Madrid, 1 October 2012

COMISIÓN NACIONAL DEL MERCADO DE VALORES
RELEVANT EVENT

THE BOARD OF BANCO POPULAR REAFFIRMS THE INDEPENDENCE OF THE ENTITY WITH A NEW BUSINESS PLAN THAT INCLUDES A CAPITAL INCREASE UP TO 2.5 BILLION EUROS

As a result of this new Business Plan, capital will be strengthened, the balance sheet clean-up will be accelerated and the expected benefits will increase significantly during the period 2013 - 2014, even without considering any additional means to generate extraordinary results not considered in this Plan.

Given that the results of the stress tests were released publicly by the Bank of Spain, Banco Popular, complementing its Relevant Event number 147,173 of Friday 28 September 2012, presents the revision to its Business Plan by means of a presentation herewith attached.

Said Business Plan, which has been carried out on a very conservative basis and is part of the Recapitalization Plan subject to the approval of the Bank of Spain, does not rely upon the achievement of capital gains targets, which the Bank does not renounce and that will involve a substantial improvement in our forecast.

The main priorities are listed hereafter:

- Banco Popular will strengthen its capital through a capital increase with preferential subscription rights for existing shareholders for an amount up to 2.5 billion euros

- Banco Popular will maintain its outstanding ability to generate operating profits amounting to 7.2 billion euros during the period 2012-2014

- Banco Popular will write-down 9.3 billion euros in 2012, including those charged against equity.

  Banco Popular will comply in 2012 with the requirements of Royal Decree Laws 2 & 18/2012, and will accelerate as much as possible these write-downs in 2013 and 2014 while complying with EBA Core Tier 1, expected at 10.08% for 2012, 10.98% for 2013, and 12.16% for 2014. In 2013 the coverage of the real estate loan portfolio, following extraordinary provisions, will reach 35% and the foreclosed assets 56% thus becoming one of the Spanish entities with the highest coverage levels.

- Banco Popular adapts its shareholder remuneration policy to adjust to the new capitalization requirements and suspends the dividend scheduled for October. For the financial year 2013 a dividend payout of 50% is expected

- The new Business Plan includes capital gains amounting to 545 million euros during the period 2012-2013, compared to 2.3 billion euros forecast in the prior business plan. However, Banco Popular maintains intact its ability to make capital gains and reiterates that its realization would imply a substantial improvement of its estimates. The capital gains on the sale of assets not included in this Business Plan would amount to 1.8 billion euros

- Banco Popular, as a result of accelerated provisions and thanks to its excellent ability to generate ordinary and extraordinary revenues, expects to reach in 2013 a net profit of 547 million euros, and in 2014 of 1,412 million euros. These profits could be substantially higher given the capacity to recover provisions already charged upon a scenario with less than a 1% probability of occurring. By way of example a 1% improvement would mean approximately 185 million euros gross.

- Banco Popular, as a result of the implementation of this business plan estimates a ROTE of 14% in 2014.

- Banco Popular will maintain and accelerate the sale of unproductive assets, managing real estate assets and doubtful credit separately.

The revised Business Plan, approved by the Board of Directors of the Company yesterday, reiterates the commitment of Banco Popular to its shareholders, customers and employees, and ensures that it will comply with its own resources, and without resorting to any form of public funds, with the new requirements derived from the stress tests that have been made.

Sincerely,

Francisco Aparicio Valls
Secretary of the Board of Directors

Update on Stress Test results and Revised Business plan 2012 – 2014

BANCO POPULAR

October 1st 2012

Disclaimer

This presentation has been prepared by Banco Popular Español solely for purposes of information. It may contain estimates and forecasts with respect to the future development of the business and to the financial results of the Banco Popular Group, which stem from the expectations of the Banco Popular Group and which, by their very nature, are exposed to factors, risks and circumstances that could affect the financial results in such a way that they might not coincide with such estimates and forecasts. These factors include, but are not restricted to, (i) changes in interest rates, exchange rates or any other financial variables, both on the domestic as well as on the international securities markets, (ii) the economic, political, social or regulatory situation, and (iii) competitive pressures. In the event that such factors or other similar factors were to cause the financial results to differ from the estimates and forecasts contained in this presentation, or were to bring about changes in the strategy of the Banco Popular Group, Banco Popular does not undertake to publicly revise the content of this presentation.

This presentation contains summarised information and may contain unaudited information. In no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, nor is it intended to serve as a basis for any contract or commitment whatsoever.

Agenda

1. What are the implications of the OW stress test?

2. Revised business plan

3. The rights issue

4. Banco Popular: Clean, profitable, undervalued

5. Q&A

Appendix I: OW stress test

Appendix II: commercial gap back-up calculations

What are the implications of the stress test?

- The Oliver Wyman stress test does not change much Banco Popular's overall future expected loss estimates under a scenario with a possibility of occurrence of less than 1%
- We take a different view on the outcome of the defined "Adverse scenario" but abide by the results of Oliver Wyman. It is important to bear in mind that Banco Popular's key strength (i.e. pre provision profit generation) has not been considered (€4.2bn cumulative pre provision profit for 2012 – 2014 vs. €7.2bn in our business plan)
- The major consequence of the exercise is that it leads us to undertake immediate recapitalization vs. Banco Popular previous strategy of recapitalising through retained earnings and other mitigating measures as outlined in our Business Plan made public on 6th June
- Banco Popular's Board has agreed to take immediate measures to accelerate the clean-up of the bank's balance sheet with a view of returning to historical profitability levels as soon as 2013 and 2014. This objective will be achieved by:
  - Record provisions of €9.3bn in 2012
  - Recapitalise the bank with immediate effect through a rights issue of up to €2.5bn
  - Create an internal "bad bank" to pro-actively manage problematic assets
- With this capital plan and given the strength of our business model and outstanding operating profitability, Banco Popular wants to reiterate its commitment towards its stakeholders to remain one of the most solid financial institutions in Europe, a priority since Banco Popular incorporation in 1926
- Banco Popular counts with the support of more than a dozen of bulge-bracket investment banks to undertake this capital exercise maintaining its strategy of not requesting state aid of any kind
- Banco Popular's shareholders should expect c. €0.5bn net profit by 2013, €1.4bn net profit by 2014 and RoTE of c. 14% by 2014

