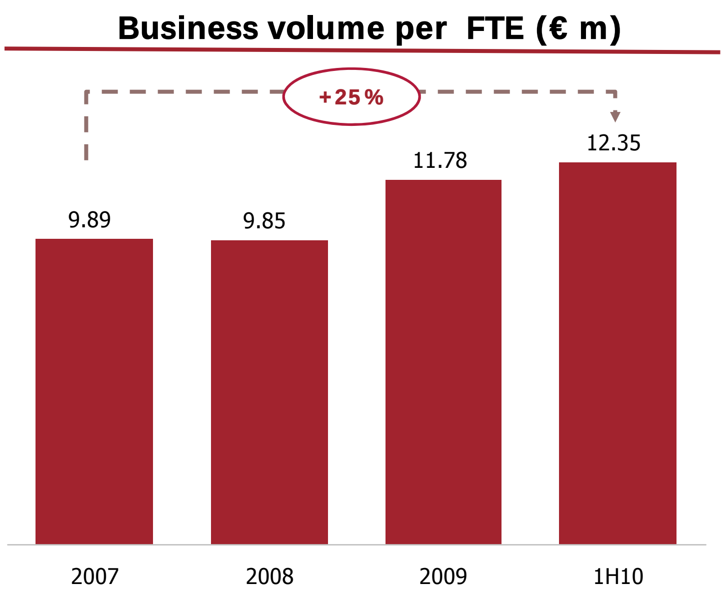
(1) Business market share: overall market share in loans and deposits

Managing through the cycle: optimizing our branch network in the new business environment and capturing synergies from the merger of the subsidiaries







Note: Business volume= loans+ deposits+ AuM

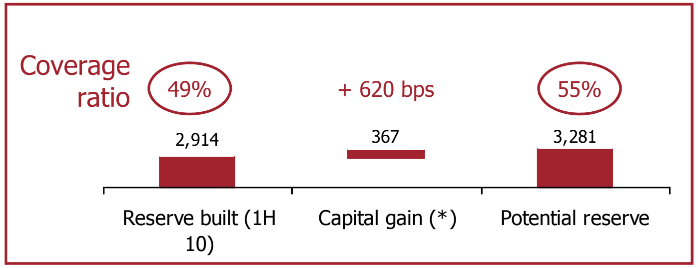
Crédit Mutuel deal: Demonstrates our commitment to strengthening the bank while optimizing our structure to maximize potential market opportunities

Impact on Banco Popular

Strengthens balance sheet position

Capital gains: €367m

Potential impact on reserve built (€m)



Reinforces capital ratios

- Core capital increase: +16 bps

… with limited impact on financials

- 50% Loans: €1.0bn
- 50% AUM: €0.85bn
- Of which customer deposits: €0.6bn
- 50% Net income 2010E: €18m

Increases liquidity

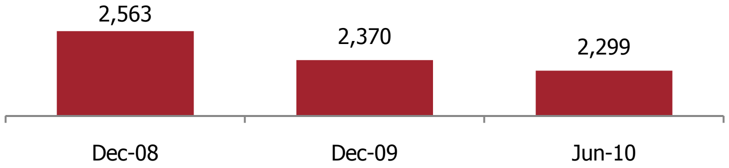
> €600m of available liquidity

- Cash from the transaction
- 50% of new bank's funding will be provided by Crédit Mutuel

Capitalizes branch network optimization

- Capitalize future synergies from the merger process of our regional subsidiaries

Banco Popular's network optimization (# of branches)



(1) *Assuming retained earnings at 30% tax rate*

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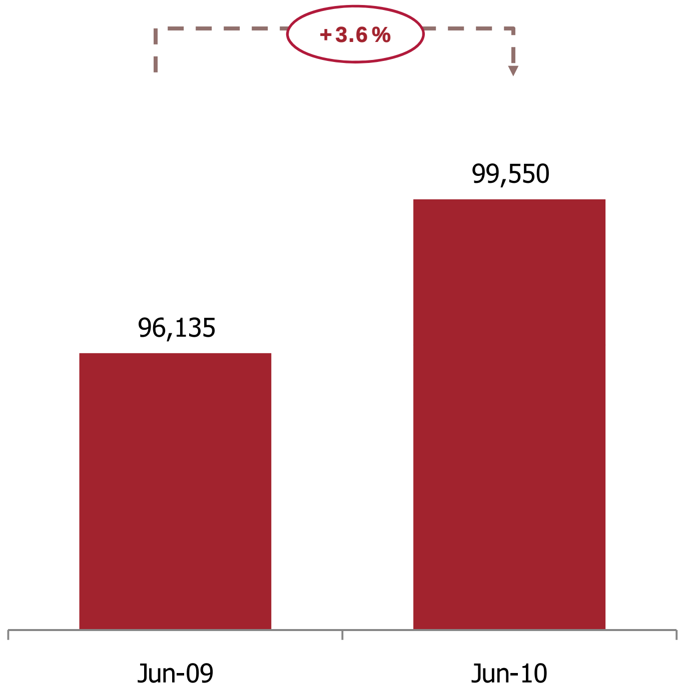
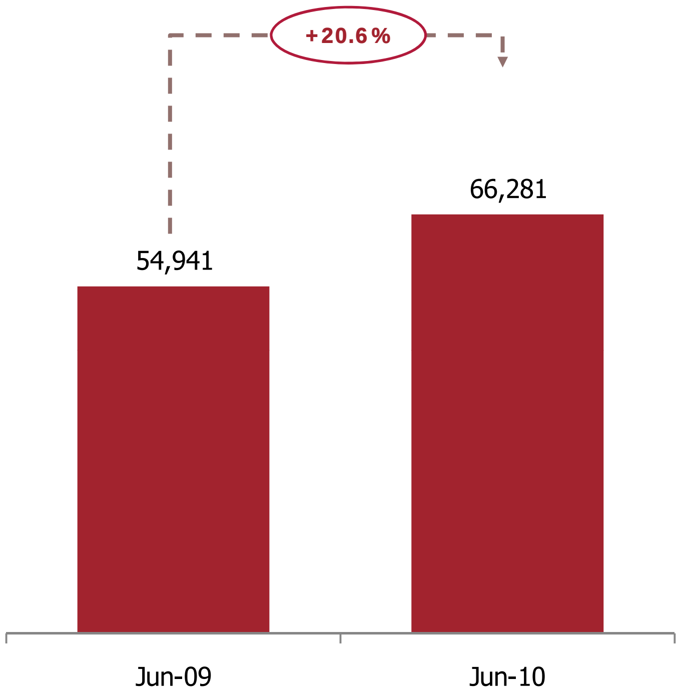
We steadily gain market share in both loans & deposits through pure organic growth

Loans evolution:
+ 17 bp[(1)] market share gain YoY (€m)



