Financial Results 2011

BANCO POPULAR

Madrid, February 1st 2012

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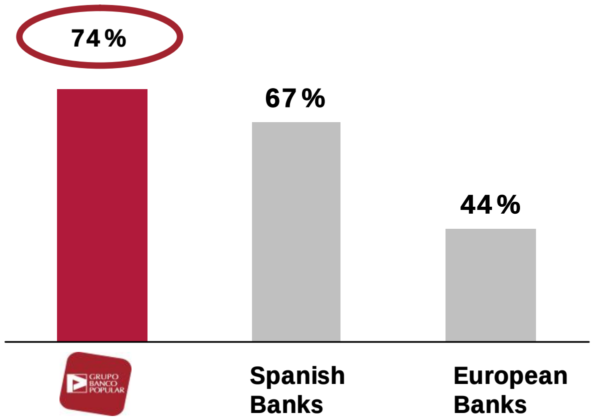
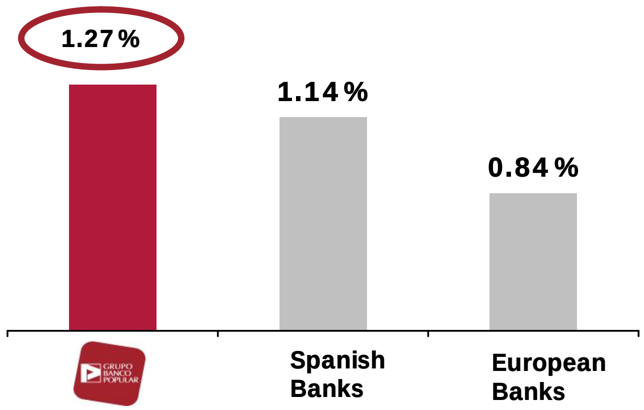
Agenda

In spite of the crisis our strengths remains in good shape

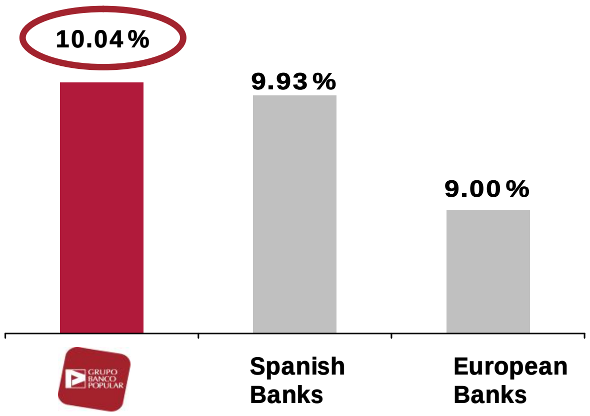
✓ A pure retail and commercial bank: loan to assets



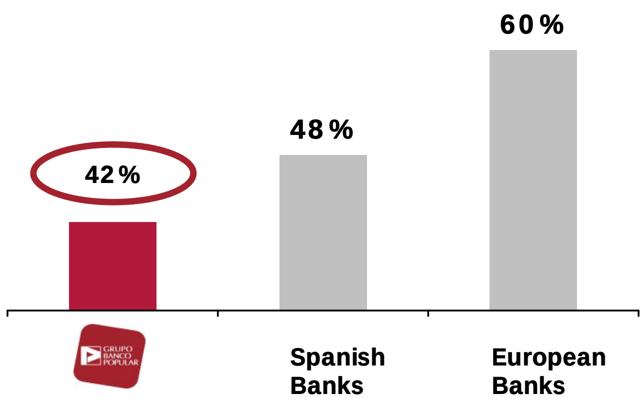
✓ A privileged operating margin [1]



✓ A strong core capital [2]



✓ The most efficient bank: C/I ratio



(1) Pre-provision profit/ ATAs

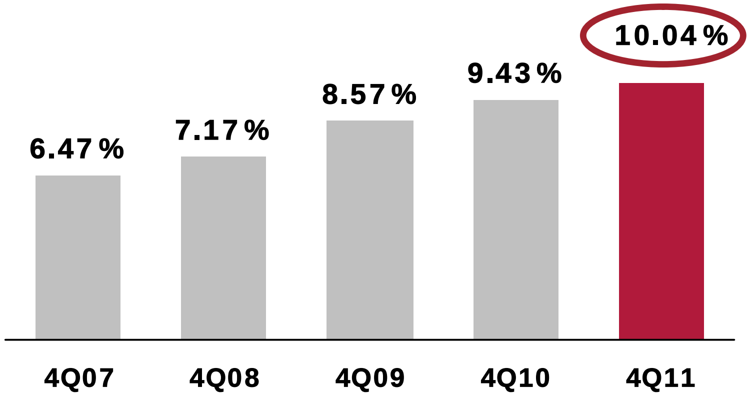
(2) Core capital under local regulation, which includes MCNs and local deductions

Source: Quarterly reports as of Dec 11; Spanish Banks: Caixabank, Sabadell, Bankia, Banesto and Bankinter