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Revised business plan 2012 – 2014 vs 2Q2012 business plan: A massive acceleration

Pillars	2Q 2012 business plan	Revised plan vs 2Q12 business plan
1 Capacity to generate recurrent profits organically	Accum. pre-provision profit 2012 – 2014 of €7.0bn	"Intact + "
2 Accelerated impairments 2012	€7.7bn	€9.3bn (a)
3 Capital gains from assets disposals 2012	Gross P&L impact of €1.9bn and capital impact of €1.1bn	Gross P&L impact of €0.2bn and capital impact of €0.1bn, the balance (€1.7bn) is pure upside
4 Capital increase	€700m in retail MCNs / rights	Up to €2.5bn rights issue
5 Other measures to generate capital (Liability Management, RWA optimization, etc.)	c. €400m in Core Tier 1	c. €100m in Core Tier 1

Bringing forward as much provisions as possible to 2012; recapitalising the bank; preserving flexibility on capital gains generation to maximise value creation from 2013 onwards; and proactively managing problematic assets with an internal "bad bank" are the cornerstones of our revised business plan

(a) Total impairments of €3.3bn against capital and €6.0 through P&L

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Revised business plan 2012 – 2014 vs original business plan: Taking the hit in 2012 and not relaying in one-offs

P&L projections (excluding extraordinary capital gains)

(€bn)	2012E			2013E			2014E		
	Original plan	Revised plan (*)	Diff. (%)	Original plan	Revised plan (*)	Diff. (%)	Original plan	Revised plan (*)	Diff. (%)
Net interest income	2.8	2.8	0%	2.8	2.9	4%	2.9	3.0	3%
Gross operating income	4.0	4.0	0%	3.9	4.0	3%	4.0	4.1	3%
Pre-Provision Profit	**2.3**	**2.3**	**0%**	**2.3**	**2.4**	**4%**	**2.4**	**2.5**	**4%**
Gross provisions	(4.5)	(6.0)	35%	(2.0)	(2.2)	15%	(1.0)	(1.1)	10%
Recoveries	0.2	0.2	0%	0.2	0.2	0%	0.2	0.2	0%
Capital gains	2.0	0.2	nm	0.4	0.4	(2%)	0.4	0.4	(11%)
Profit/Loss attributed to the group	**0.4**	**(2.3)**	**nm**	**0.7**	**0.5**	**(16%)**	**1.4**	**1.4**	**(1%)**
Profit/Loss Attributed to the group excluding RD 2/2012 and RD 18/2012	**2.6**	**0.7**	**(74%)**	**1.4**	**0.5**	**(60%)**	**1.4**	**1.4**	**(1%)**
Impairments (P&L and capital)		**9.3**			**2.2**			**1.1**	

All in all, a true clean up increasing impairments and provisioning as much as possible at the onset and strongly recapitalising the bank thereafter to fully exploit its capabilities from 2013 onwards

If capital gains are realized before year end, profits would improve

(*) Revised Business Plan pending to be approved by Bank of Spain

After the massive clean up we will hold very conservative marks to dispose non-core assets and face the challenging macro environment

Loss absorption capacity

€bn unless otherwise stated	June 2012			Pro-forma 2013E				
	Total exposure	of which collateralized	NPL ratio 1H 2012	Provisions	i.e. PD capacity (*)	Provisions over total exposure 1H 2012	Write offs (100% provisioned)	Cumulative provisions including write offs over total exposure 1H 2012
Loans to Real estate developers	21.4	62.0%	23.5%	7.5	78.0%	34.9%	1.0	37.7%
Foreclosed assets	9.6	100.0%	100.0%	5.4	100.0%	56.0%	0.0	56.0%
- Of which land					*100.0%*	*80.0%*		
- Of which building in progress					*100.0%*	*65.0%*		
- Of which finished property					*100.0%*	*40.0%*		
Loans to Corporates and SMEs non Real Estate related	45.7	65.0%	7.1%	3.0	15.0%	6.6%	3.2	12.8%
Loans to Individuals	32.4	93.0%	4.8%	1.0	10.3%	3.1%	0.2	3.6%
Total Spain	109.2			16.9		15.5%	4.4	18.7%
Total exposure	129.5	7.0%	7.0%	17.5		13.5%	5.0	16.7%

We expect to increase RE provisions up to Oliver Wyman Adverse Case required levels by 2013

Additionally, in 2014 we will book provision of over €1bn for credit loans in Spain

We have decided to set up an internal "bad bank" to dispose non-core assets in Spain after our successful experience in Portugal and Florida

(*) Based on analysts LGD

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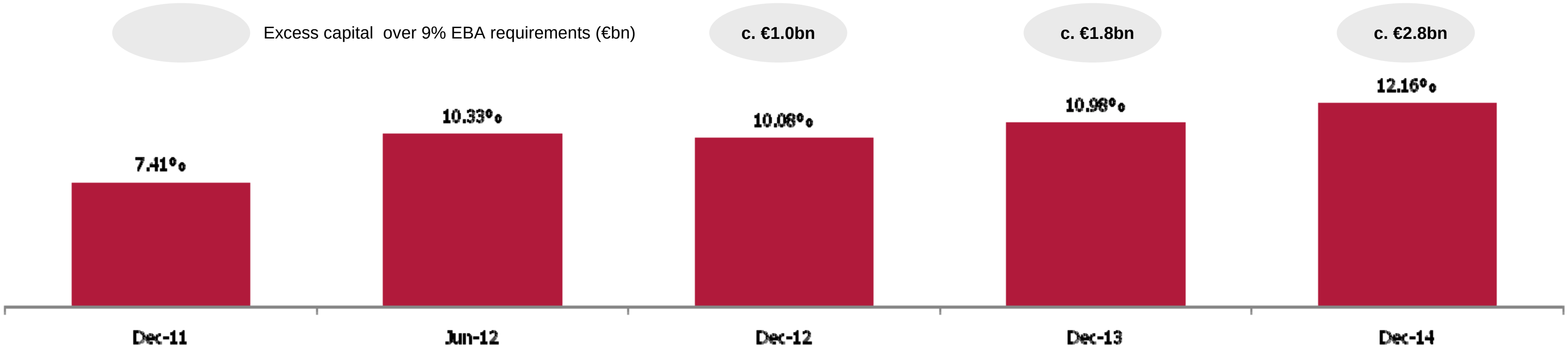
We will hold enough excess capital to cover OW adverse case (1% probability) expected loss while maintaining a 9% EBA CT1 by end of 2014