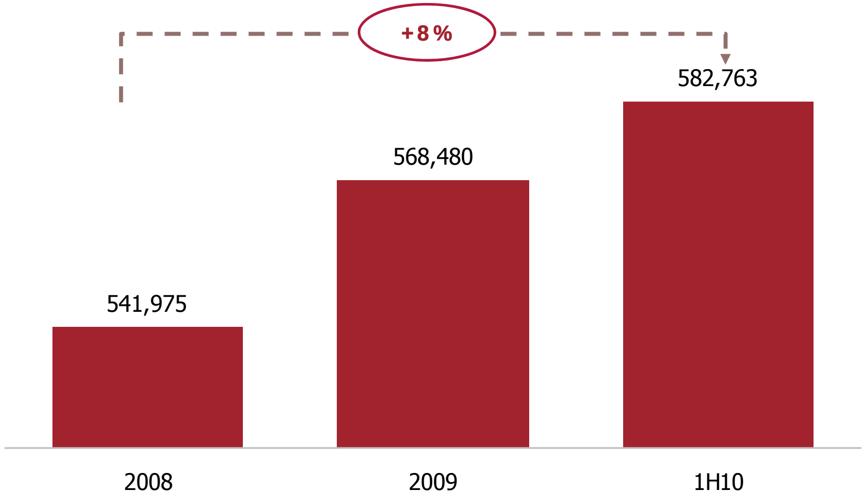
Deposits evolution:
+ 52bp[(2)] market share gain YoY (€m)



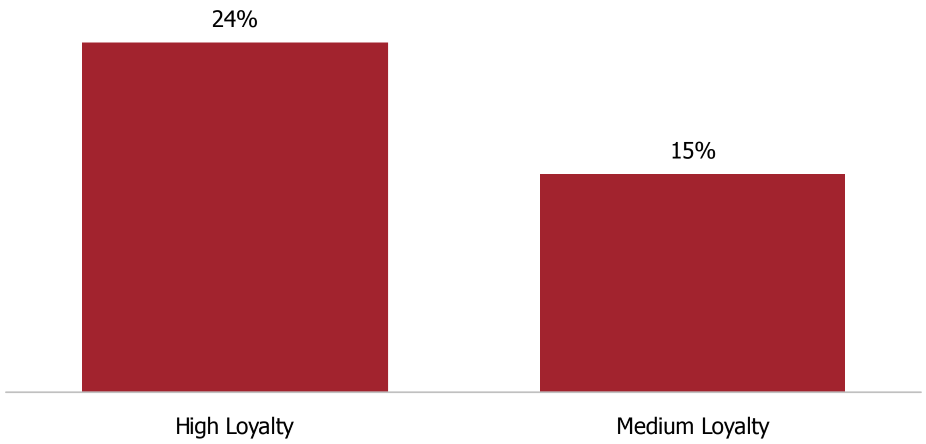
(1) *Data as at May-10 – Versus banks and savings banks*
(2) *Data as of Mar-10*

Reinforcing our SME franchise: attracting new customers and increasing existing clients loyalty

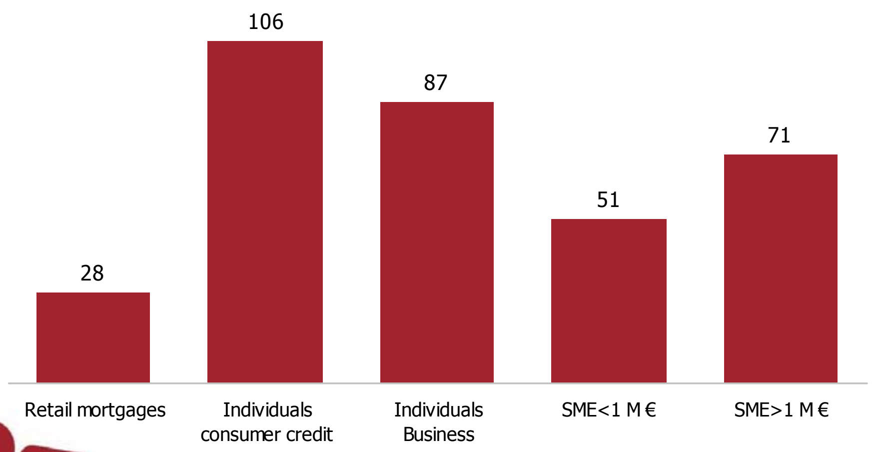
Corporate & SME clients evolution 08-10



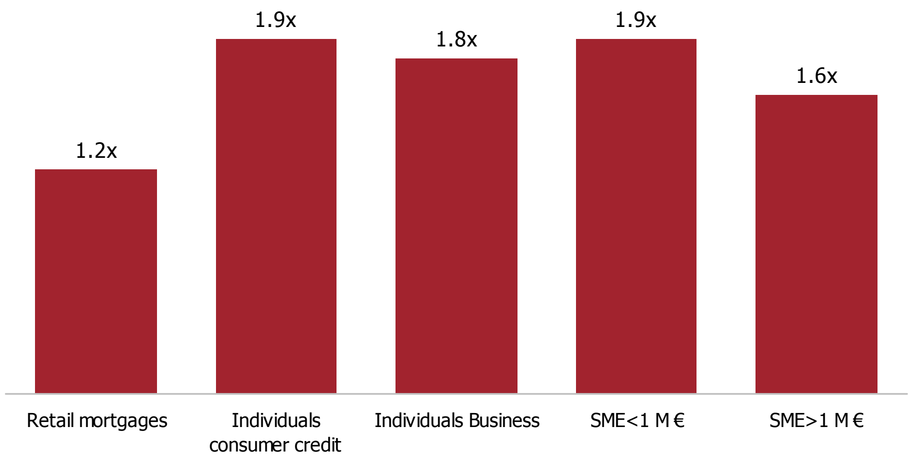
Corporate & SME clients growth 08-10 by cross selling levels



Loans: Front book spreads vs. banks as of May-10 (b.p.)



Loans: Front Book spreads by segment May 10 vs Dec.07



And focusing on savings instruments to attract new clients while providing proven funding stability with a limited impact on margins

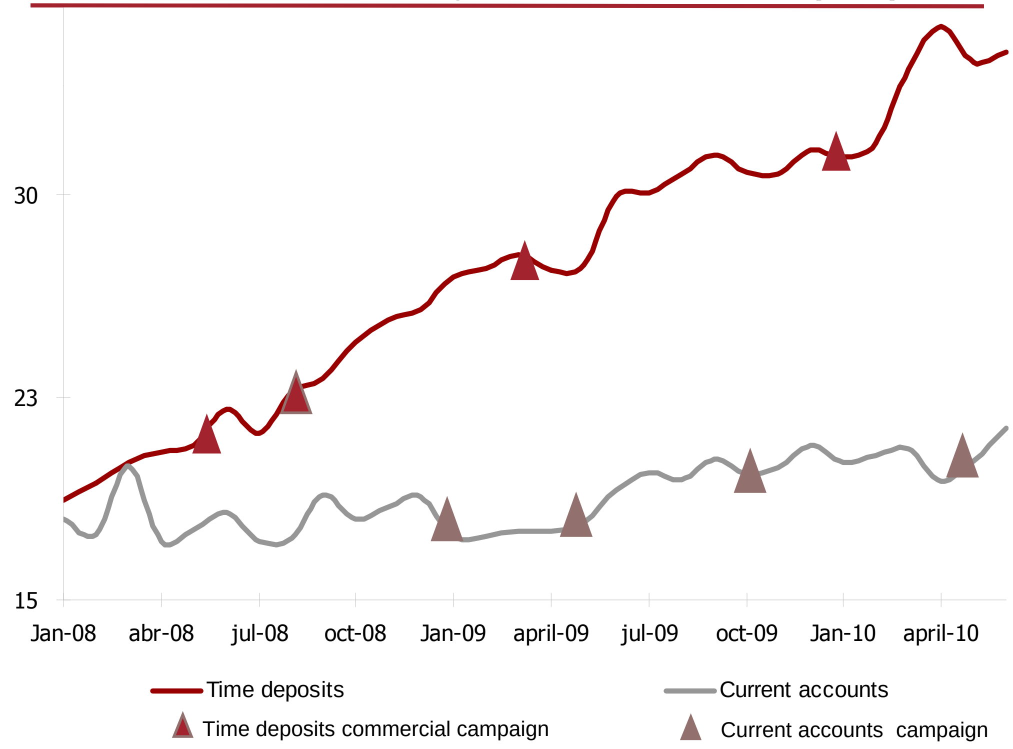
Term deposits as a hook to gain clients (1H 10)