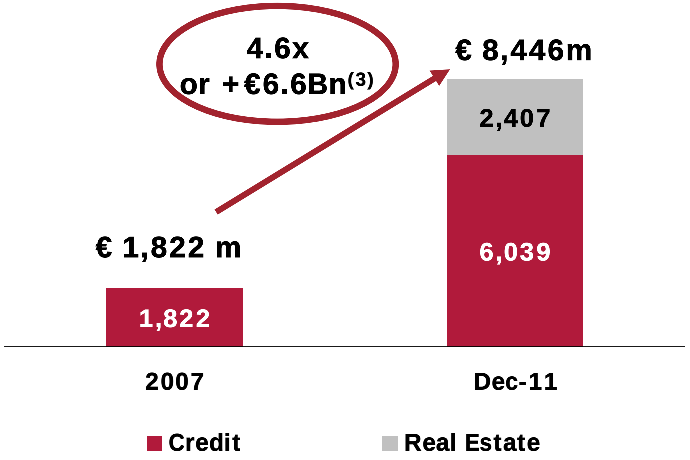
European Banks, KBW European Banks & Credit Suisse Banks valuation

Our priorities remained focused throughout the crisis

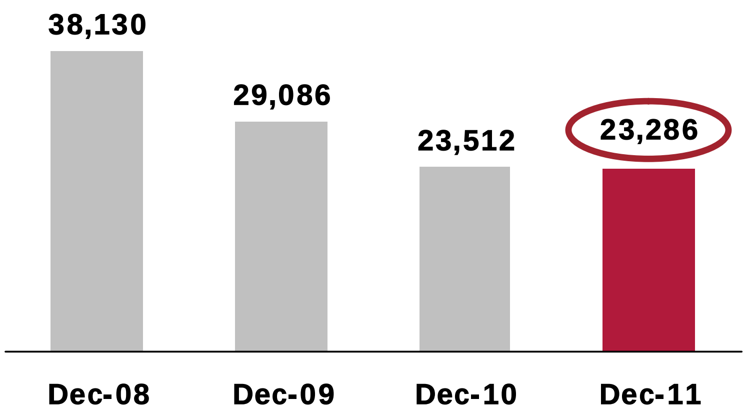
✓ Solvency: Core capital*



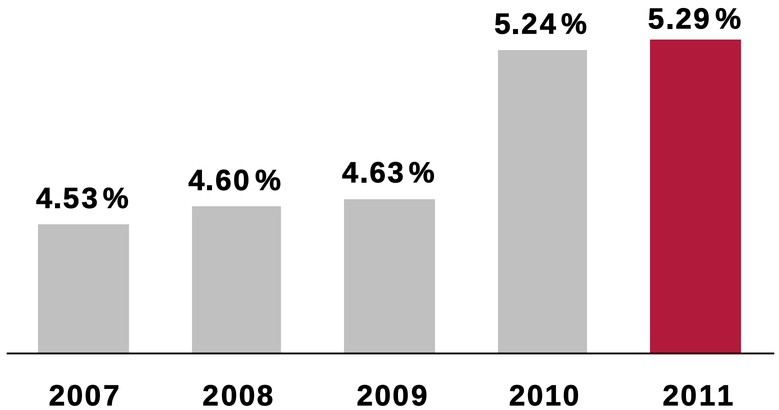
✓ Reinforce credit & RE provisions



✓ Reduce wholesale funding reliance; Commercial Gap [1]



✓ Gain quality market share[2]



* *Core Capital definition under local criteria*

[1] *Commercial Gap= Loans: Total loans to customers (net)- Other credits- Repos- Valuation adjustments of Repos – ICO Credit lines - Securitizations; Deposits: Demand deposits + time deposits +Other accounts and valuation adjustments + Collection accounts (included in Other financial liabilities)*

[2] *Business market share: credits and deposits. Source: T7 form. Latest available data November 2011.*

[3] *Equivalent to 7.5% of RWA*

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1. A bit of perspective: A robust and profitable model
2. 2011 Annual results: Business drivers & operating performance
3. Risk management
4. Capital position & EBA capital requirements update
5. Liquidity & funding policy
6. Corporate actions: Crédit Mutuel & Allianz JVs and Banco Pastor acquisition
7. Conclusions

Summary remarks 2011 Annual Results

- **Net Profit of €480m (Dec-2010: €590m), in line with guidance.**
- **Total Ordinary Revenues of €2,997m, 12% down driven mainly by higher funding cost and lower buy-backs.**
- **Retail customer funds up YoY (+1.2%).**
- **Customer loans: +0.7% YoY.**
- **NPL net entries stable. Bad Debt ratio at 5.99%. Remarkable provisioning/cleaning up effort: Ytd gross specific & RE provisions of €2 bn (2.33% of RWAs).**
- **Liquidity: Pool of liquidity covers well on excess all medium and long term maturities.**
- **Sound core capital (local regulation): up 61bp YoY to 10.04%.**
- **EBA: recap plan already submitted. We will reach new EBA capital targets without any State aid.**
- **Long term alliances with Allianz and Crédit Mutuel firmed up.**
- **Pastor: expected completion by February 17th. Synergies planned on track.**