EBA Core Tier 1 ratio vs Peers (%) [(a)]

Source: Caixabank, BBVA, Santander, Bankinter, Banesto and Sabadell

Core Tier 1 EBA (%)



- **In addition, we expect a very limited impact on Basell III, enlarging even more our leadership**
- **Conservatively, we are not incorporating any RWAs optimization in our projections**

(a) CT1 ratio as of 1H 2012 for all financial institutions, except for Santander which is latest available data. CT1 ratio of Caixabank is pro-forma of Banca Cívica

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A true recapitalization preserving flexibility to generate further value

Preferred alternative

Rights issue

ABB

CoCos
(private/public)

Further upside

Asset disposals

Liability management

RWA optimization

Our only goal is to generate shareholders' value in the mid-term

Banco Popular's Board of Directors has approved the rights issue as the preferred route while keeping flexibility around other alternatives to maximize value

Other actions already launched will together with the rights issue allow Banco Popular to close the OW stress test “future capital gap”

Up to €2.5bn	Rights issue, to be executed as soon as possible and before 30 June 2013
c. €0.4bn	Excess of pre-provision profit 2012 vs. Oliver Wyman estimates
c. €0.3bn	Capital gains from sale of non-core assets and recovery of writes-offs (€124m already achieved in 1H 2012)

Banco Popular will fully cover OW capital requirements before 31 December 2012 without asking for any public support

The rights issue will be supported by a strong and large syndicate of top international investment banks

Banco Popular adapts its shareholder remuneration policy to adjust to the new capitalization requirements and suspends the dividend scheduled for October.

We keep as well significant upside to generate further capital and income gains

	Potential upside
Capital gains from assets disposals (annual impact on EBT 2013E – 2014E)	c. €900m
Liquidity and rating upgrades. Medium term cost of funding normalization	Meaningful
RWA optimization capacity and “Bad bank” exits	Meaningful

We further expect rating and funding costs to benefit from the capital increase and the extra impairments

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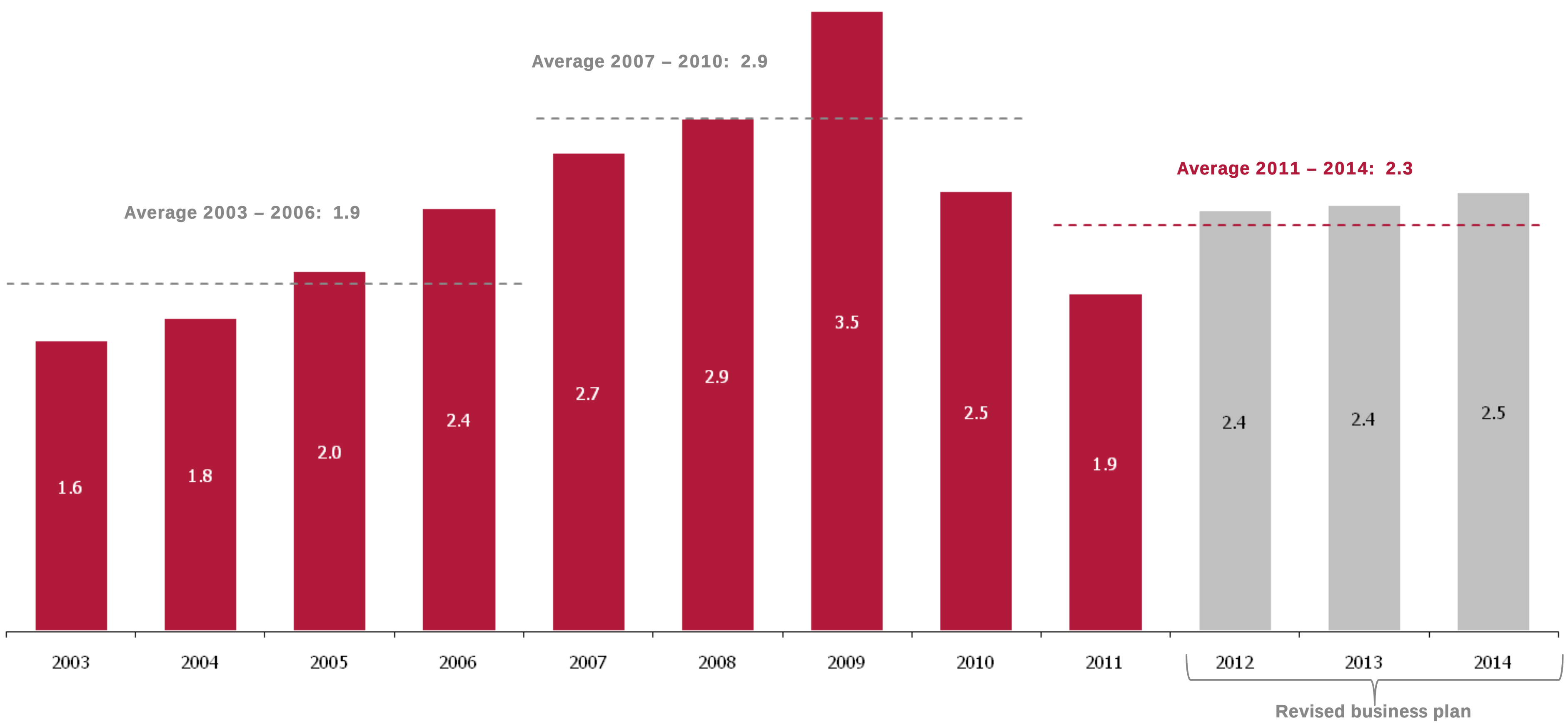
Banco Popular generates +€2bn pre-provision profit even in the toughest times…

