



1st Quarter 2011 Results

Madrid, May 4th, 2011



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Agenda

1. Summary remarks 1Q-11

2. Financial highlights

3. Revenues and operating performance

4. Business drivers

5. Risk management

6. Liquidity and balancing assets and liabilities

7. Financial Strength

8. Closing remarks and outlook

Summary remarks

- Net Profit of €186m (4Q-2010: €69m; 1Q-2010: €204m).
- Lower NII and lower Credit provisions, as expected. In the next 3 quarters NII will go up.
- €498m capital gains devoted to accelerated provisions (mainly RE). Total provisions for the quarter, €836m.
- No use of Generic Provisions this quarter (balance €327m).
- NPL entries stable. Bad Debt ratio at 5.44%, 77 b.p. below the industry. RE coverage at 34%.
- Comfortable liquidity position. Lower dependence of wholesale funding.
- Sound Core Capital position, at 9.9%.

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Financial Highlights

| <i>(€, million)</i> | 1Q-11 | 4Q-10 | Change (€m) | Change |
|---|------------|------------|----------------|--------------|
| Net interest income | 516 | 552 | -37 | -6.7% |
| Fees and commissions | 172 | 169 | 2 | 1.3% |
| Trading and other income | 88 | 58 | 30 | 52.7% |
| Gross operating income | 776 | 780 | -4 | -0.5% |
| Expenses | -326 | -348 | -23 | -6.5% |
| Pre-provisioning profit | 450 | 431 | 19 | 4.2% |
| Provisions for loans and investments (ordinary & accelerated) | -409 | -191 | -217 | > |
| Provisions for real estate (ordinary & accelerated), goodwill and extraordinary gains | 71 | -144 | 215 | - |
| Net profit | 186 | 69 | 117 | > |
| Non-performing ratio | 5.44% | 5.27% | | +17 b.p. |
| Efficiency ratio | 38.37% | 41.29% | | -2.92 p.p. |
| Loans to deposits ratio | 150% | 150% | | - |
| Core Capital | 9.93% | 9.43% | | 50 b.p. |

Note: restated 2010 following Allianz-Popular Holding

Financial Highlights

| <i>(€, million)</i> | 1Q-11 | 1Q-10 | Change (€m) | Change |
|---|------------|------------|----------------|---------------|
| Net interest income | 516 | 663 | -148 | -22.3% |
| Fees and commissions | 172 | 163 | -9 | 5.4% |
| Trading and other income | 88 | 74 | 14 | 19.2% |
| Gross operating income | 776 | 901 | -125 | -13.9% |
| Expenses | -326 | -309 | -17 | 5.3% |
| Pre-provisioning profit | 450 | 591 | -141 | -23.9% |
| Provisions for loans and investments (ordinary & accelerated) | -409 | -276 | -133 | 48.1% |
| Provisions for real estate (ordinary & accelerated), goodwill and extraordinary gains | 71 | -39 | 110 | - |
| Net profit | 186 | 204 | -18 | -9.0% |
| Non-performing ratio | 5.44% | 4.91% | - | +53 b.p. |
| Efficiency ratio | 38.37% | 31.47% | - | +6.90 p.p. |
| Loans to deposits ratio | 150% | 159% | - | -9 p.p. |
| Core Capital | 9.93% | 8.74% | - | 119 b.p. |

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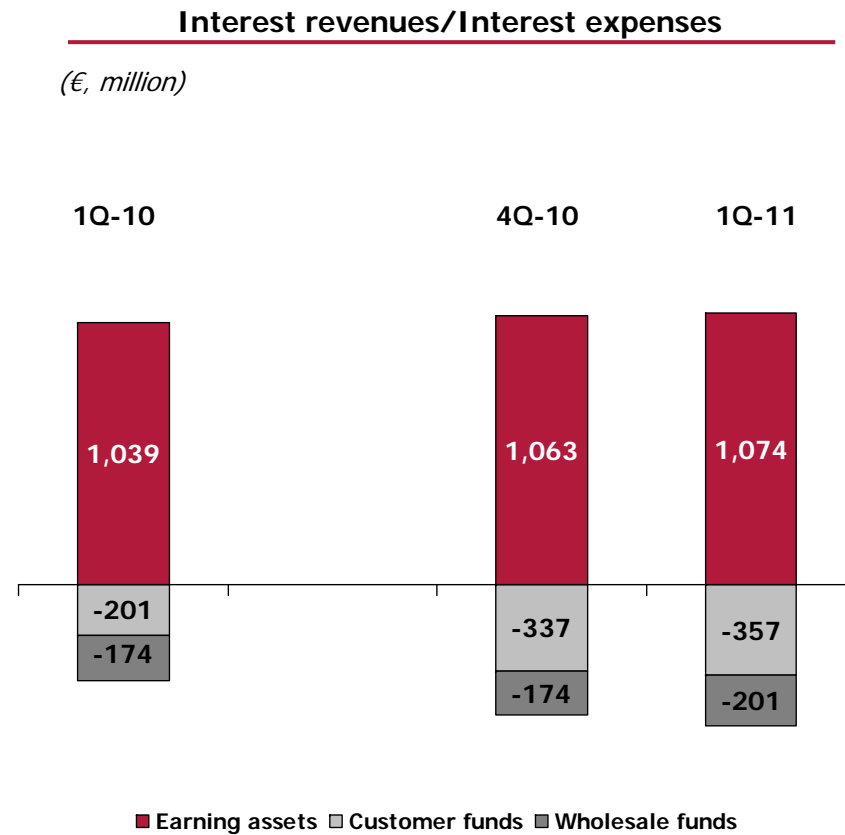
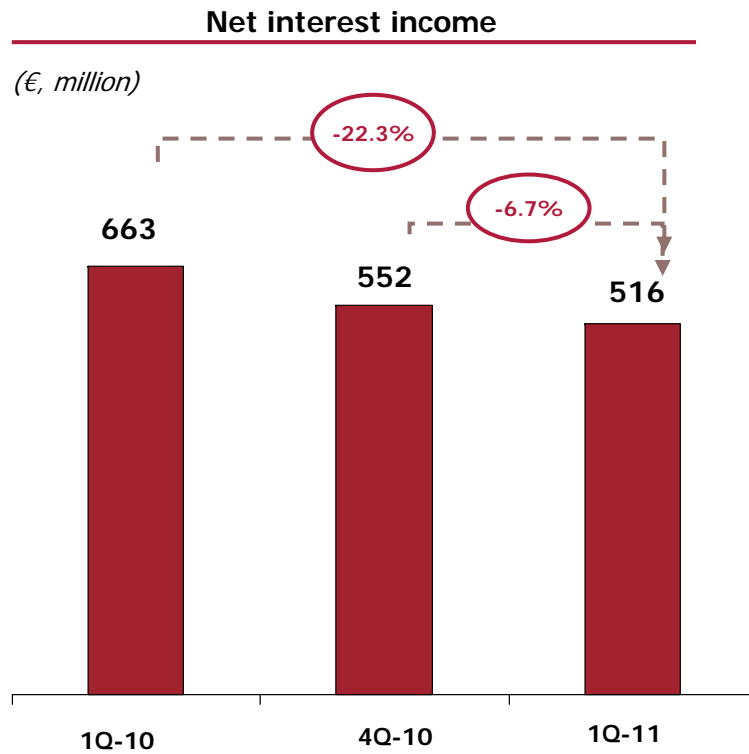
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6. Liquidity and balancing assets and liabilities