Financial Highlights

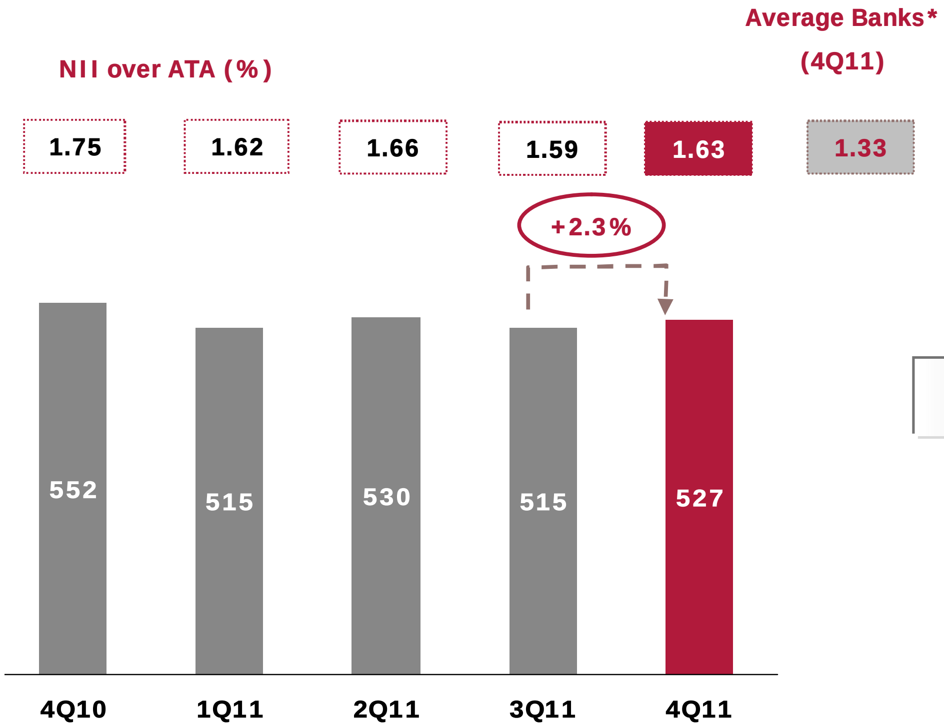
(€, million)	Dec-11	Dec-10	Change (€m)	Change
Net interest income	**2,087**	**2,432**	**-345**	**-14.2%**
Fees and commissions	686	675	11	1.6%
Trading and other income	224	291	-67	-23.0%
Gross operating income	**2,997**	**3,398**	**-401**	**-11.8%**
Personnel expenses	-779	-778	-1	0.1%
General expenses & amortization	-590	-525	-65	12.3%
Pre-provisioning profit	**1,627**	**2,095**	**-468**	**-22.3%**
Provisions for loans and investments (ordinary & accelerated)	-952	-1,232	280	-22.7%
Net of Provisions for real estate (ordinary & accelerated), goodwill and extraordinary gains	-231	-84	-147	>
Net profit	**480**	**590**	**-110**	**-18.7%**
Non-performing ratio	**5.99%**	**5.27%**		**+ 72 b.p.**
Efficiency ratio	**42.15%**	**35.52%**		**+6.63 p.p.**
Loans to deposits ratio	**135 %**	**136%**		**- 1 p.p.**
Core Capital (local rules)	**10.04 %**	**9.43%**		**+ 61 b.p.**

Note: restated 2010 following Allianz-Popular Holding Joint Venture

In 2011 higher interest revenues did not compensate higher funding costs. We do not expect, however, a further decline in 2012

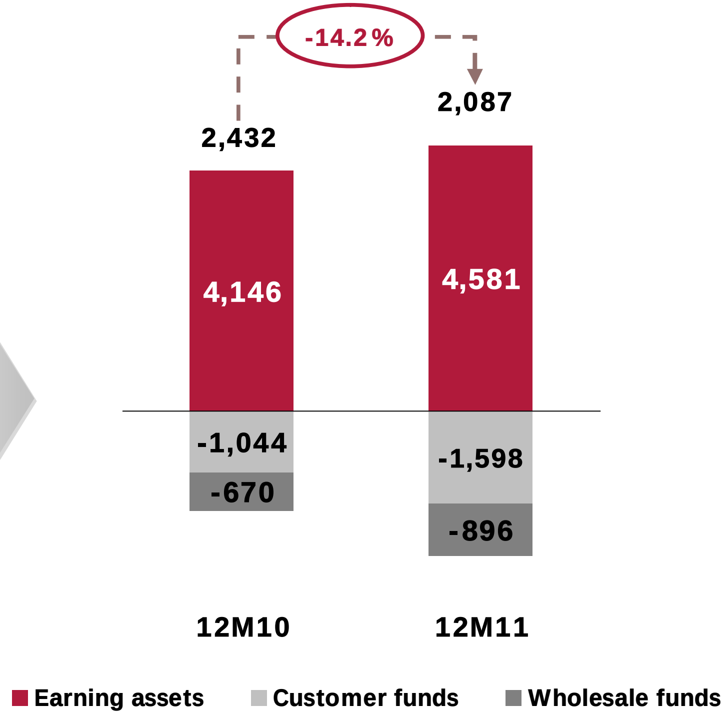
Net interest income evolution

(€, million)



Interest revenues/Interest expenses

(€, million)

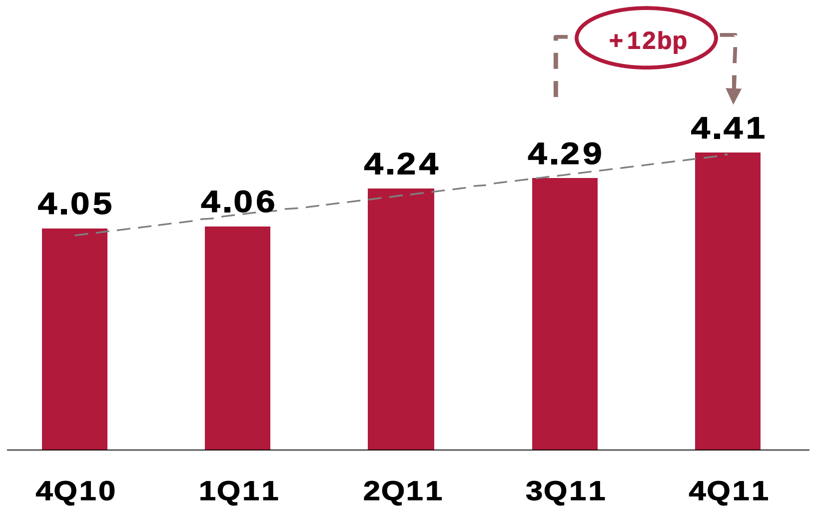


*Average banks: Sabadell, Banesto and Bankinter 4Q11 results.