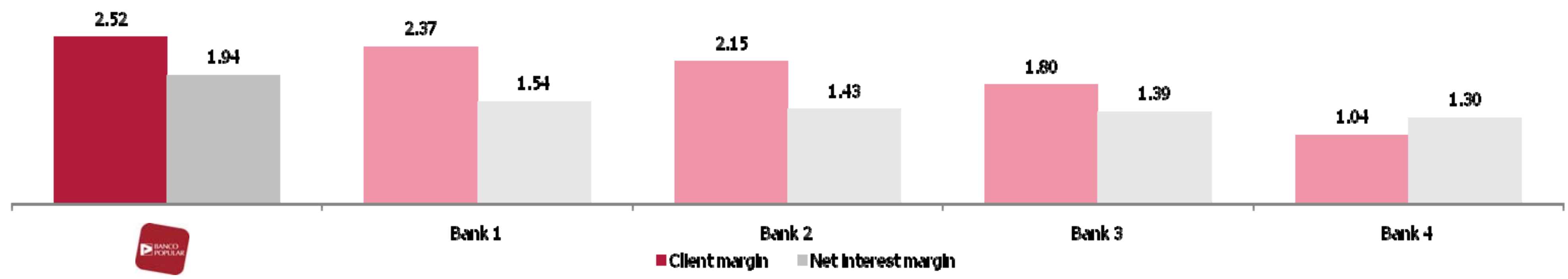
"Best-in-class": Pre-provision profit 2003 – 2014E (€bn)



Note: Banco Popular and Pastor aggregated data.

...thanks to a stable client base and a robust business model that allows for higher margins and recurrent profits...

The highest margins in the sector (%)

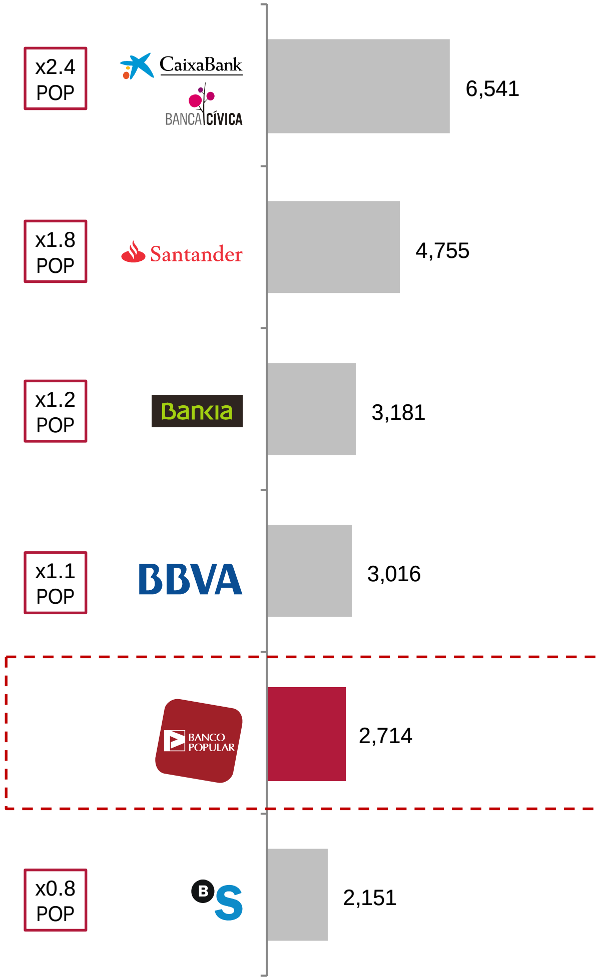


Source: Banesto, Sabadell, Caixabak and Bankinter (latest available data)

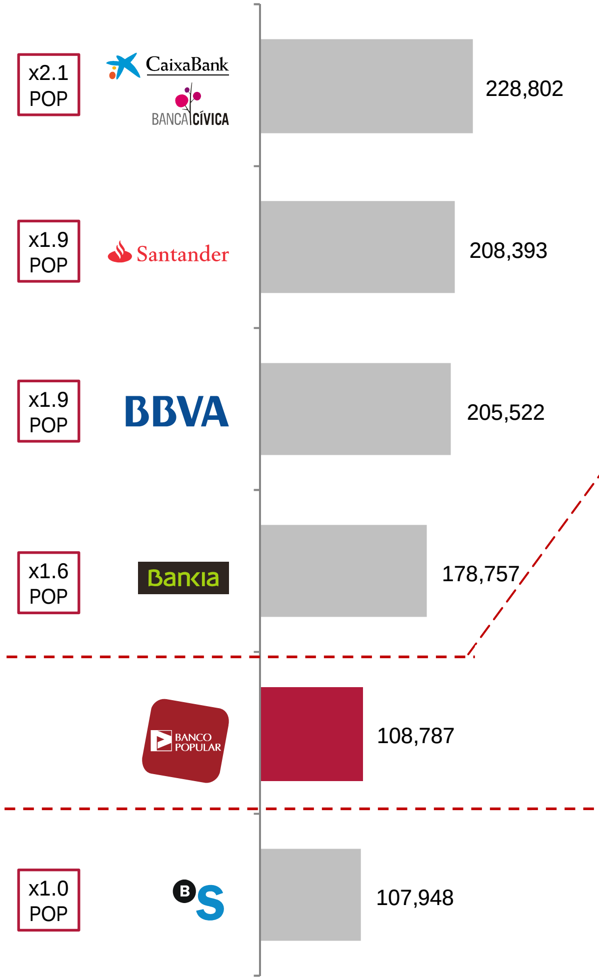
Banco Popular: loan yields: frontbook vs. stock (%)

...Banco Popular has a unique capacity to generate pre-provision profit in spite of its relative size...