- ✓ **55,000** new customers YTD
- ✓ **€5.4Bn** (87% new money)
- ✓ EUR **40,000** average deposit

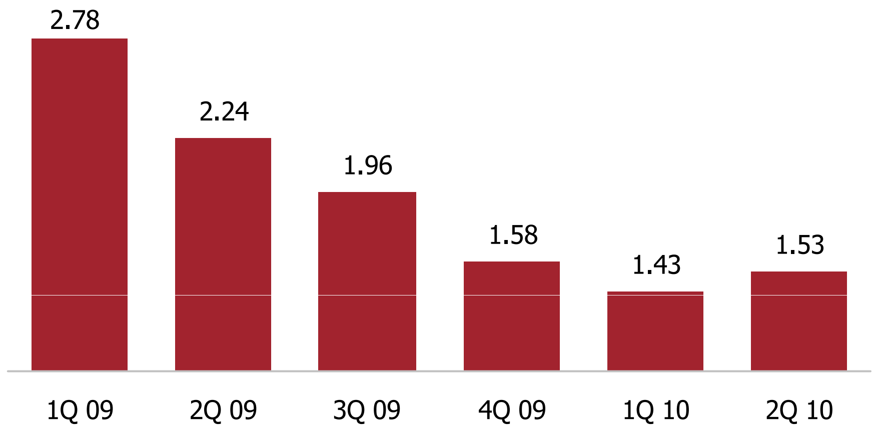
Payroll account campaign (2Q 10)

- ✓ **+21%** QoQ new payroll accounts
- ✓ **10,000** new customers

Retail funds monthly evolution 2007-1H 10 (Bn €)



Customer deposits cost evolution



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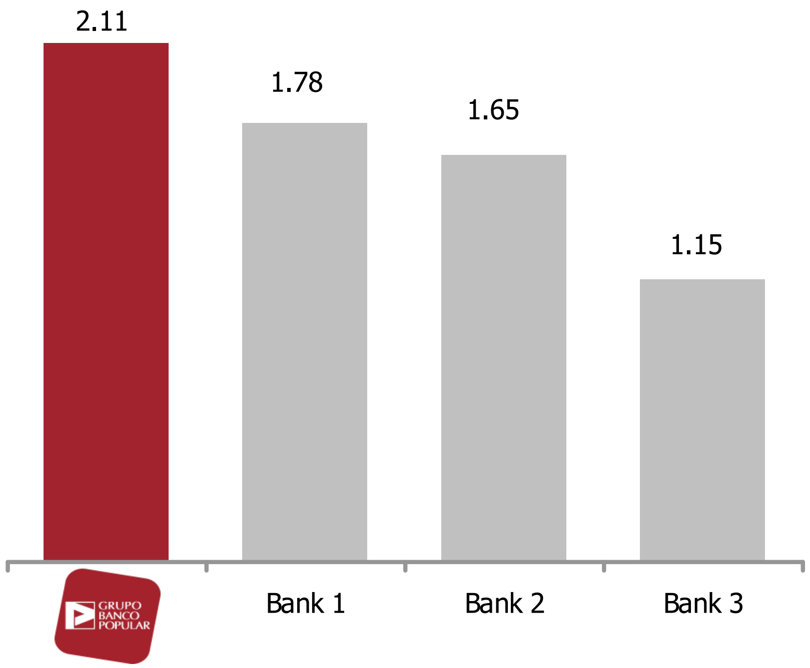
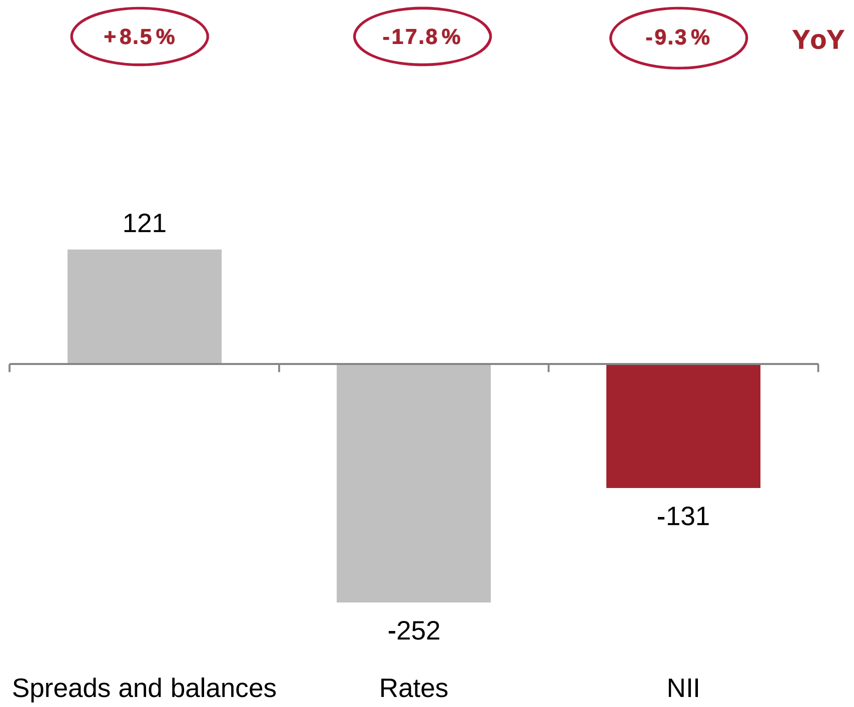
This growth coupled with a very remarkable spread management has allowed us to offset, partially, the negative effect of the current low interest rate environment

Banco Popular and peers 1H 10 NIM (%)



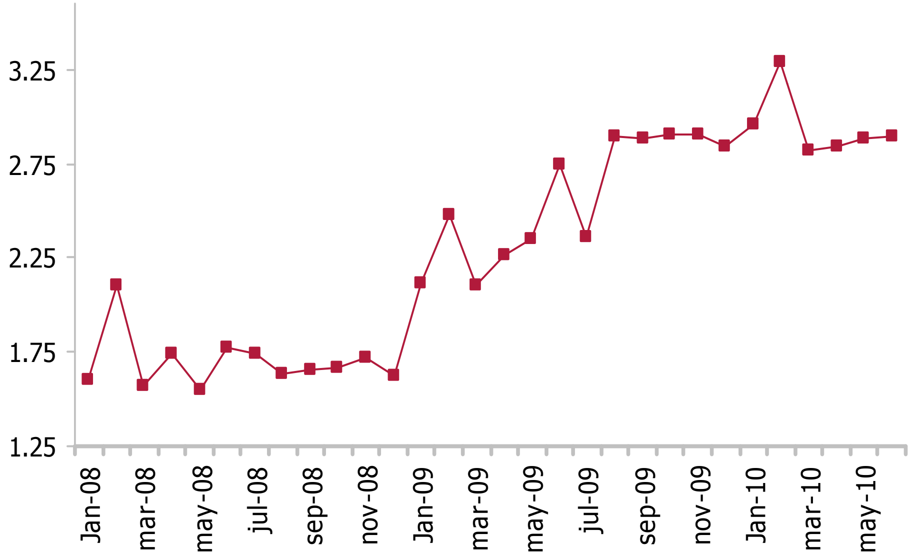
Note: Comparable banks Banco Sabadell, Banesto and Bankinter