Note: restated 2010 following Allianz-Popular Holding Joint Venture.

We maintain our leadership in loans yields allowing us to achieve the best client spread

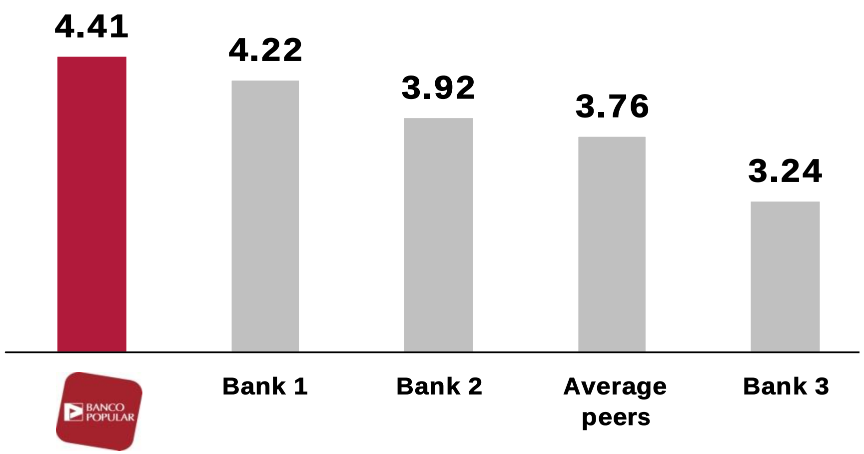
Loans Yields. Quarterly evolution



Loans Yield 4Q11 vs. industry [1]

(%)

- ✓ **Client spread Popular: 2.18%**
- ✓ **Client spread Peer Group: 1.73%**

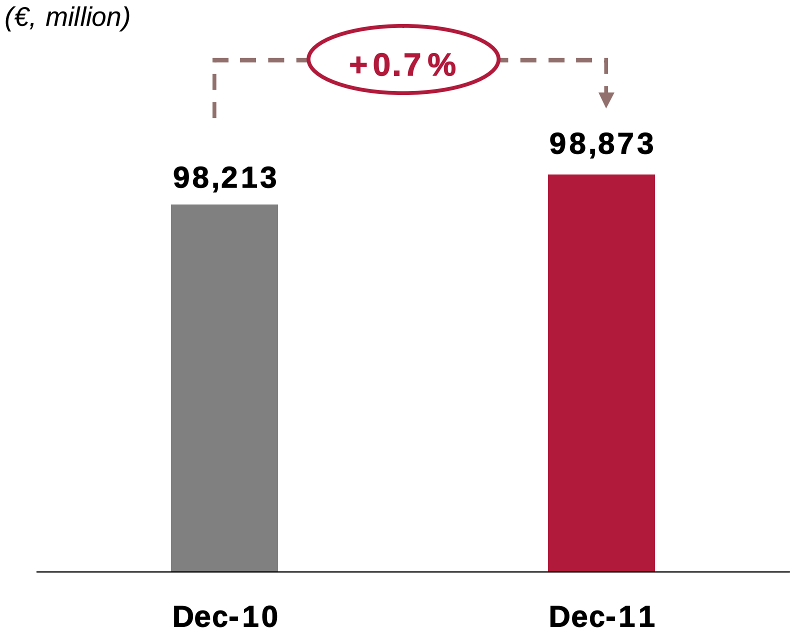


Balance Sheet well protected through floors (c.50% of lending portfolio) from a lower for longer interest rates environment

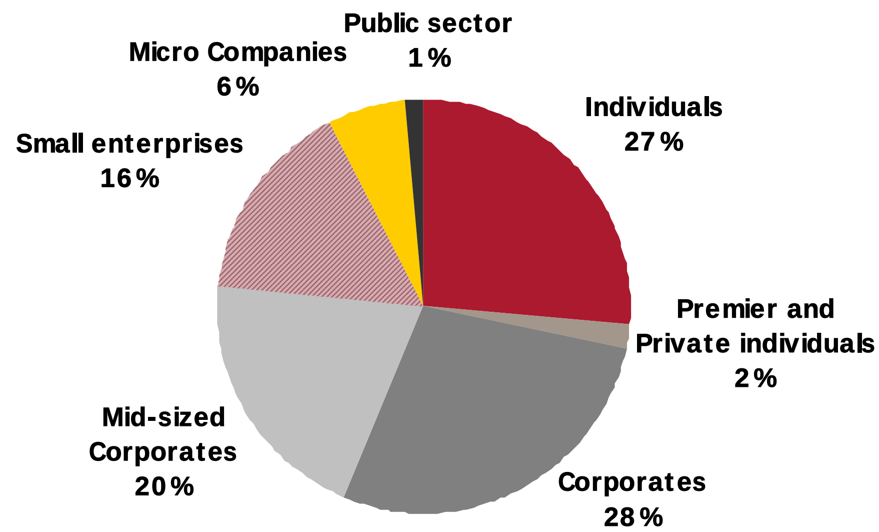
[1] Peer: Sabadell, Banesto and Bankinter. Source: Quarterly reports 4Q11