7. Financial Strength

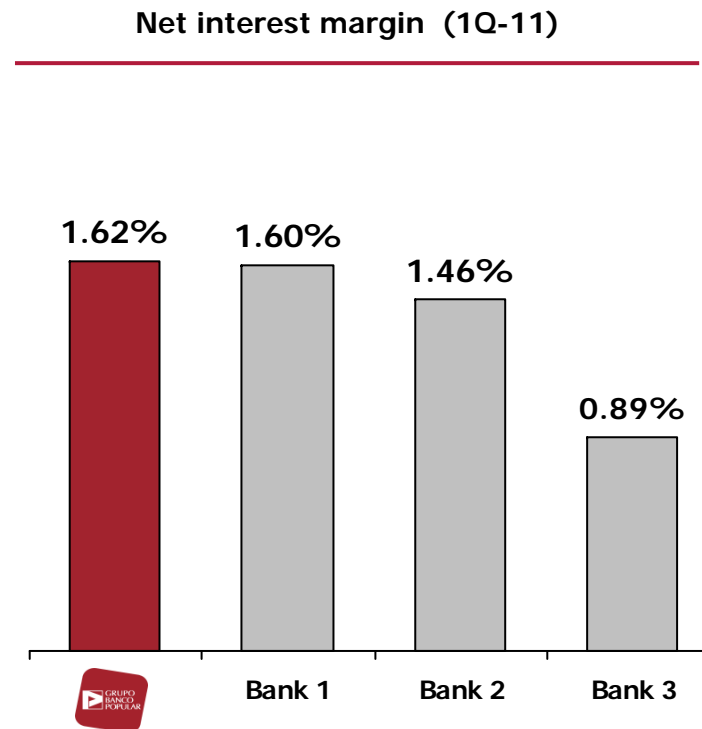
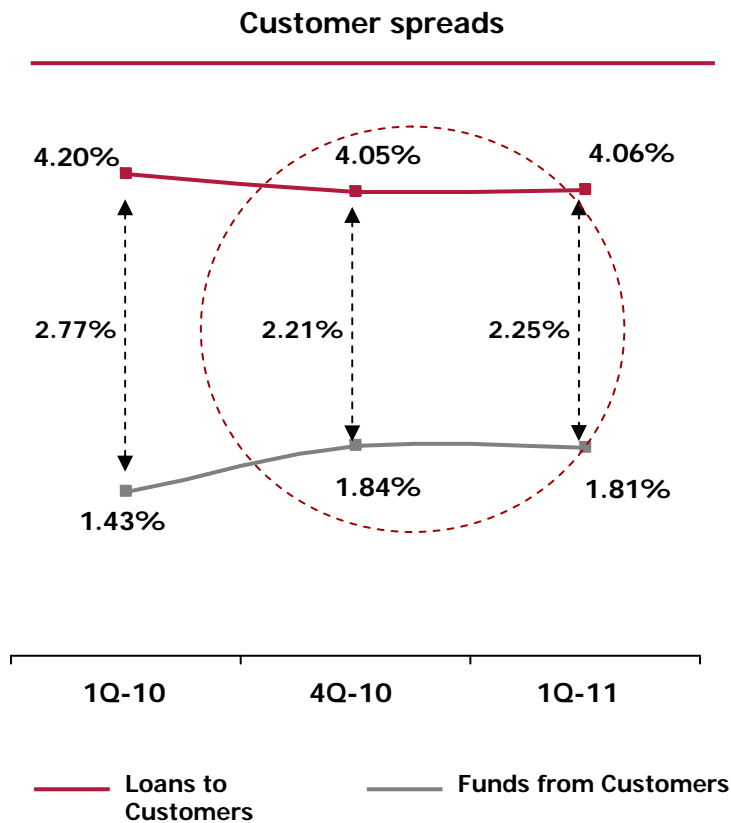
8. Closing remarks and outlook

- Lower NII due to asset & liabilities repreciation mismatch & higher cost of funding, as expected.
- We expect NII to improve in the next quarters. 1Q will be probably the “floor” in 2011.



Note: restated 2010 following Allianz-Popular Holding

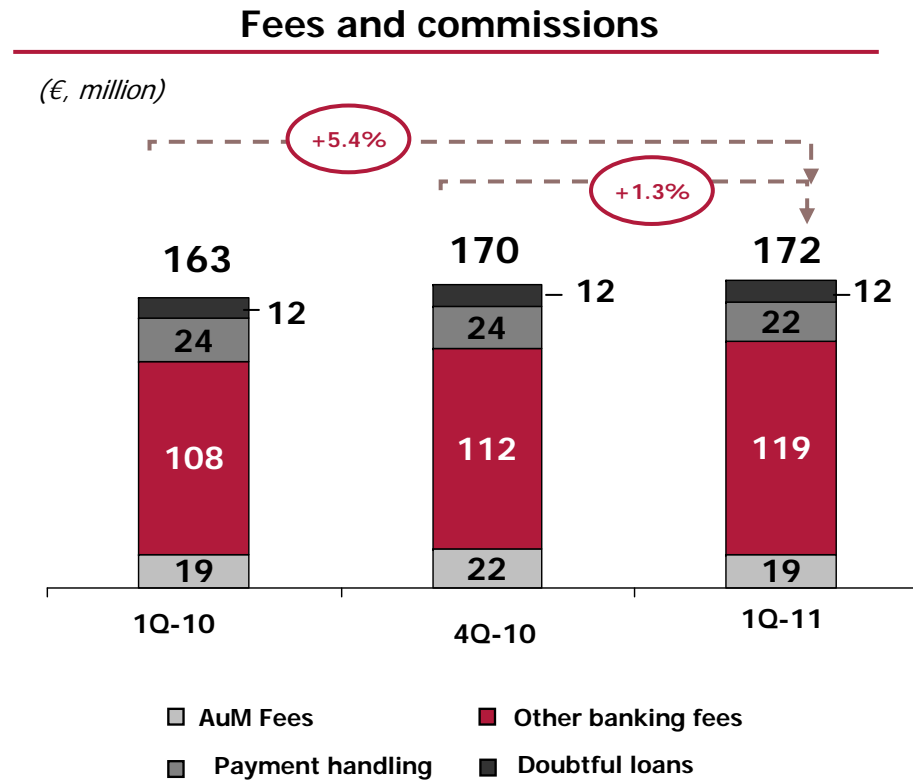
- In spite of higher cost of funding, NII better than peers. Customer spreads edging up.



Source: Quarterly reports

Note: Comparable banks include Sabadell, Banesto and Bankinter.

- Fee Income up, to €172m (+5.4% vs. 1Q-10. +1.3% vs. 4Q-10).

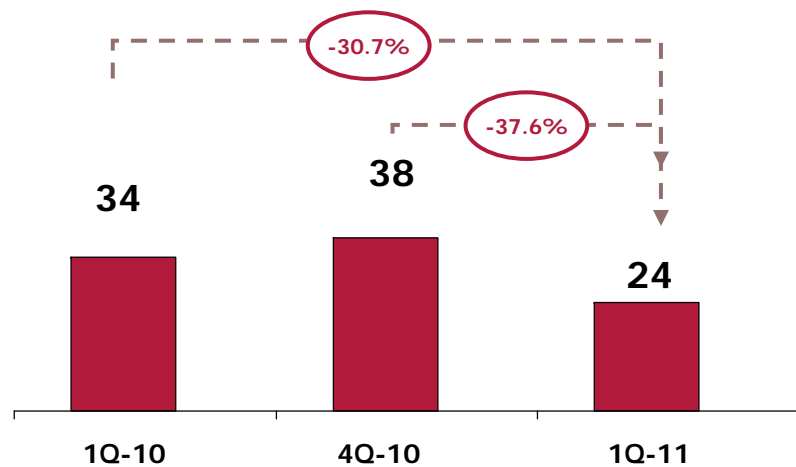


Note: restated 2010 following Allianz-Popular Holding

- Trading income lower as expected (fewer buy-backs). Other income up (recurrent other income flat; one-offs up) to €64m.