NII impact from rates, spreads and balances (€m). 1H10 YoY

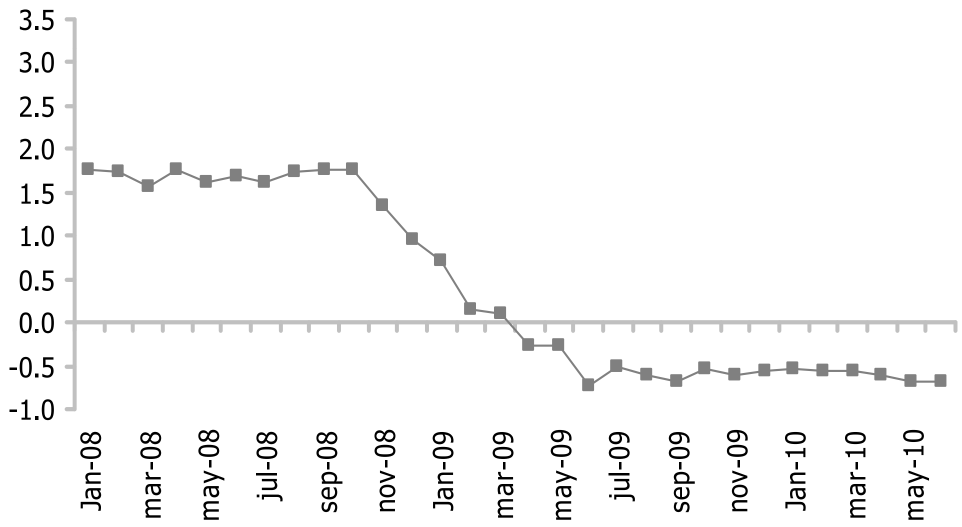


The key is to manage asset margins… since deposits will be structurally more expensive and rates will be lower for longer

Loan spreads at record highs



Deposits spreads remain depressed from current interest rates levels and competition



Our views

- Assets spreads will be at structurally high levels due to new risk perception, higher capital consumption and scarcity of capital & liquidity in the Banking system.
- Only banks with a client focus and value added service will be able to increase prices effectively.

Our views

- Deposits will be structurally more expensive.
- Competition should stabilize/ reduce in the coming months as debt market gradually re-open,…though will remain high, since they will continue as main attraction for new individual clients capture
- Not all institutions are able to pay equally for deposits (assets spreads, capacity to transfer to clients, asset duration,…).
- Interest rates will remain lower for longer… which will negatively affect deposits spreads.

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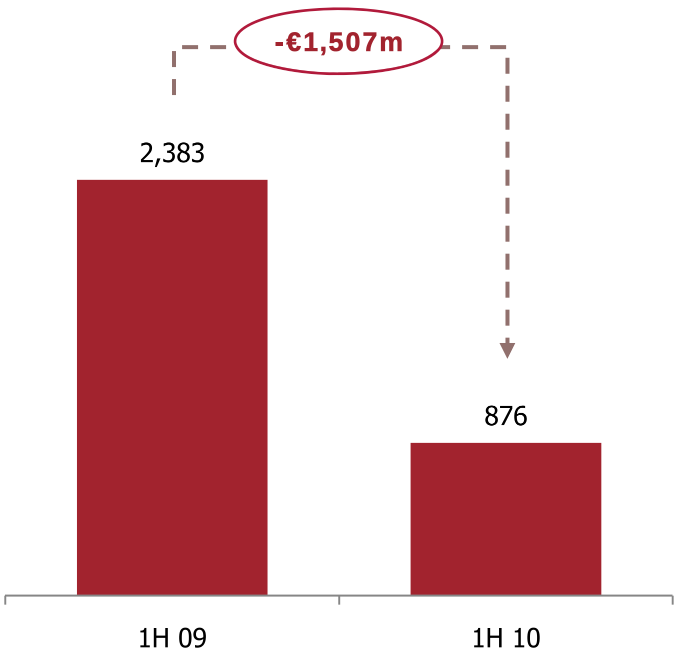
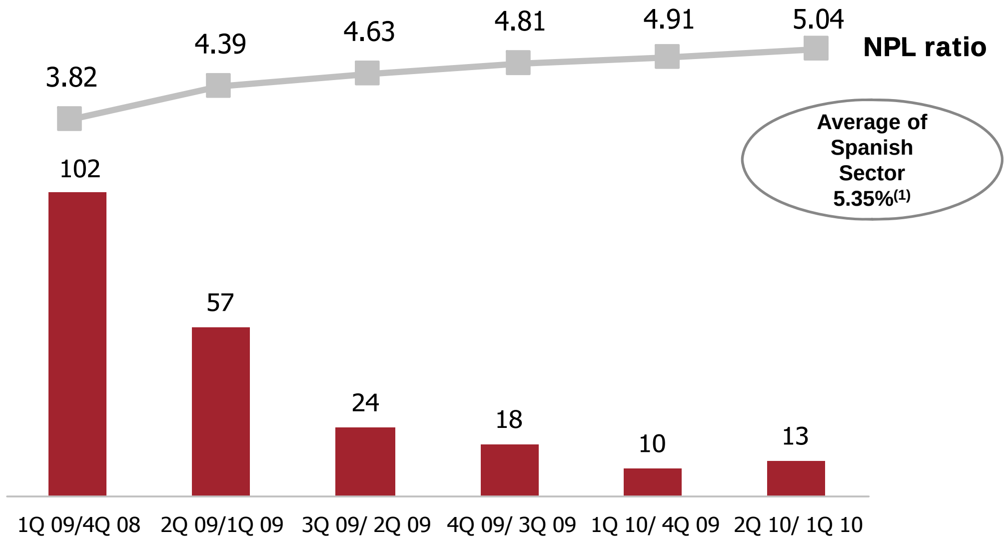
Agenda

NPL formation on the right track. NPL ratio below industry levels

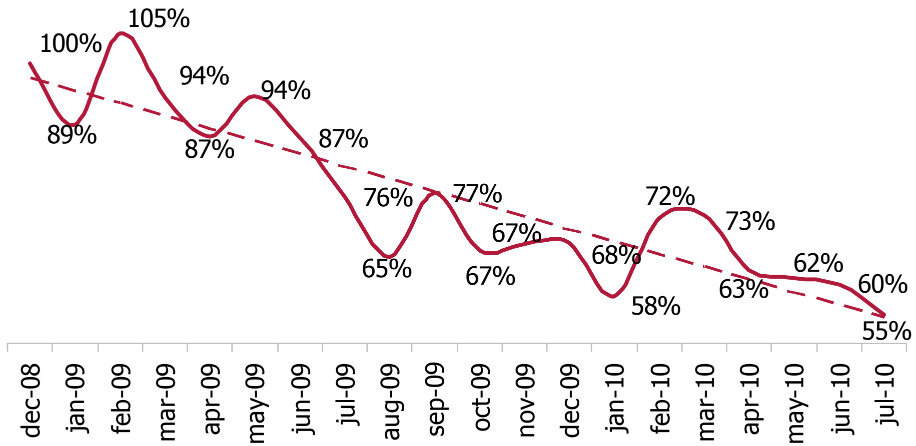
Evolution of net entries of NPLs (€m)