Loans up (+0.7% YoY) in spite of adverse economic environment. Outperforming the industry (-2.9% YoY) [1]

Gross loans evolution



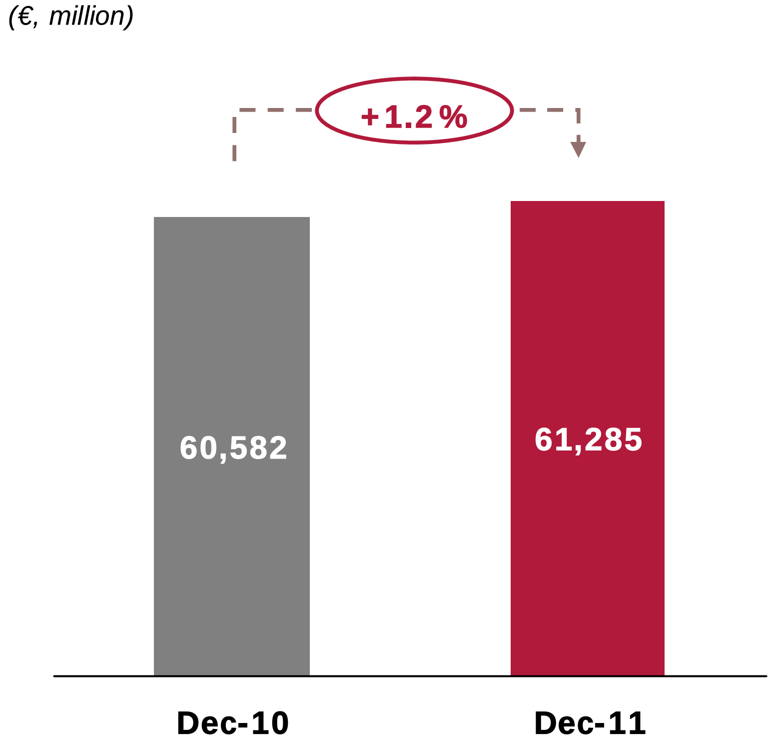
Loans breakdown by sector



[1] *Source: BoS, latest available data as of November 2011*

Retail funds up YoY (+1.2%)

Retail funds



We keep gaining new customers and increasing market share, consistently

International Business

- **Gaining market share:**
  - Imports: +23 b.p. YoY up to **11.8%**
  - Exports: +27 b.p. YoY up to **6.8%**
- **New commercial offices:**
  - Morocco
  - United Arab Emirates

4Q11 Payroll campaign

- **49,280** New contracts formalised
- **20,853** new customers
- **152%** of target fulfilment

Overall market share in Spain[1]:

- Credits: +14 b.p. YoY
- Deposits: +9 b.p. YoY

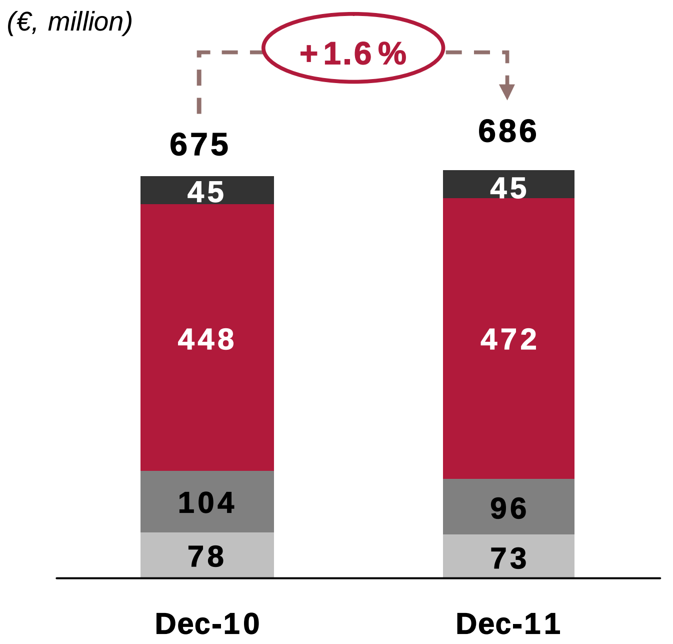
Increasing customer base:

- 237,933 new Retail Customers
- 59,069 new SMEs

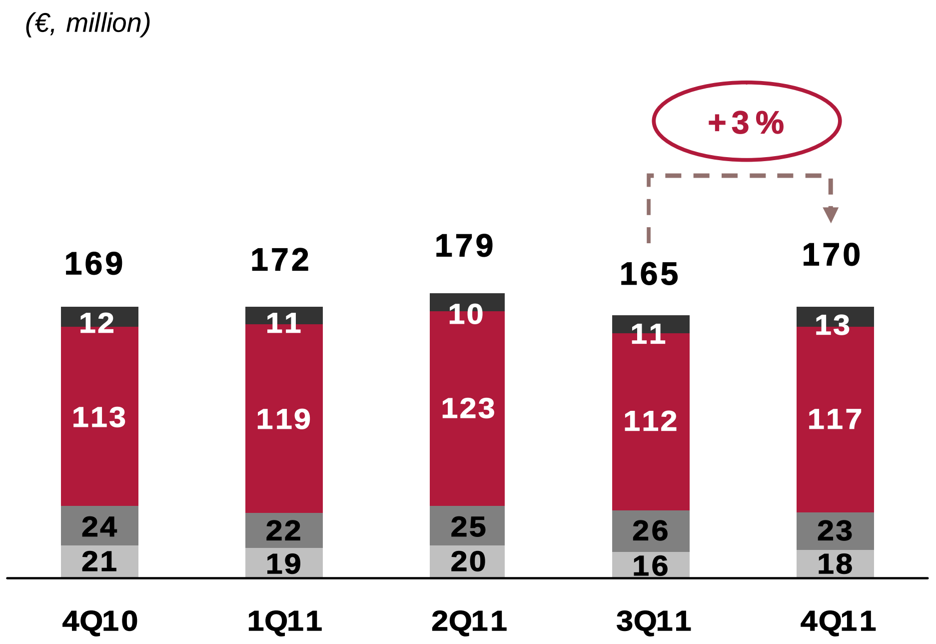
[1] *Source: Bank of Spain. Latest available information November 2011*

Our Fee Income increased to €686m (+1.6% YoY)

Fees and commissions (YoY)



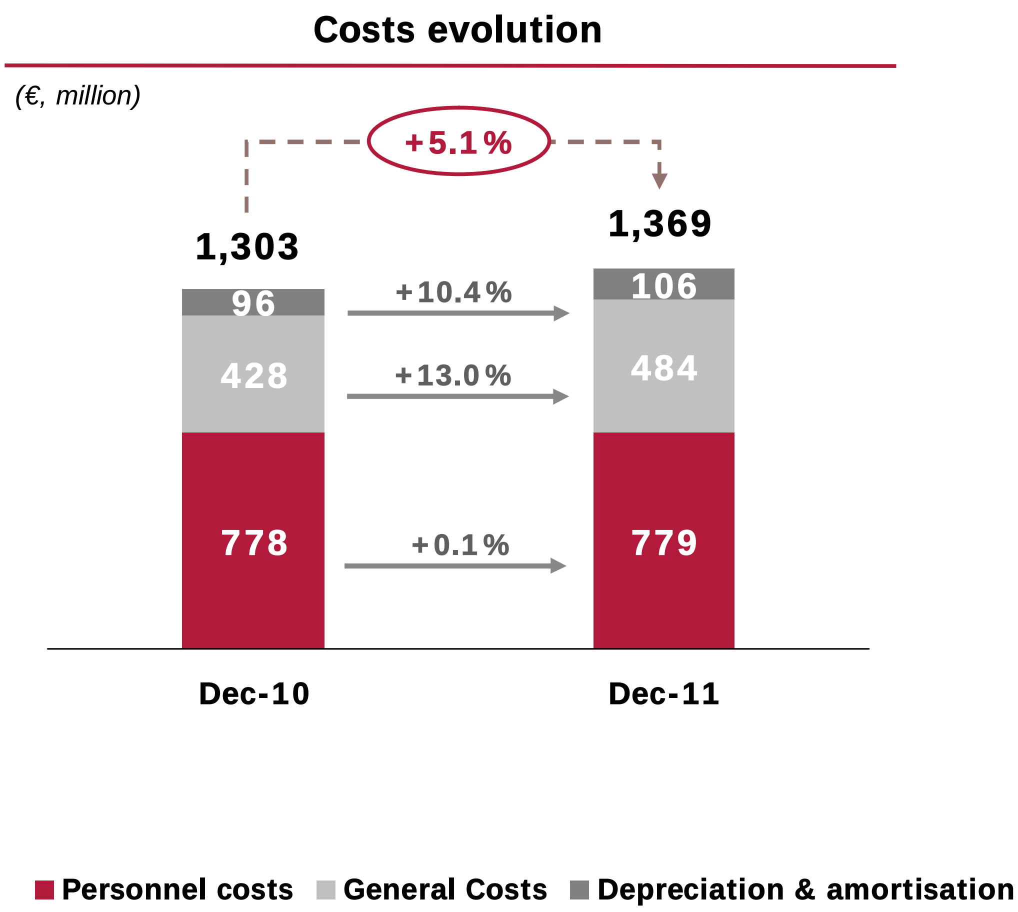
Fees and commissions (QoQ)



AuM Fees
Payments handling
Other banking fees
Debt-in-arrear handling

Note: *restated 2010 following Allianz-Popular Holding Joint Venture*

Staff Costs flat. General costs up driven in by IT investments, VAT increase and marketing (TV, etc.)