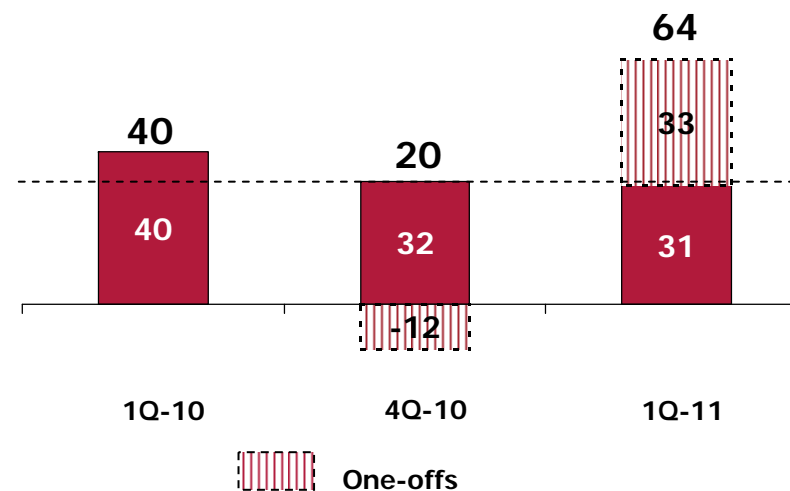
Trading income

(€, million)



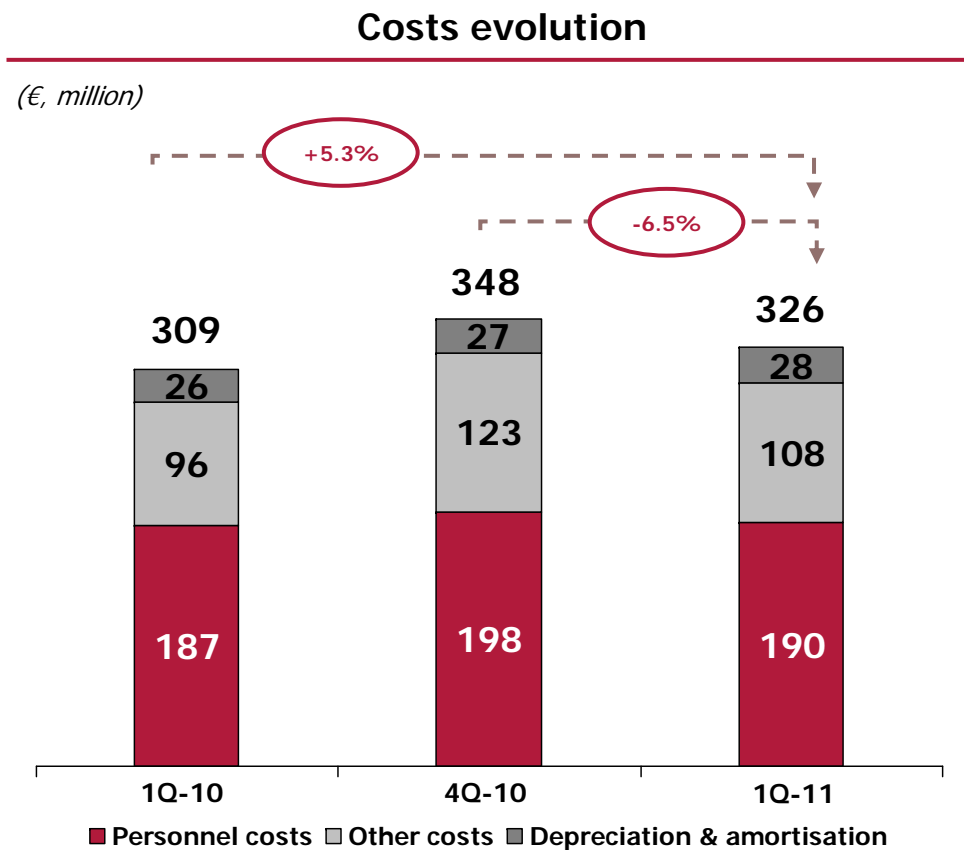
Other income

(€, million)



Note: restated 2010 following Allianz-Popular Holding

- Costs under control (down 6.5% in the quarter) in spite of higher IT investments.



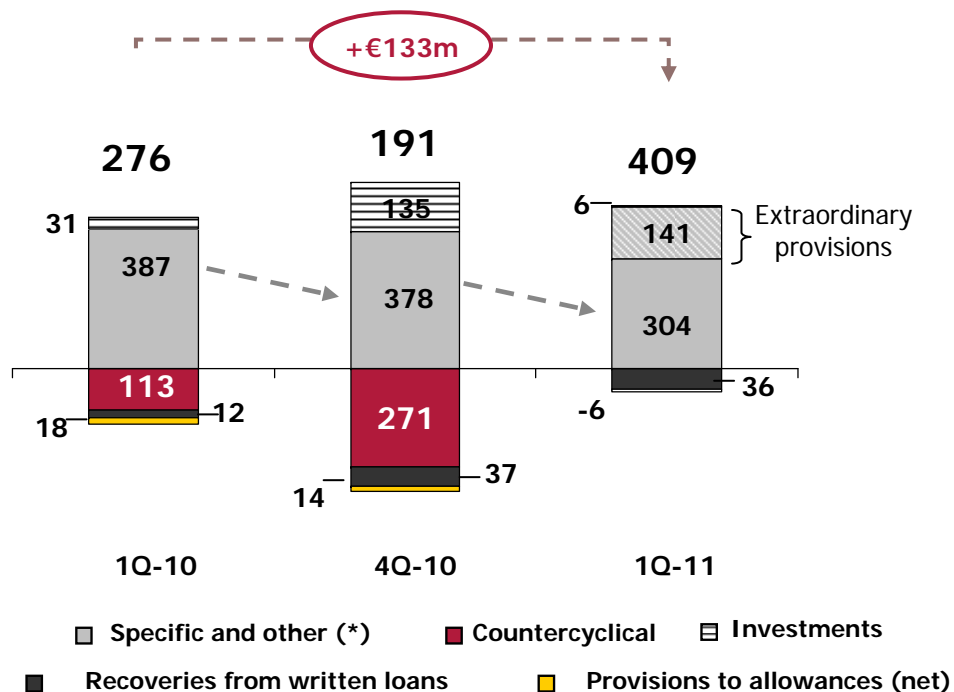
Note: restated 2010 following Allianz-Popular Holding

- Capital Gains arising from the Allianz-Popular holding have allowed us to (i) accelerate Credit (+€141m) & (ii) Real Estate (+€325m) provisions.

(i) Lower needs of specific provisions. Generic Provisions untouched in the quarter (balance remaining at €327m).

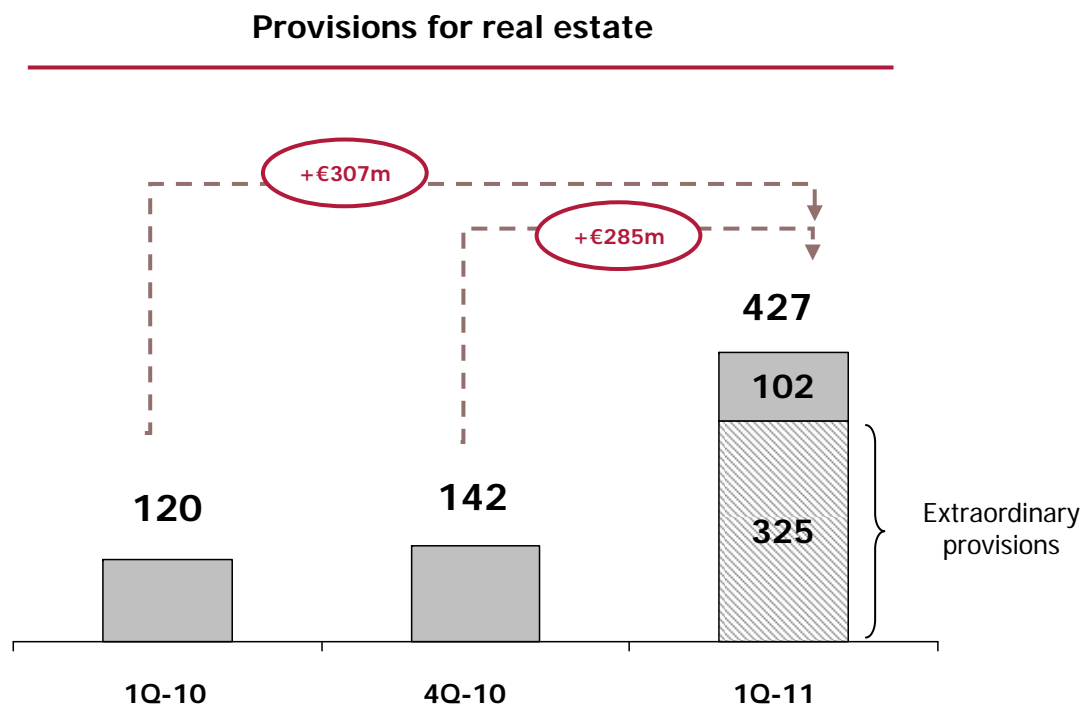
Provisions for loans and investments

(€, million)