NPL ratio evolution and quarterly growth (bp)



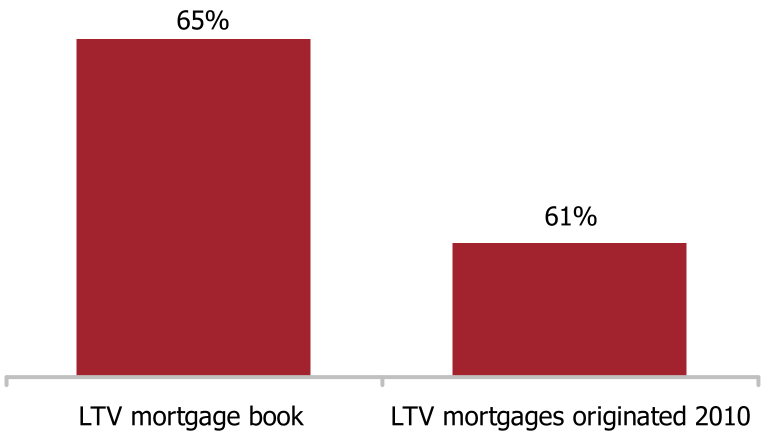
NPLs pipeline: Banco Popular's late / missed payment (30-90 days past due) index evolution



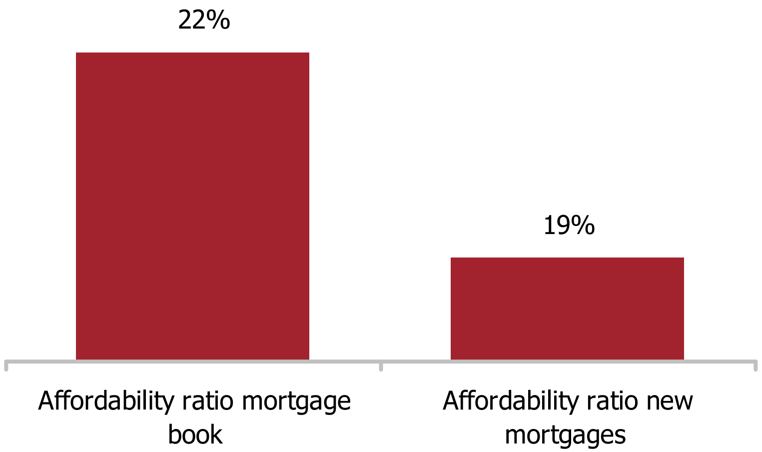
(1) Average of banks and saving banks as of June 2010. Other resident sectors. Source: Bank of Spain

Very conservative new loan underwriting

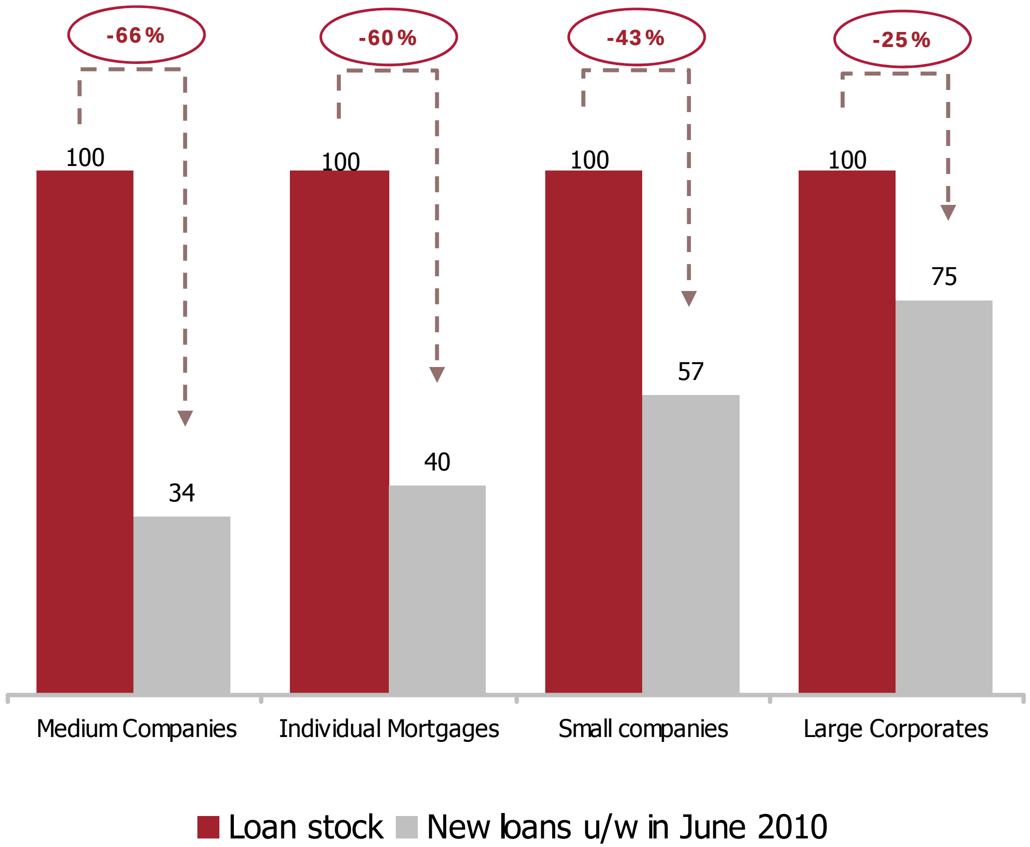
Loan to Value residential mortgages



Affordability ratio residential mortgages



Expected Loss new production vs. stock -(Index 100)