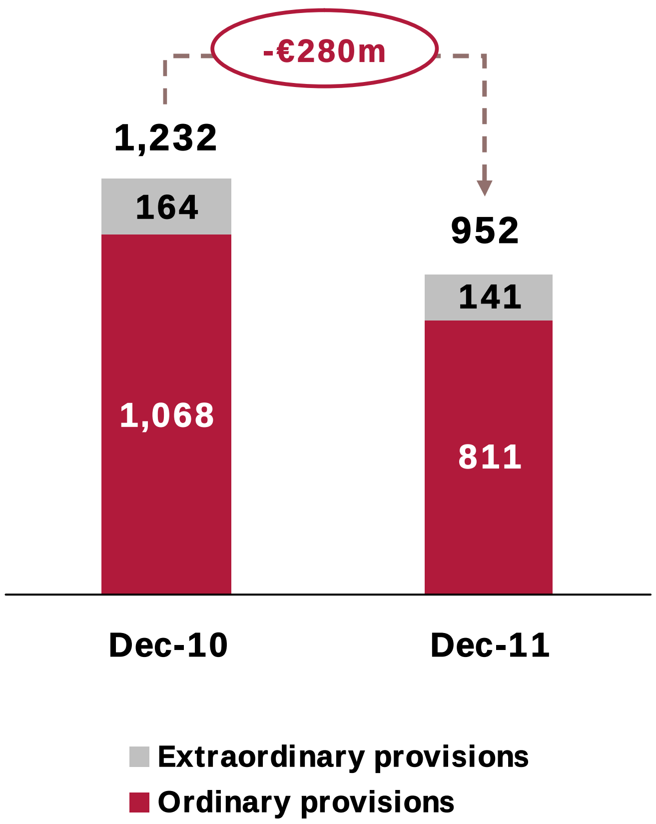


Note: restated 2010 following Allianz-Popular Holding Joint Venture

We have been able to book €1.7bn net provisions of which €466m were extraordinary or accelerated. On Real Estate, we have achieved a 34% coverage

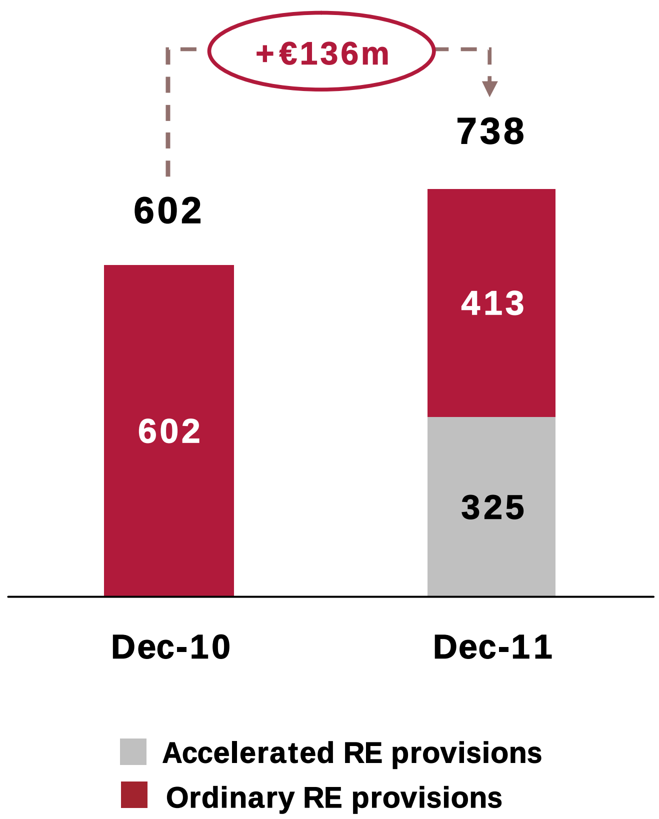
Provisions for loans and investments

(€, million)



Provisions for real estate[1]

(€, million)



[1] *Includes €35 million for goodwill in 2010 and €30 million in 2011.*

As expected, we had lower needs of specific provisions which more than compensated the lower usage of countercyclical funds:

Provisions for loans and investments evolution

(€, million)	12M-10	12M-11	Change (€m)
Specific and other ([1])	1,701	1,292	-410
Investments	169	30	-139
Other provisions & allowances (net)	4	-6	-10
Total provisions charged (A)	1,874	1,316	-559

(€, million)	12M-10	12M-11	Change (€m)
Countercyclical	-522	-215	+307
Recoveries from written off loans	-120	-148	-28
Total provisions released (B)	-642	-363	+279

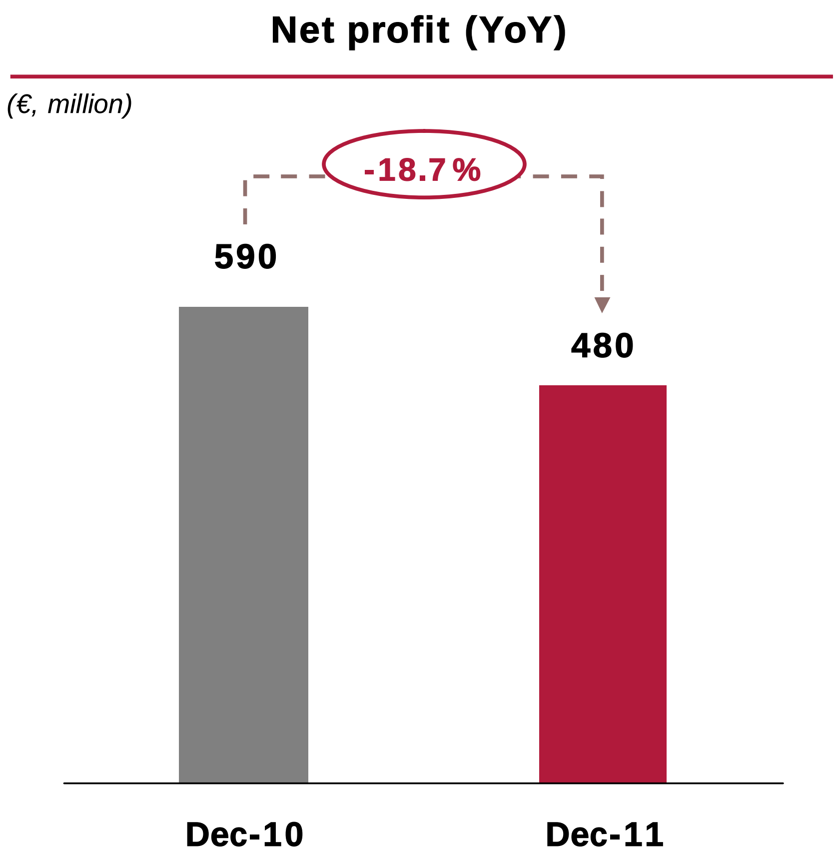
Total provisions (A) + (B)	1,232	952	-279