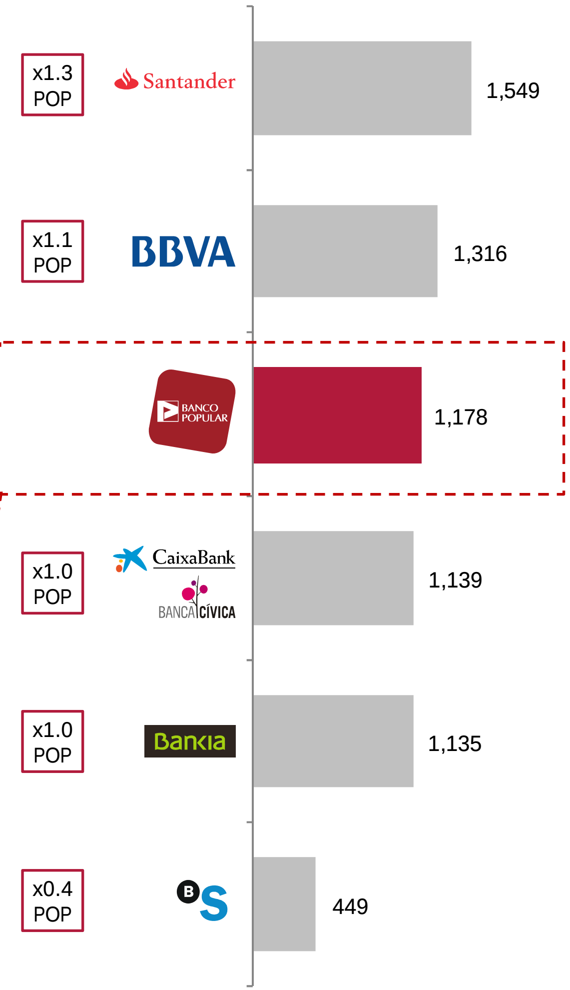
Branch network, 1H12



Total credit[(a)] (€m), 1H12



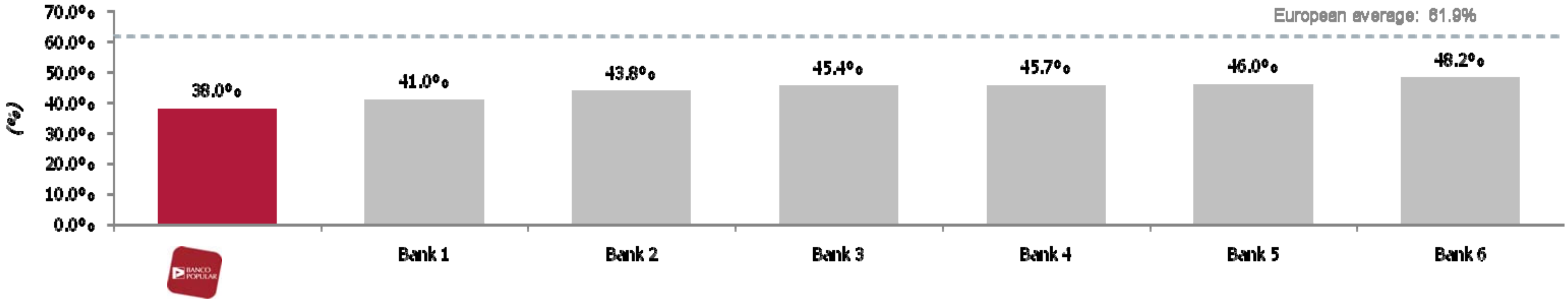
Retail banking pre-provision profit[(b)] (€m), 1H12



(a) Ex repos
(b) Retail pre-provision margin= NII + net fees and commissions minus total costs
Source: Companies 1H12 reports. Banca Cívica report (March 2011). Santander and BBVA Spain adjusted fo the corporate centre

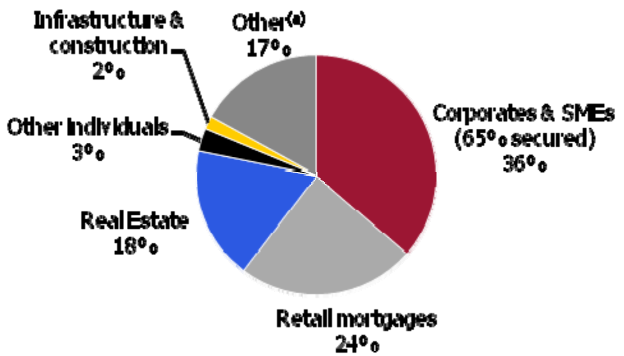
...and is the most efficient bank in Spain with a diversified client business mix...

The most efficient bank in Spain and Europe: C/I ratio (%)



Source: BBVA Spain, Caixabak, Santander Spain, Banesto, Sabadell, and Bankinter (latest available data)

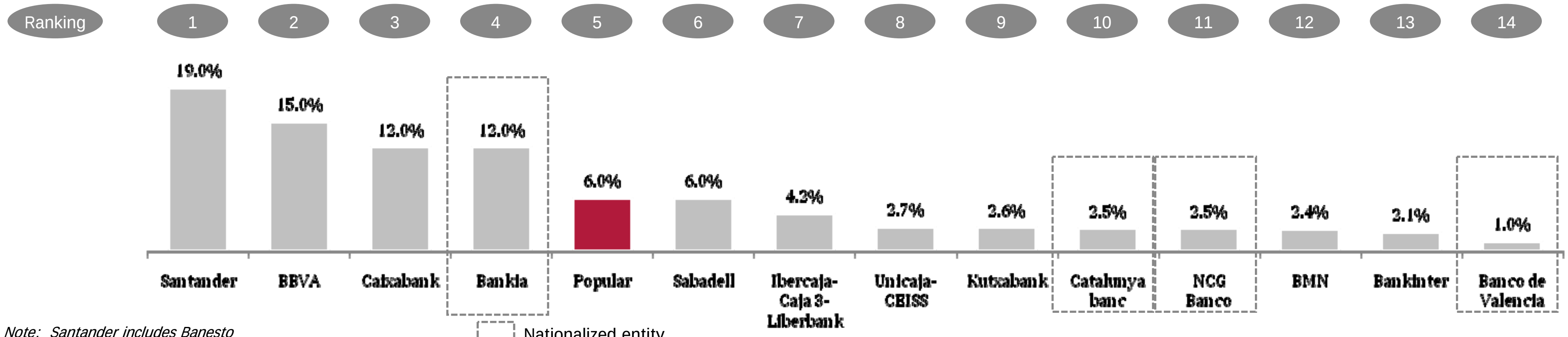
Diversified business model: loan book breakdown (1H 2012)