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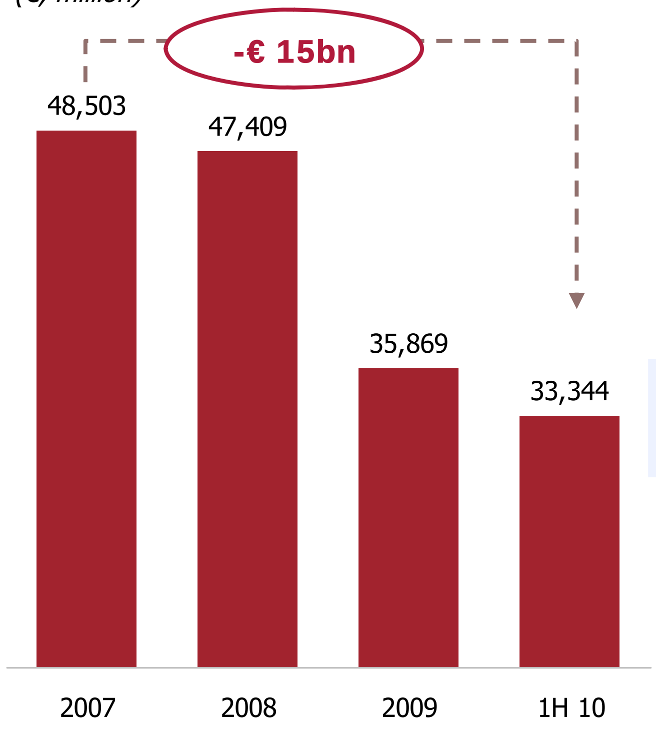
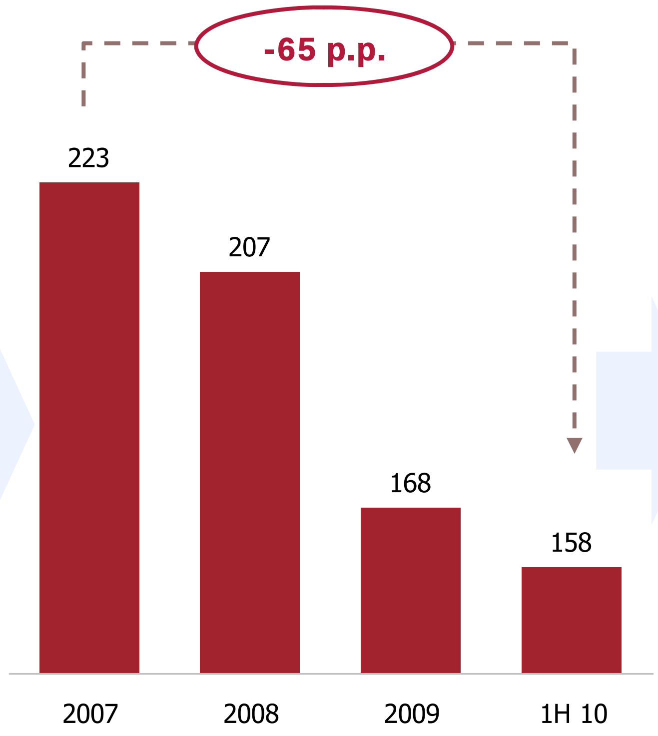
In spite of growing our loans, we have reduced our commercial gap and our wholesale funding dependence thanks to the capture of retail deposits

Evolution of the commercial gap (1)

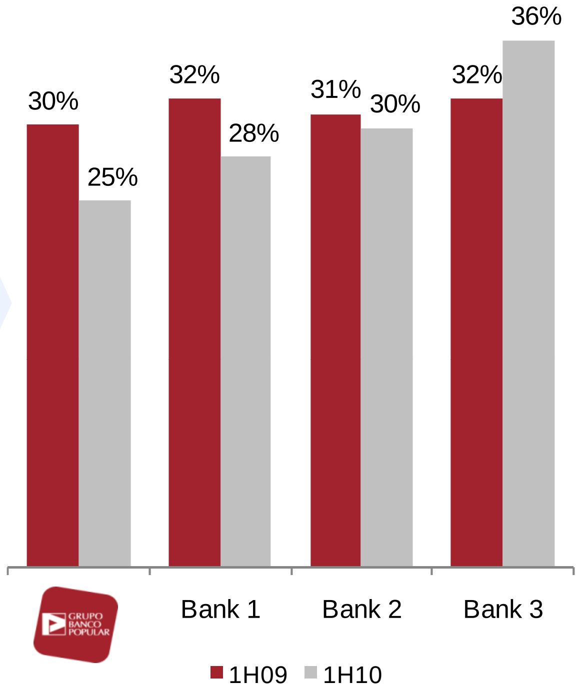
(€, million)



Reduction in Loan/Deposit Ratio (1)



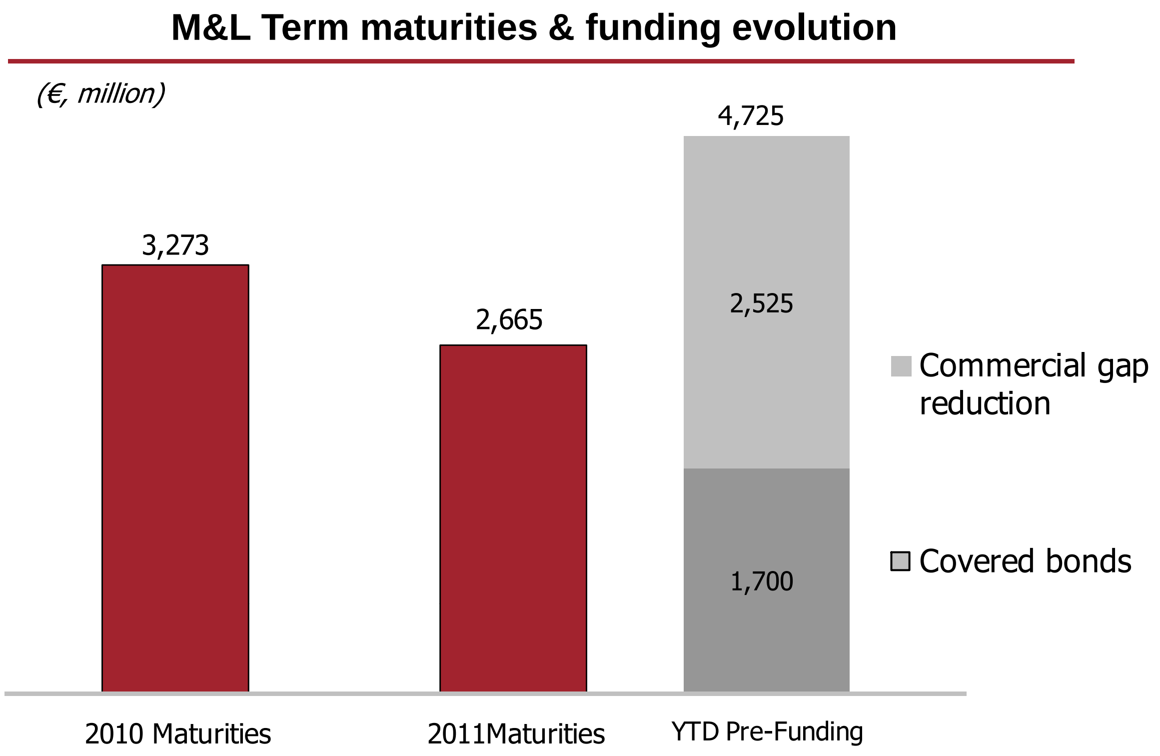
Lower reliance on wholesale funding vs peers (% over ATAs)