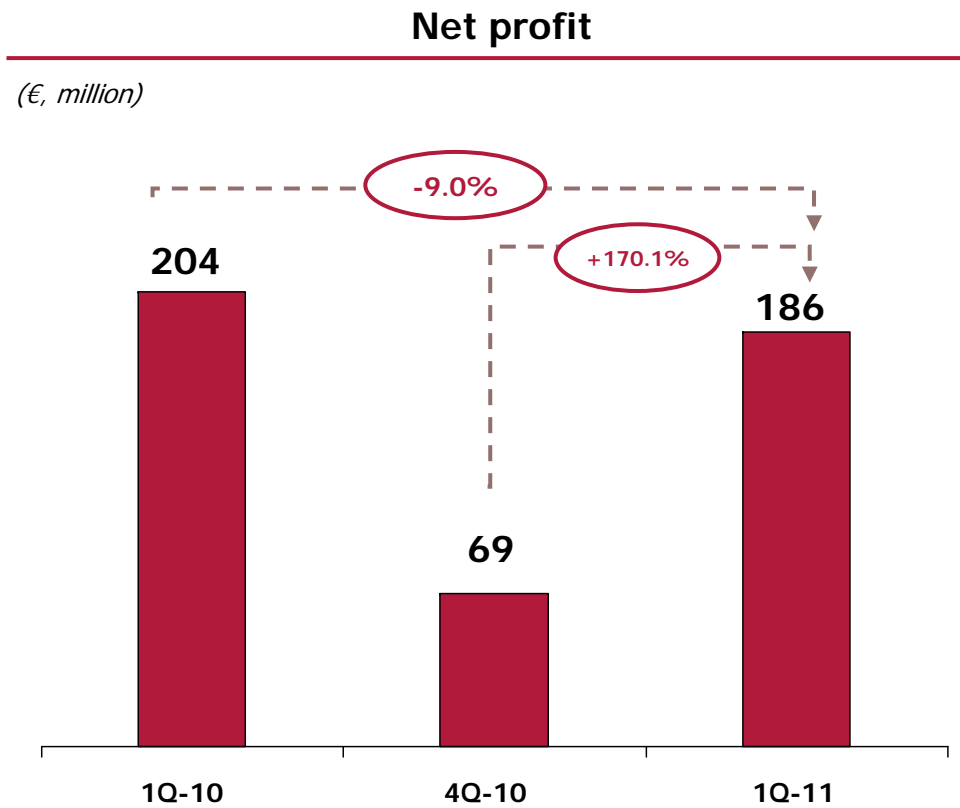


(*) Net of country Risk

- Capital Gains arising from the Allianz-Popular holding have allowed us to (i) accelerate Credit (+€141m) & (ii) Real Estate (+€325m) provisions.
- (ii) Lower regulatory provisions for real estate (€102m). Exceptional €325m new buffer for RE investments



- Net Profit, after ordinary & accelerated provisions, reached €186m.



P&L recap.

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|---|------------|------------|----------------|--------------|
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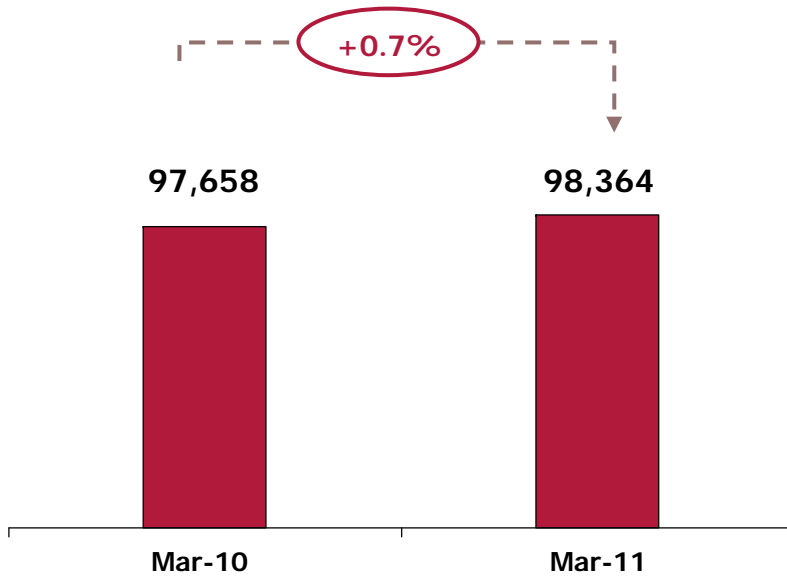
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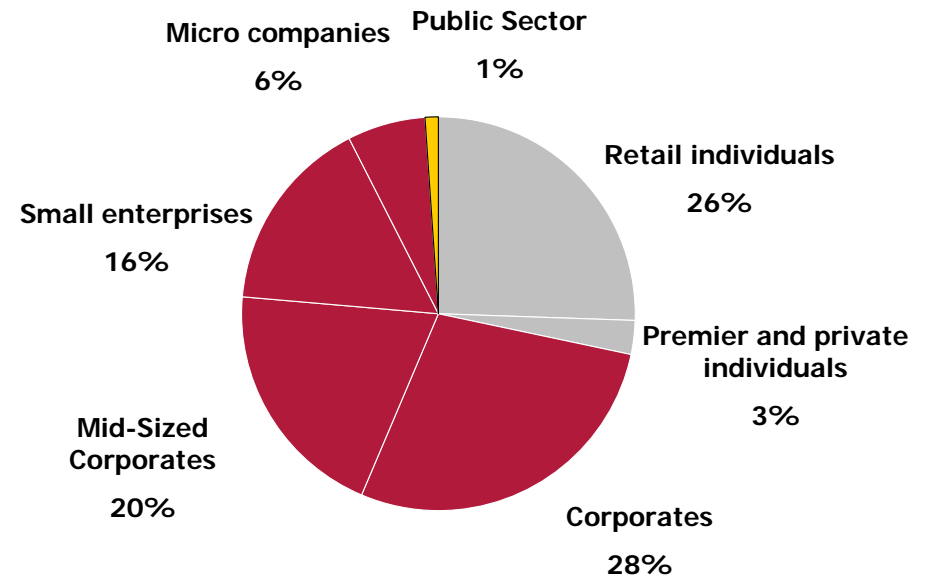
- Loans marginally up in spite of the sluggish demand of credit. We keep our good mix.