(a) Includes international operations, Public Administrations and Repos

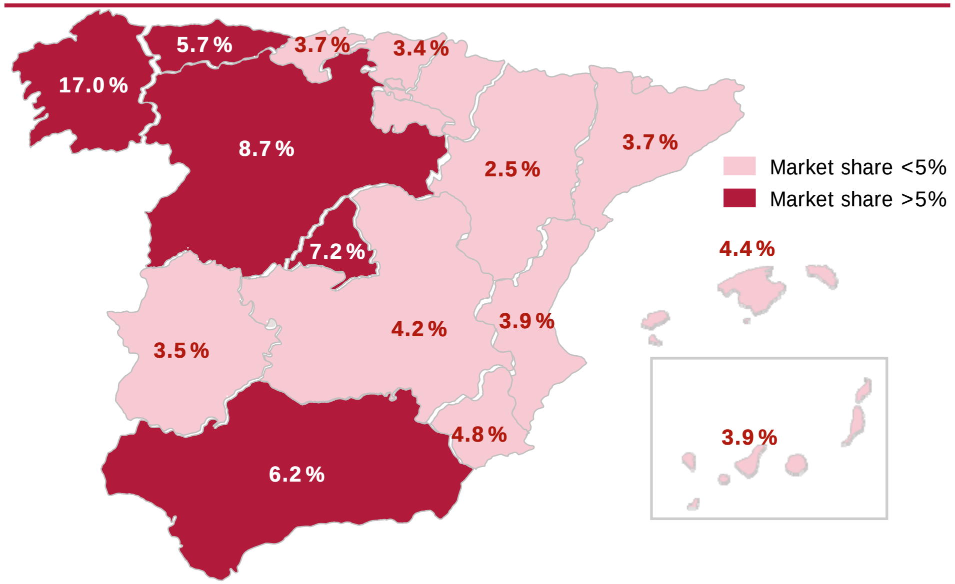
…that leverages upon a nationwide branch network concentrated in key areas with growing market share…

Main financial institutions in Spain (market share by total assets)

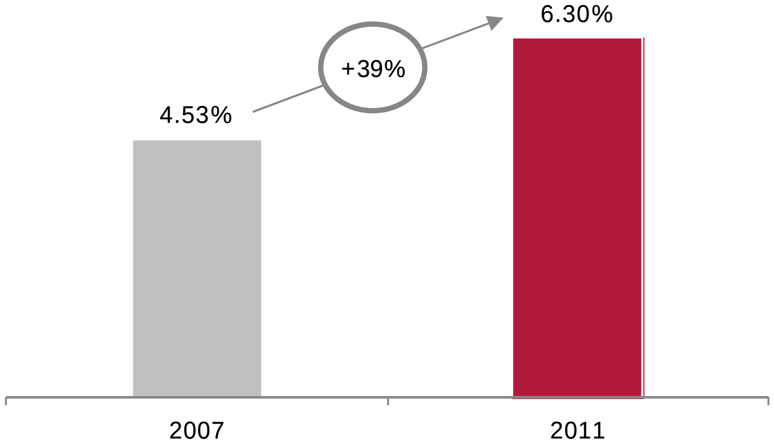


Note: Santander includes Banesto
Source: Oliver Wyman 28 September 2012

Banco Popular's deposit market share by region



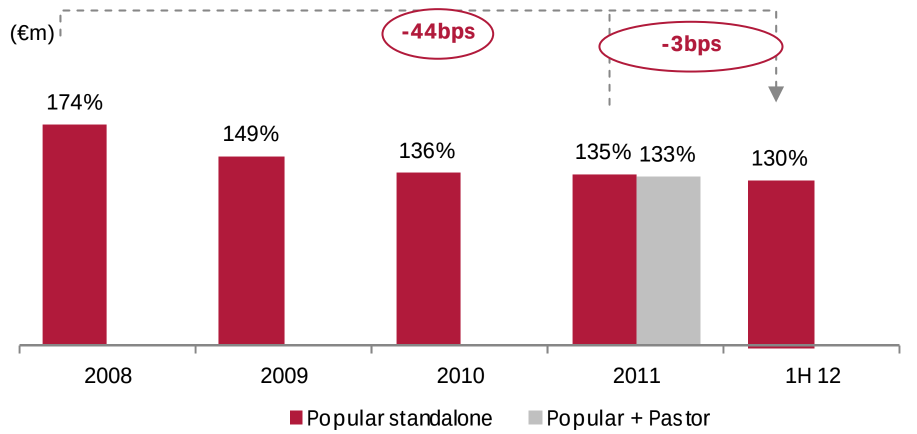
Market share increase 2007 – 2011 (loans + deposits)[(a)]



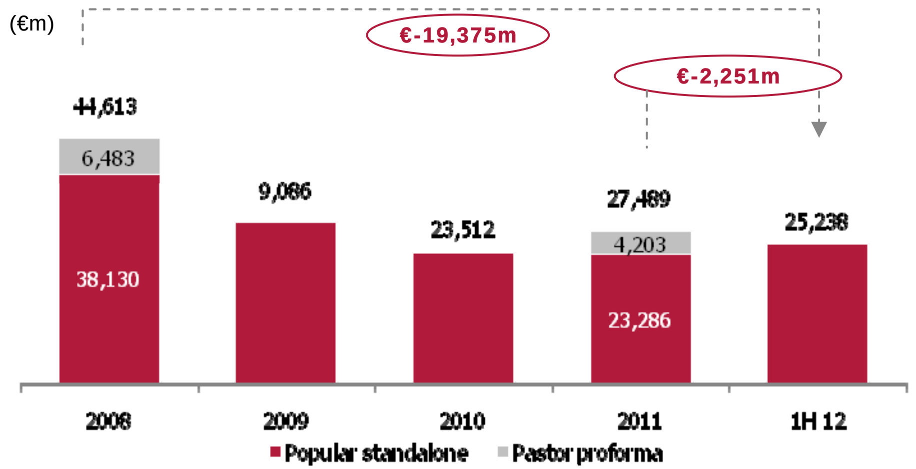
(a) Combined market share: loans (6.5%) and deposits (6.0%)
Source: Estado T7. 2011 Data for Banco Popular + Pastor

...taking a conservative approach to safeguard liquidity...