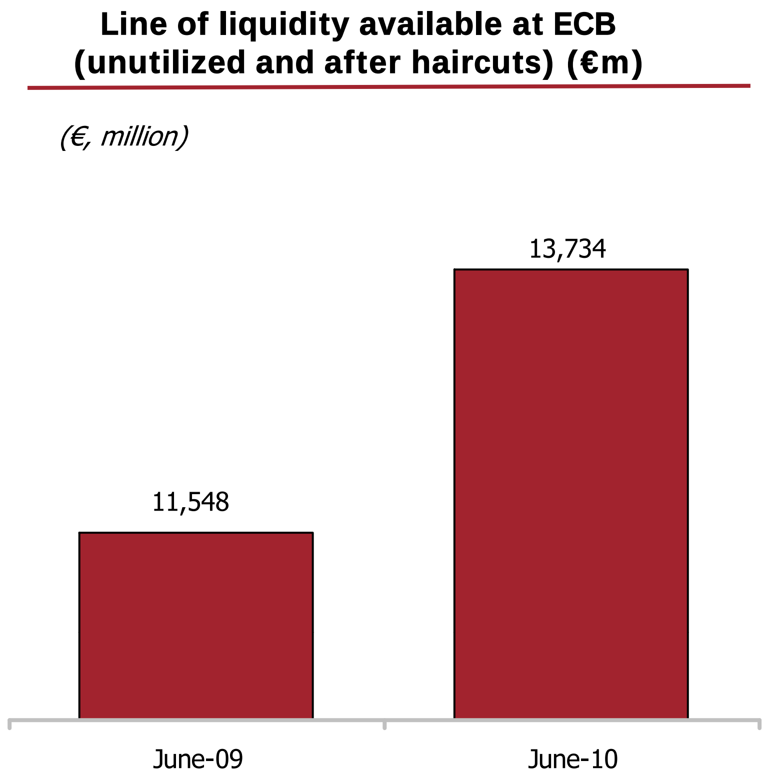


(1) ex repos

Source: Banco Popular, Company reports. Comparable banks include Banesto, Sabadell and Bankinter

Active liquidity management: we have already pre-funded all 2010 maturities and part of 2011 and we keep a strong second line of liquidity





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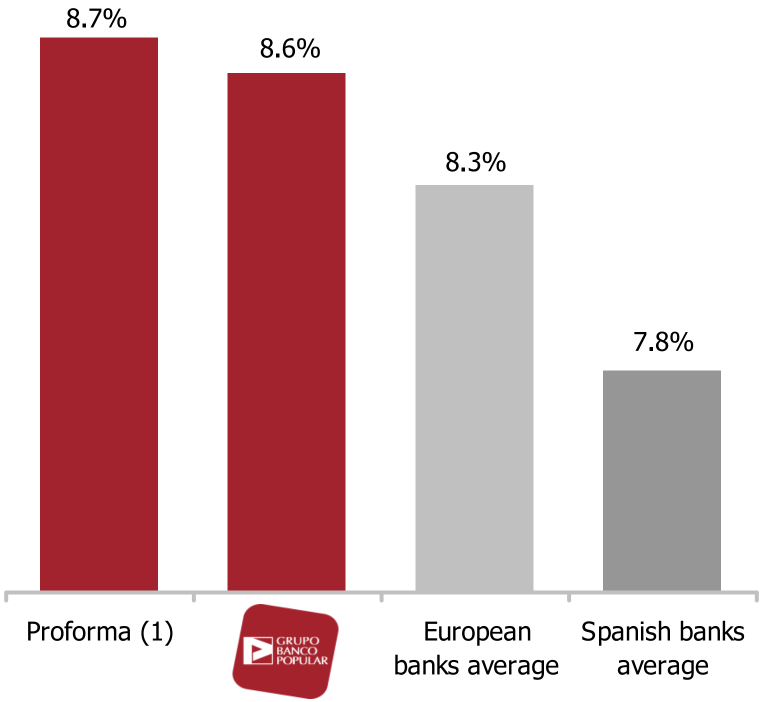
Our core capital is not only above our Spanish and European peers but also of higher quality with an expected negligible impact from new Basel III proposals

Core capital versus banking sector



Very limited Impact from new Basel III proposals

- Few minorities (EUR33m or 4bp core capital)
- DTAs < 10% Core capital
- Financial Institutions stakes < 10% Core capital
- DTAs + Financial Inst. Stakes < 15% Core capital
- AFS reserves- Expected limited impact
- Nil Market risk (0.48% of total RWA)
- Least Leveraged bank in Western Europe (14x TA/TE)

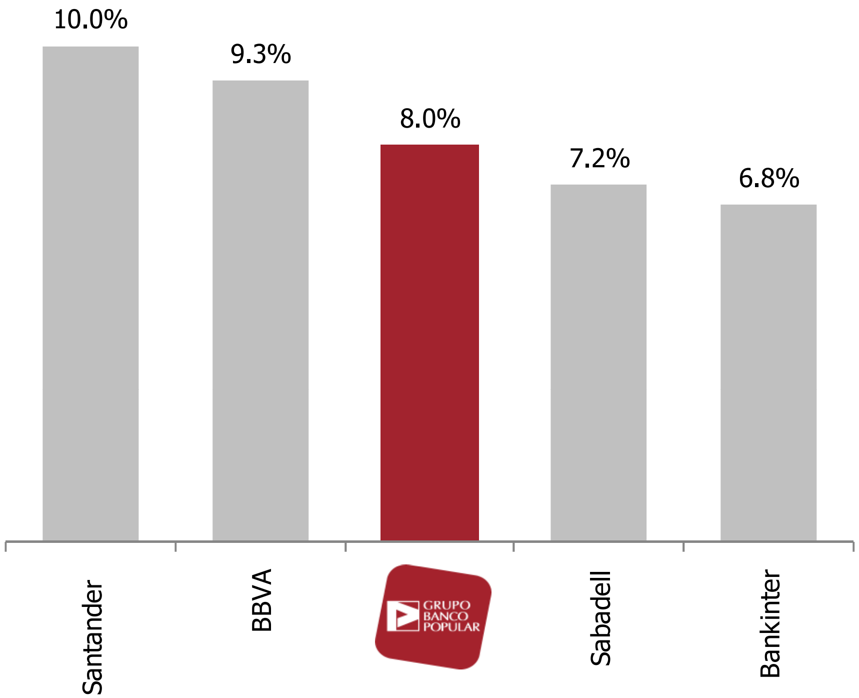
Negligible impact on capital

(1) 16 bp. From transaction with Crédit Mutuel
Source: European banks: Credit Suisse, July 2010. Includes banks that have received States' equity injections. Spanish banks: Quarterly reports 2Q 2010

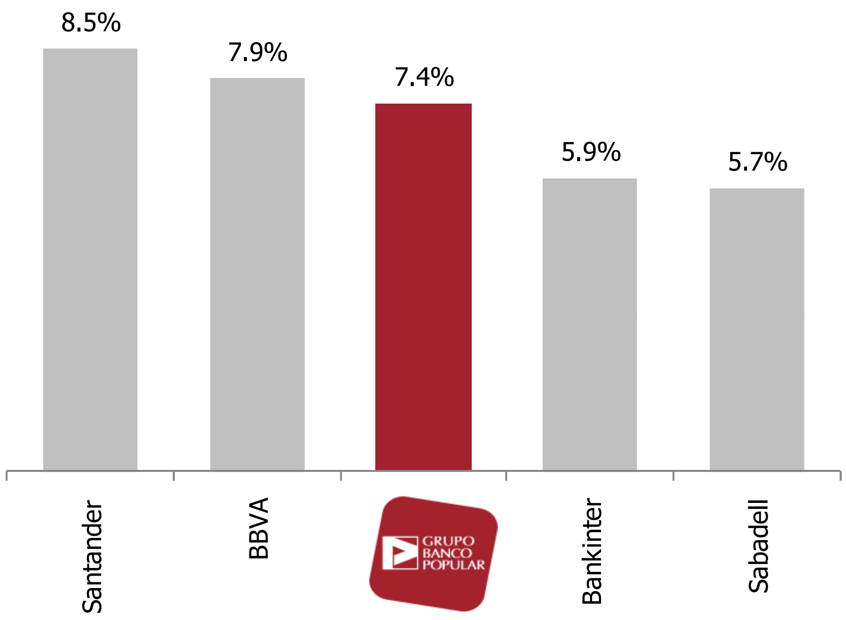
The stress test have shown the strength of our business model and our fortress capital