Loans evolution

(€, million)



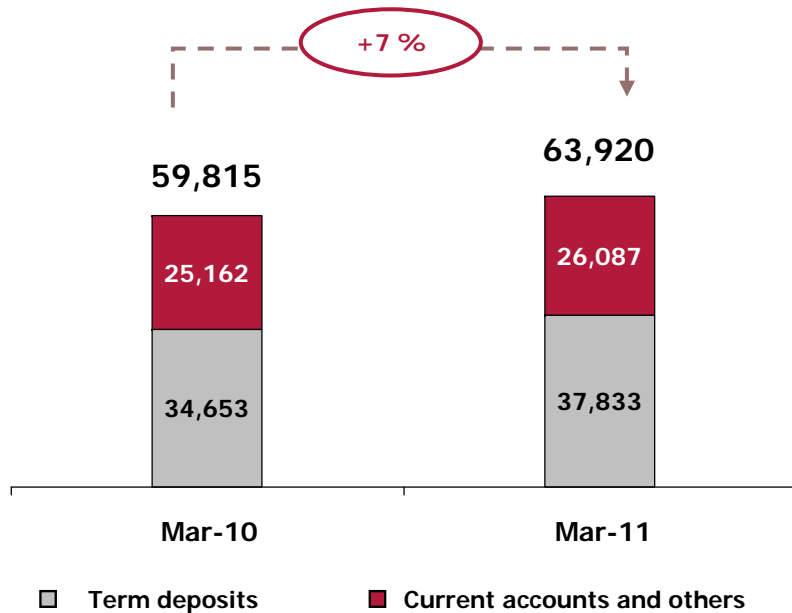
Loans breakdown by sector



- Customer deposits up again. Growth of 7%, allowing for a further reduction in the commercial gap.

Retail deposits evolution

(€, million)



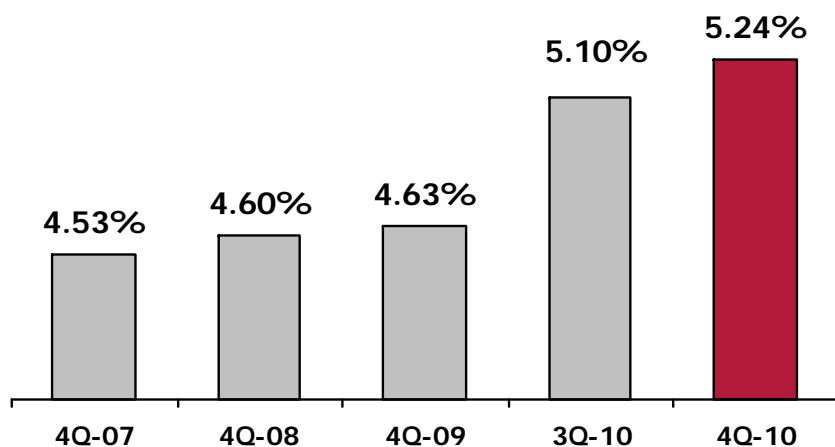
€3.2bn y/o/y reduction of the commercial gap

- 100% renewals
- At a lower cost 2.93% (vs 3.60% 1Q-2010)
- Lengthening maturities

1Q-11: New deposits at lower rate than stock

- We keep as well gaining new customers and increasing market share.

Business market share⁽¹⁾



✓ **49,000** new retail customers.

✓ **15,000** new SMEs

⁽¹⁾ Business market share: credits and deposits. Source: T7 form. Latest available data.

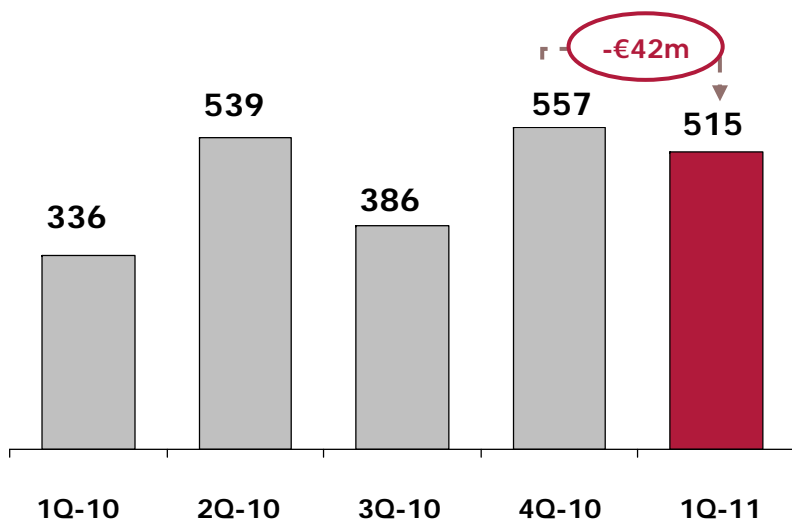
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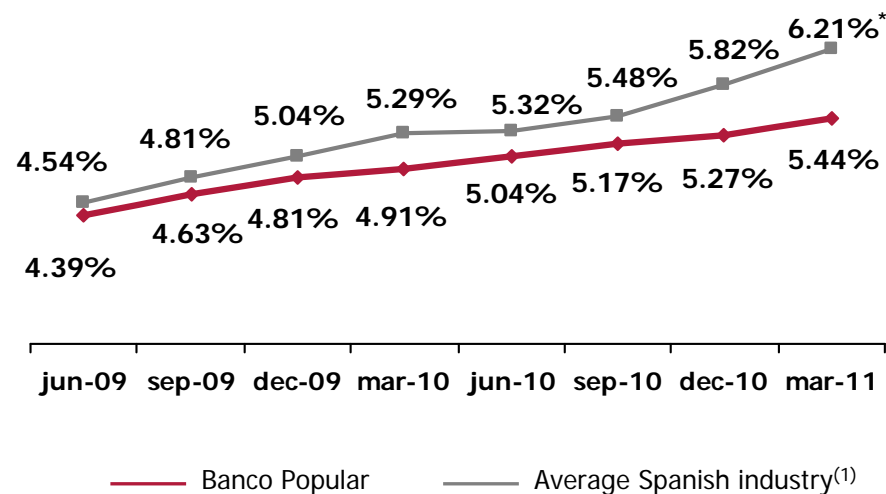
- Net NPL entries stable at 2010 levels (60% down vs. 2009 levels).
- Bad Debt ratio below the industry.

Evolution of net entries of NPLs

(€, million)



NPL ratio evolution



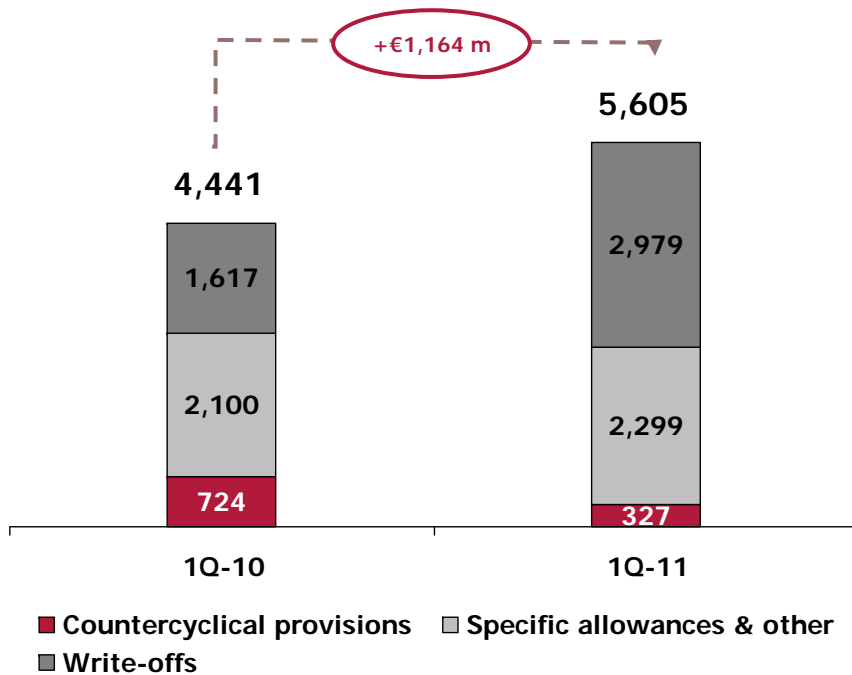
⁽¹⁾ Average banks and saving banks.