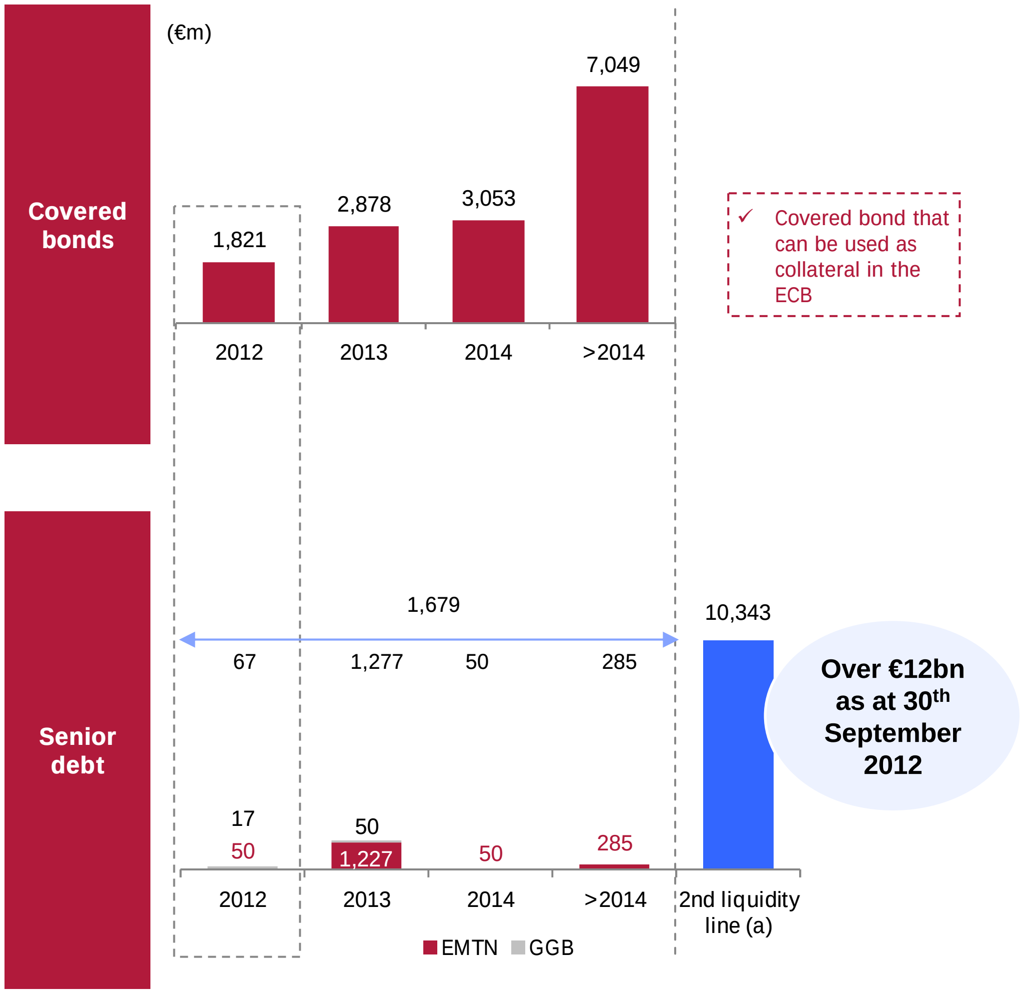
c. 40% reduction in loan/deposit ratio in 3 years



c. €20bn reduction of commercial gap in 3 years



Comfortable maturity profile thanks to the availability of an important collateral buffer