Listed Spanish banks in the stress test
Adverse stressed scenario + sovereign shock

Tier 1



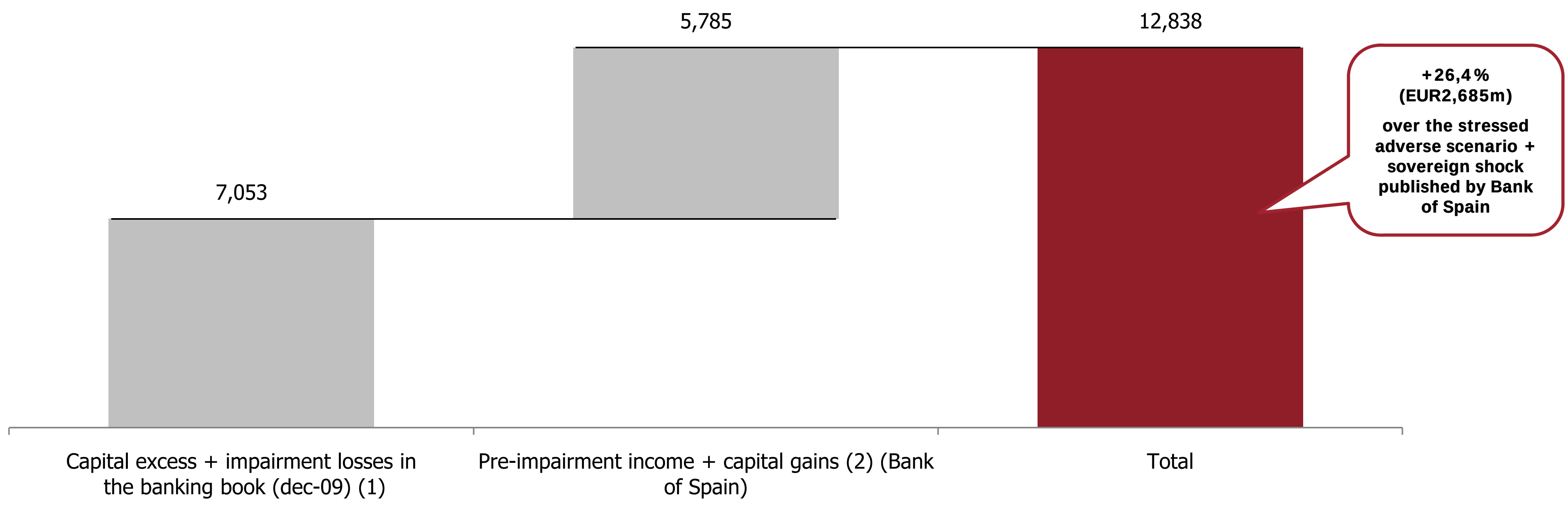
Core capital(1)



(1) Estimated for other banks
Source: CEBS, Banco Popular estimates

Banco Popular has a €12,8bn buffer to resist stress scenarios 26% harsher than those assessed by the Bank of Spain

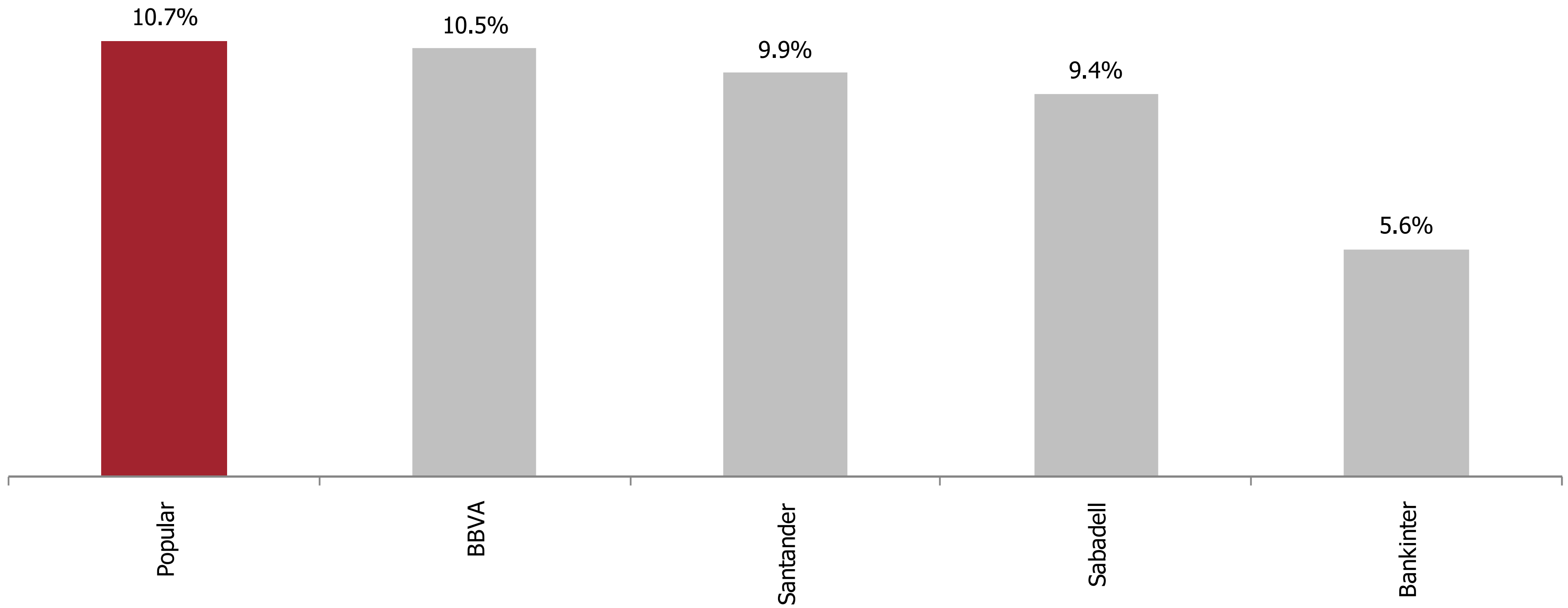
Capability to withstand stressed scenarios
(€m December 2009)



(1) *Capital excess that would let achieve a 6% Tier 1. 25% tax rate, similar to that used by Bank of Spain in the stress test*
(2) *2 years, similar to that used by Bank of Spain in the stress test*

… thanks to its best in class loan loss absorption capacity

Spanish listed banks' loss absorption capacity under the Stress Test's assumptions
(% on exposure considered in the stressed adverse scenario + sovereign shock)



Source: CEBS, Bank of Spain, Banco Popular estimates

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Conclusions

- Still cautious with the economic & financial markets situation: preserving capital & reinforcing liquidity.
- Our business model has demonstrated it superiority in a very challenging environment: very low interest rates, severe economic and credit deterioration, closed debt markets and de-leveraging economy.
- And we have adapted it to the new environment over the last 2 years well ahead of peers and of the system: strong commercial gap reduction (EUR15bn), increasing core capital by 34% and optimizing our branch network (-13% branches).
- Thus, a superior business model and our quicker adaption to the new environment will allow us to exploit future market opportunities while c50% of the market embarks upon consolidation.

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