^(*) Data as of February 2011

- Provisions stock up by €1.1bn. Adequate coverage at 98.73% (after haircuts).

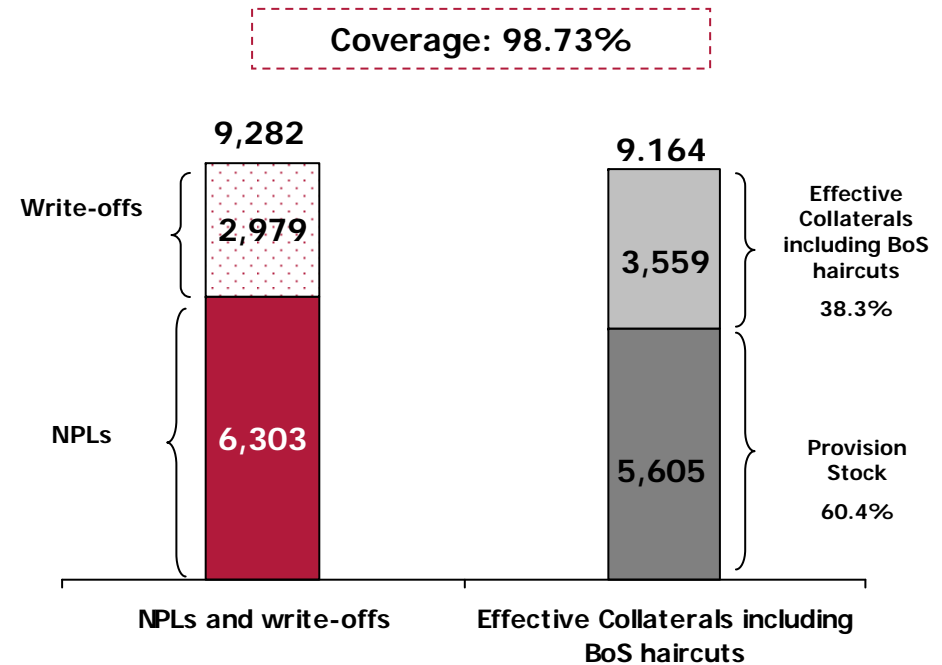
Provision Stock

(€, million)



Coverage analysis

(€, million)



Real Estate assets in Spain

Real Estate assets, including long term investments (€, million)

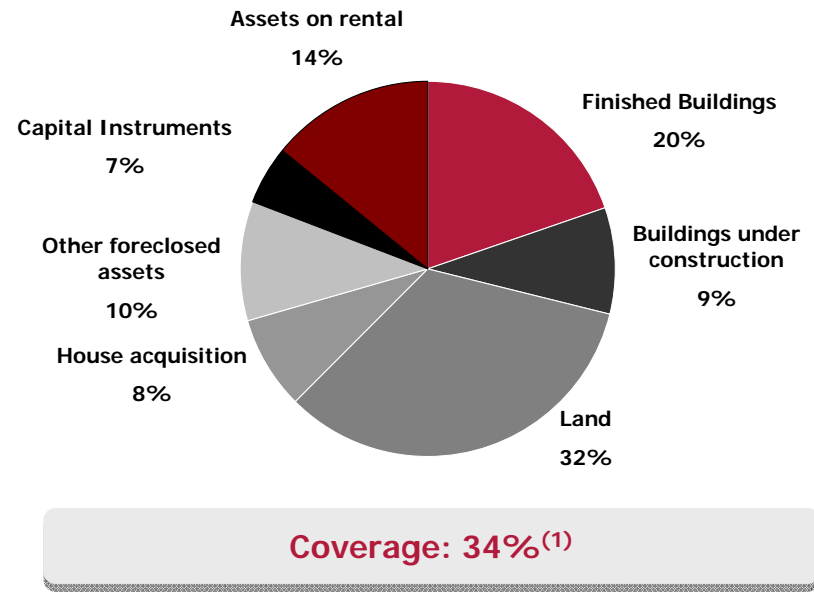
| | |
|--------------------------------------|--------------|
| Net amount | 3,557 |
| Construction and developers | 2,761 |
| Residential repossessions | 370 |
| Other Non RE companies repossessions | 426 |
| Provisions | 1,430 |

Assets on rental (€,million)

| | |
|-------------------|------------|
| Net amount | 618 |
|-------------------|------------|

Capital instruments (€,million)

| | |
|-------------------|------------|
| Net amount | 308 |
|-------------------|------------|



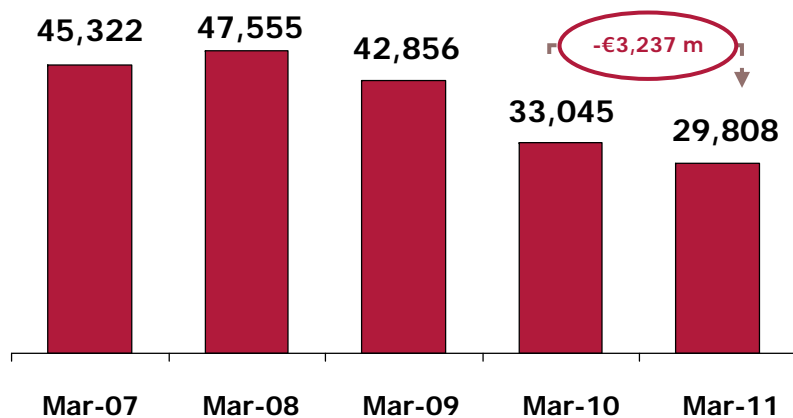
⁽¹⁾ Provision over acquired and repossessed assets and capital instruments

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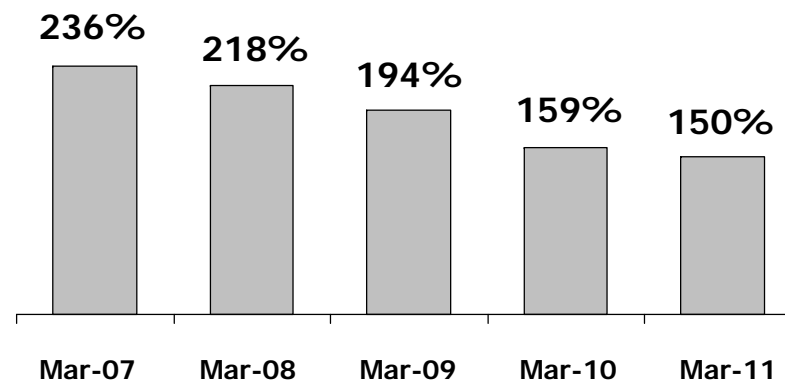
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- Following the increase in customer deposits, the loan:deposit ratio improves to 150% vs. 236% at the beginning of the crisis.