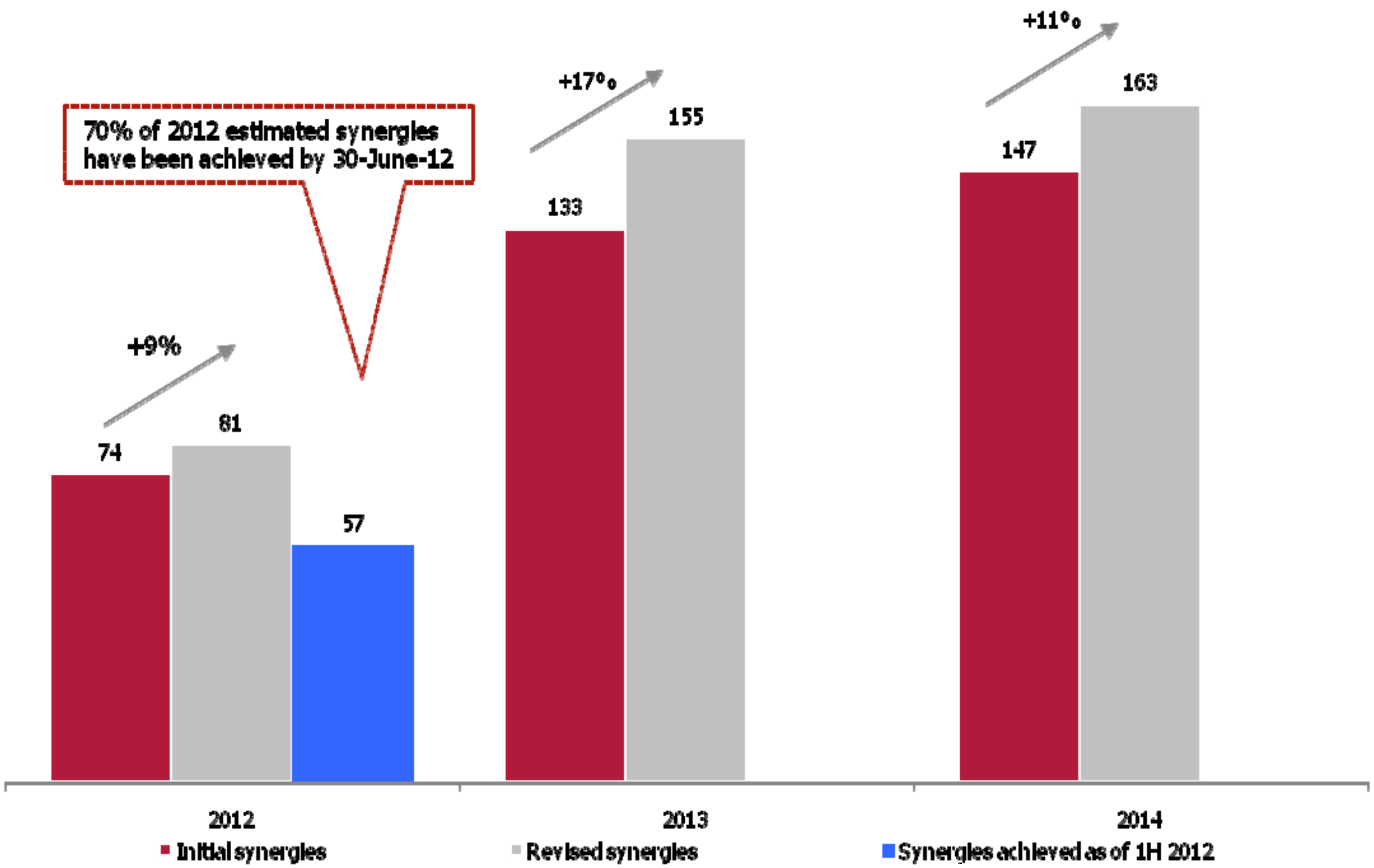


(a) *After haircuts. Includes treasury accounts and financial assets at market price*

...and with additional room to increase profits via synergies from the Banco Pastor acquisition

Revised estimated synergies from the 2011 Banco Pastor acquisition (€m)

Pre tax annual synergies (€m)



Synergies revised up: +11% over initial estimates

Restructuring costs: revised down 34% over initial estimates

NPV of synergies up +19% to €947m from €799m

Note: Data for Banco Popular and Pastor

Final remarks

✓ The stress test leads us is to an acceleration of our business plan targets and recapitalisation strategy

✓ Banco Popular's Board has agreed to take an immediate massive provisioning effort resolving any legacy issues and to launch a recapitalisation plan with a view of returning to historical profitability levels by 2013 – 2014. This objective will be achieved by:

- Record provisions of €9.3bn in 2012 (well ahead of schedule)
- Recapitalise the bank with immediate effect through a rights issue of up to €2.5bn
- Create an internal "bad bank" to pro-actively manage problematic assets

✓ With this capital plan, which is based on a strong clean up to dispose non-core assets, Banco Popular is well positioned to achieve its medium term targets

- NIM: c. 2%
- C/I ratio: c. 35%
- LTD ratio: 100% - 110%
- RoTE: mid-teens

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Summary of Oliver Wyman stress tests results

	Base case	Adverse case
Key assumptions[(a)]	✓ Accumulated GDP contraction of 1.7% in 2012 – 2014 ✓ Unemployment peak of 23.8% in 2012 ✓ Accumulated real estate prices reduction over 2012 –2014 period – Housing prices: (9.9%) – Land prices: (42.5%) ✓ Deleverage of Spanish economy over 2012 – 2014 period – Credit to households: (9.6%) – Credit to non-financial firms: (13.5%) ✓ Banco Popular accumulated pre-provision profit 2012 – 2104: €5.8bn	✓ Accumulated GDP contraction of 6.5% in 2012-2014 ✓ Unemployment peak of 27.2% in 2014 ✓ Accumulated real estate prices reduction over 2012 – 2014 period – Housing prices: (26.4%) – Land prices: (72.0%) ✓ Deleverage of Spanish economy over 2012 – 2014 period – Credit to households: (17.6%) – Credit to non-financial firms: (15.7%) ✓ Banco Popular accumulated pre-provision profit 2012 – 2104: €4.2bn
Expected losses	€15.1bn or 13.5% of total loans + foreclosed assets	€22.4bn or 20.1% of total loans + foreclosed assets
DTAs deduction	€(0.2)bn	€(0.9)bn
Capital (deficit) / surplus	+ €0.7bn or +€0.9bn before DTA deductions	+ €(3.2)bn or €(2.3)bn before DTA deductions

(a) Source: Oliver Wyman and Bank of Spain's reports

Key factors not taken into consideration by Oliver Wyman

	Capital impact
✓ Incremental pre provision profit generation 2012 – 2014	+ €2.0bn
✓ Other mitigating measures in our original business plan	
– Capital gains from assets disposal	+ €1.5bn
– Capital call to finance Pastor acquisition	+ €0.7bn
– Exchanges of capital instruments	+ €0.4bn
✓ Lower expected loss as a result of less reclassifications, re-financings and amount of expected loss already deducted from reported capital ratios 2011	+ €1.2bn

Main difference does not lie in the quality of assets or reclassifications but in stressing profit generation 2012 – 2014 (€4.2bn vs €7.0bn in our original business plan) and not considering mitigating measures

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Commercial gap back-up calculations

Banco Popular´s commercial gap (2Q, €m)

Lending to customers net of provisions	115,275
Other loans	(237)
Repos (adjusted)	(6,504)
Total lending to customers (a)	**108,534**
Demand deposits	23,039
Time deposits	43,970
Other accounts and valuation adjustments	922
Subtotal customer deposits (ex repos)	**67,931**
Retail Commercial paper	6,670
ICO credit lines	5,967
Securitization sold on market	681
Capital instruments distributed through the network	1,503
Tax collection deposits	545
Total customer funds (b)	**83,296**
Commercial gap (a-b)	**25,238**
LTD (a/b)	**130%**

Of which ICO credit lines €5,967m

Deposits received by State for lending provided in the ICO programme: credit lines to SMEs

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