Evolution of the commercial gap



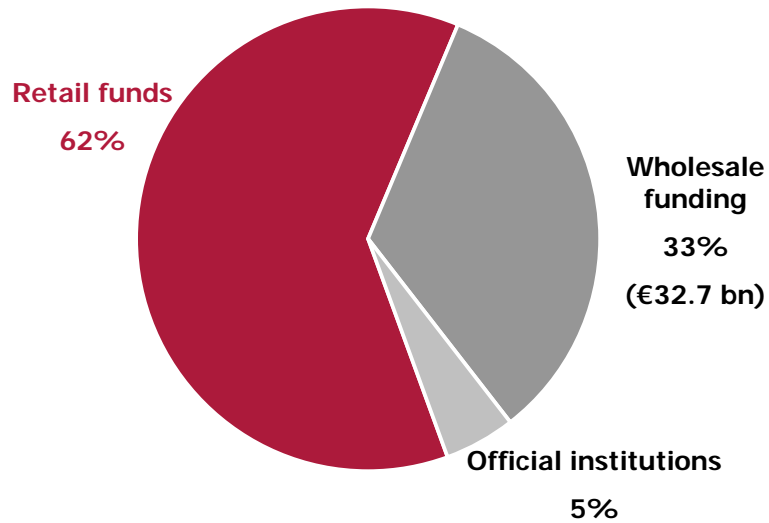
Loans/deposits ratio*



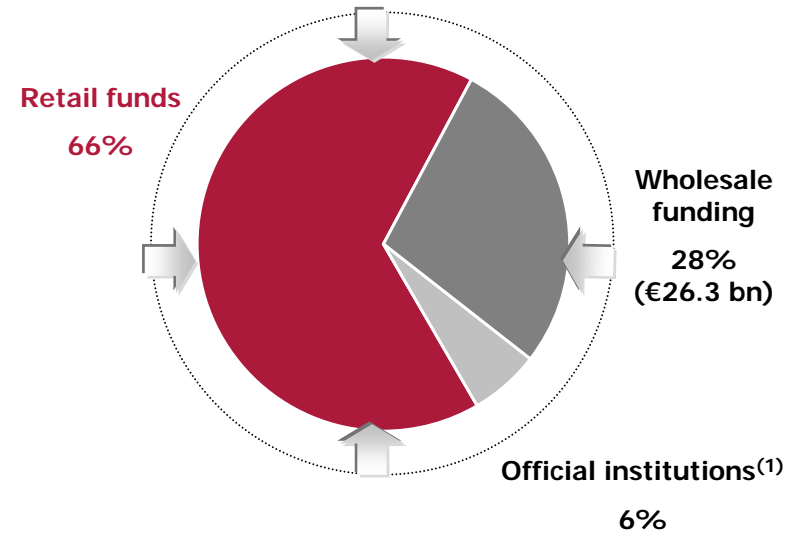
*Note: ex all repurchasing agreements

- Wholesale funding reduced from €32.7bn to €26.3bn, 20% down y/o/y

Funds breakdown (Mar-10): €99.2bn



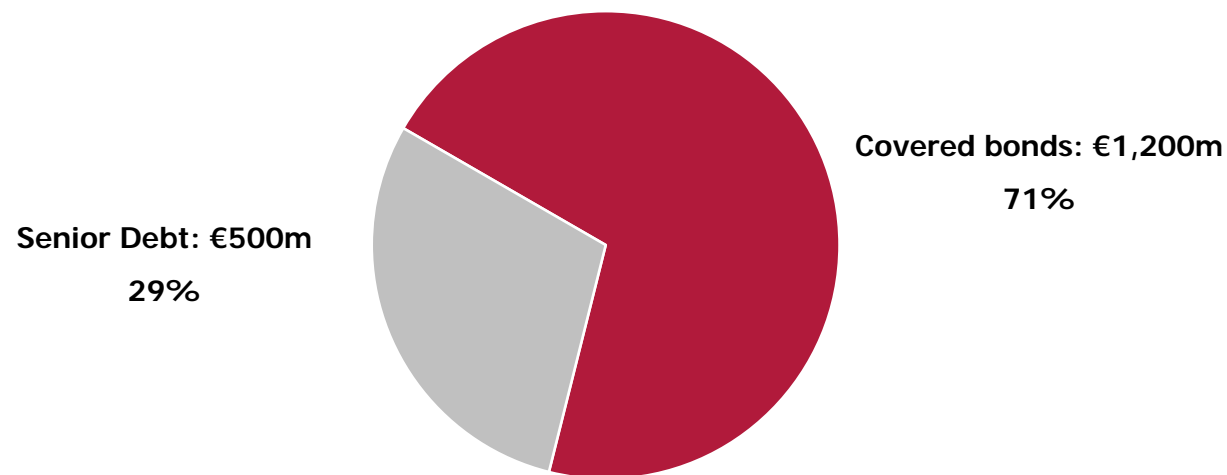
Funds breakdown (Mar-11): €95.0bn



⁽¹⁾ 1% ECB, y and 5% ICO and EIB

- In spite of the difficult environment for Spanish issuers, markets remain open for us. First senior issue since 2007.

New issues 2011: €1,700m



- Short term Wholesale maturities €4.4 bn down from 1Q2010.

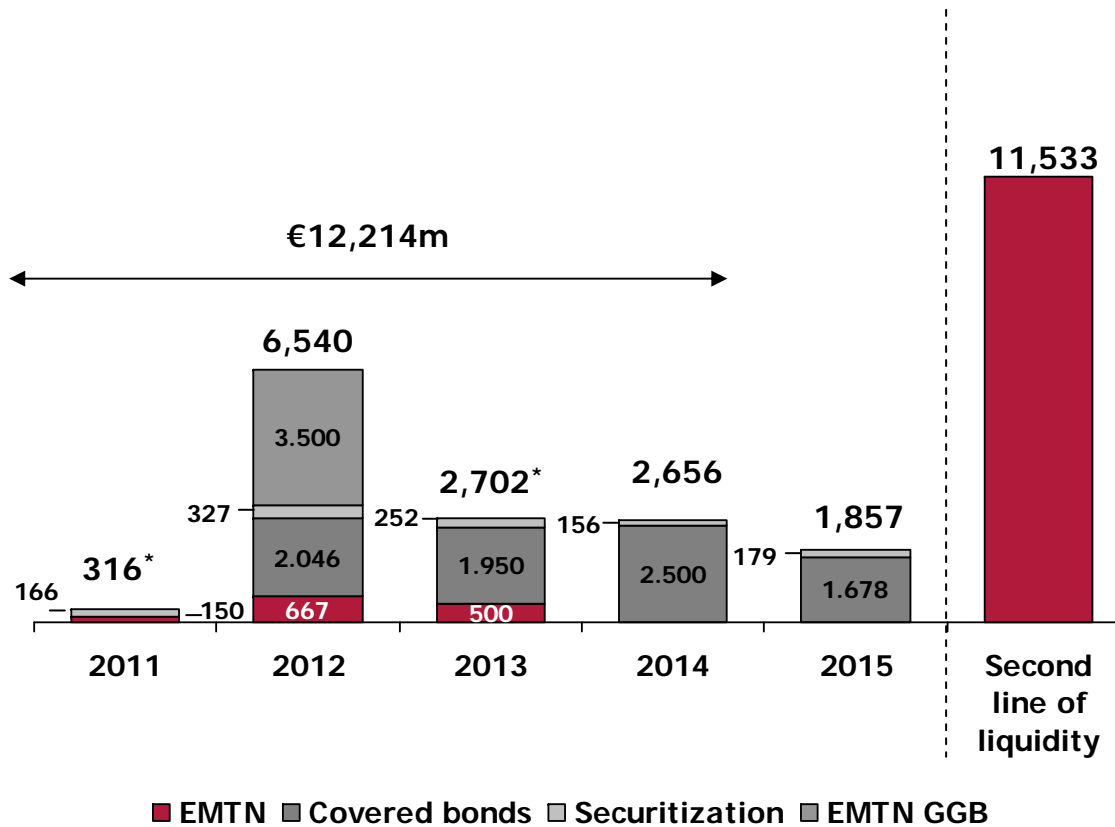
Wholesale funding breakdown (1Q-11 vs. 1Q-10)

| | 1Q-10 | 1Q-11 |
|------------------------------|----------------|----------------|
| ECP | 5.4 | 1.2 |
| Interbank funds | 3.5 | 3.3 |
| Short term funding | 8.9 | 4.5 |
| EMTN | 8.3 | 4.6 |
| Covered Bonds | 11.9 | 13.8 |
| Securitization | 1.8 | 1.1 |
| Subordinated debt | 1.8 | 2.3 |
| Mid-long term funding | 23.8 | 21.8 |
| Total | €32.7bn | €26.3bn |

- **Comfortable Liquidity position.**

Long and medium term debt maturities and second line of liquidity (cash basis)

(€, million)

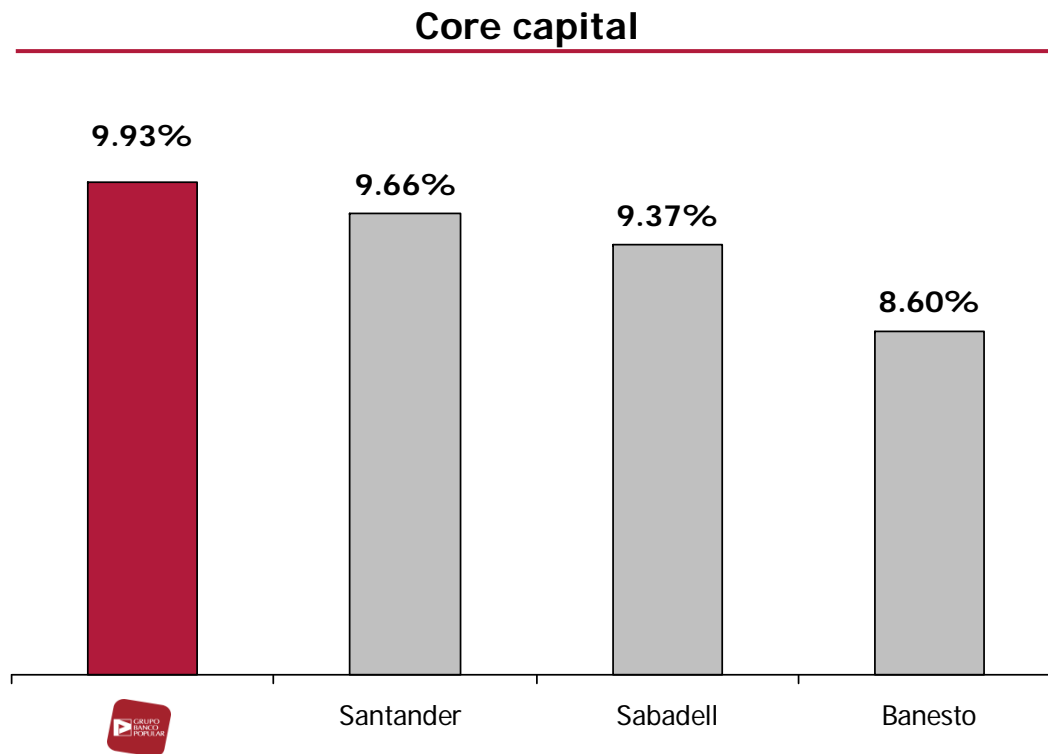


* Data as of April-11.

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- On Solvency, we keep a very good Core Capital position at 9.9% (no need to reduce the loan book). Well prepared for Basle III both at Capital & Leverage levels.



- ✓ Core capital : €9.0bn
- ✓ Leverage Ratio: 14.22x (7.03%) vs. 30x European average*

* Source: KBW

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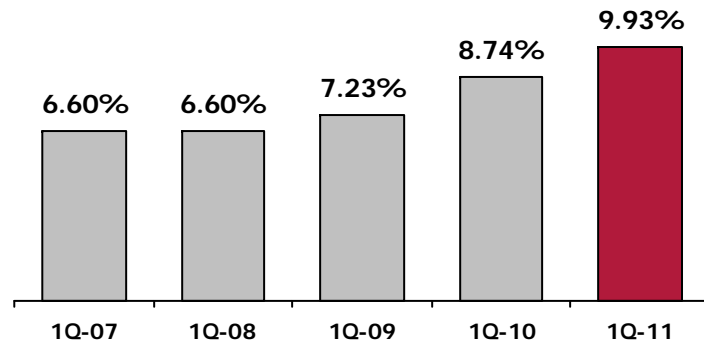
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Closing remarks - recap

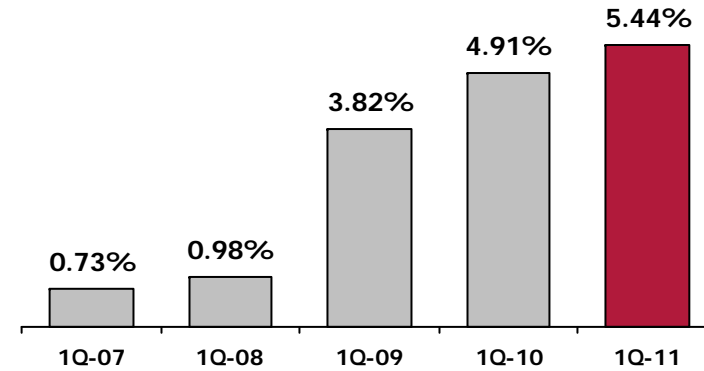
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- No use of Generic Provisions this quarter (balance €327m).
- NPL entries stable. Bad Debt ratio at 5.44%, 77 b.p. below the industry. RE coverage at 34%.
- Comfortable liquidity position. Lower dependence of wholesale funding.
- Sound Core Capital position at 9.9%.
- and our Priorities remain as outlined before ...

... Our priorities remain as outlined:

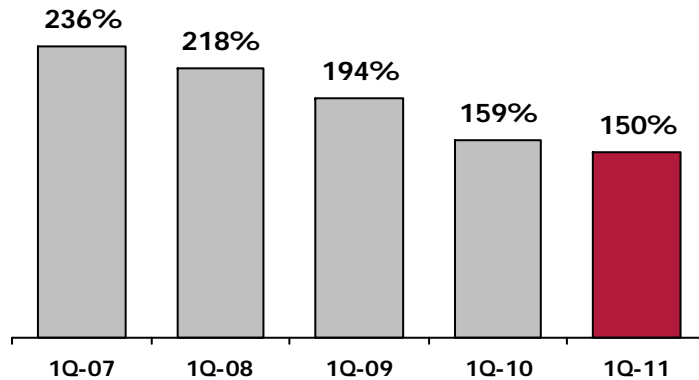
✓ Solvency: Core capital



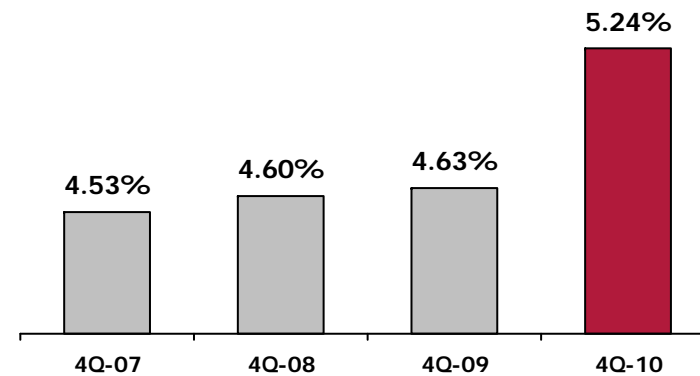
✓ Stabilize bad/debt ratios



✓ Reduce wholesale funding reliance



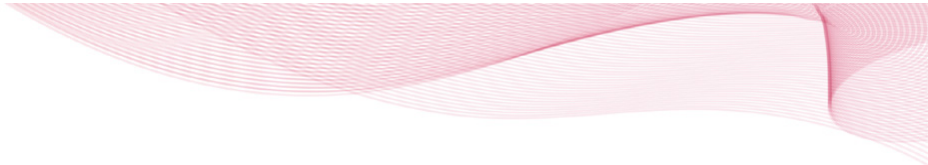
✓ Gain quality market share⁽¹⁾



⁽¹⁾ Business market share: credits and deposits. Source: T7 form. Latest available data.

Outlook Full 2011

- **Macro & micro environment will remain challenging.**
- **NII of the next 3 quarters will be above that of 1Q-2011.**
- **Again, lower NII vs 2010 will be offset by lower ordinary provisions.**
- **Net profits expect to be marginally above current market consensus.**
- **Interesting year for the banking industry & Popular well equipped to take advantage of any potential market opportunities.**



Many Thanks.
Happy to take any questions.



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