Recoveries of write offs (4.7% of average stock) becoming an important source of revenues

[1] Net of country Risk

Note: restated 2010 following Allianz-Popular Holding Joint Venture

Full 2011 Net profit in line with guidance, after ordinary & accelerated provisions, reaching €480m



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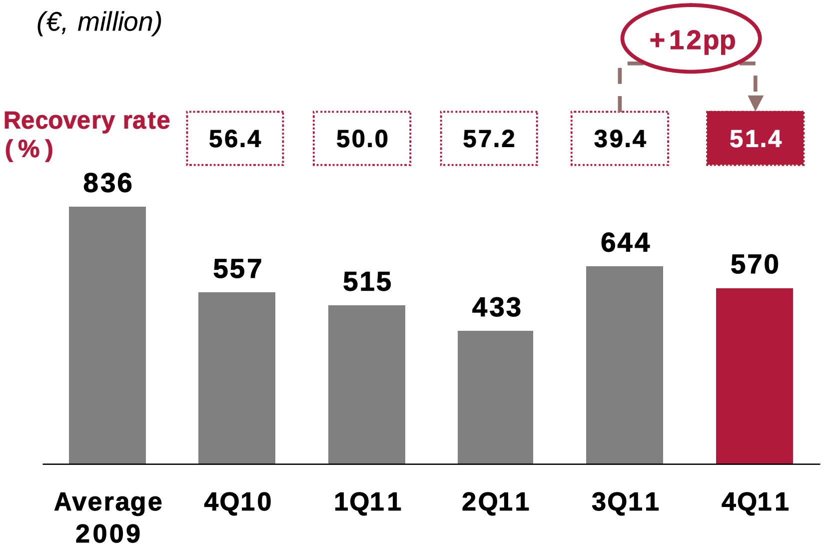
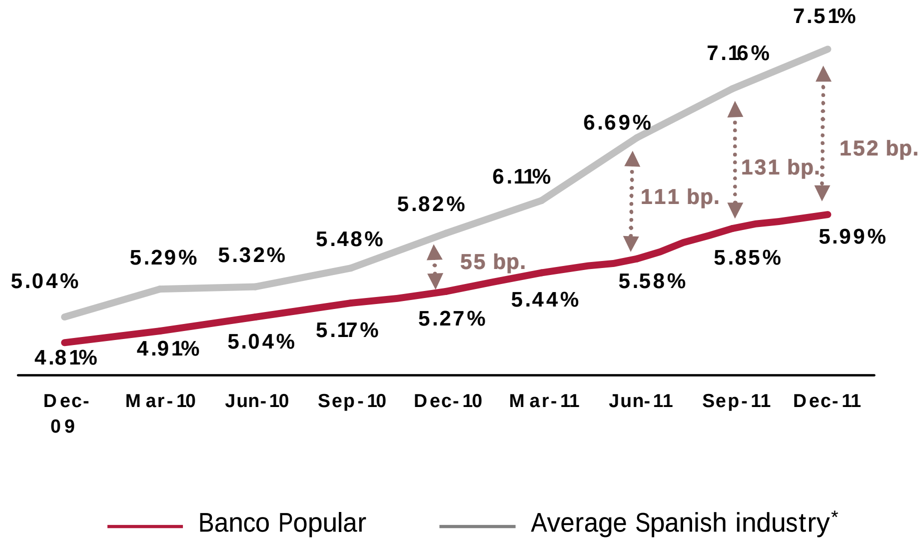
Net NPL entries down QoQ (-€74m) due to normalization of the recovery rate (+12pp QoQ)

Evolution of net entries of NPLs

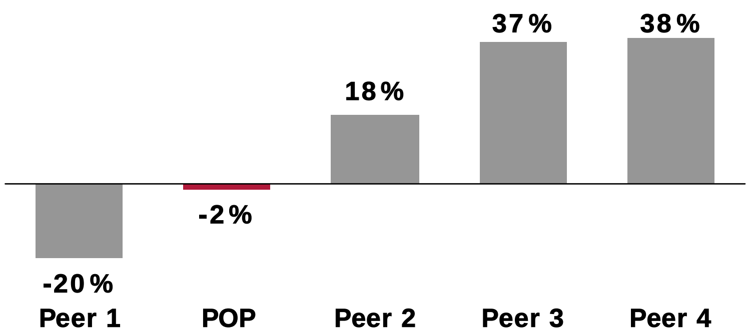


NPL ratio evolution



(*) *Average banks, saving banks and credit unions as of November 2011 (latest available data).*

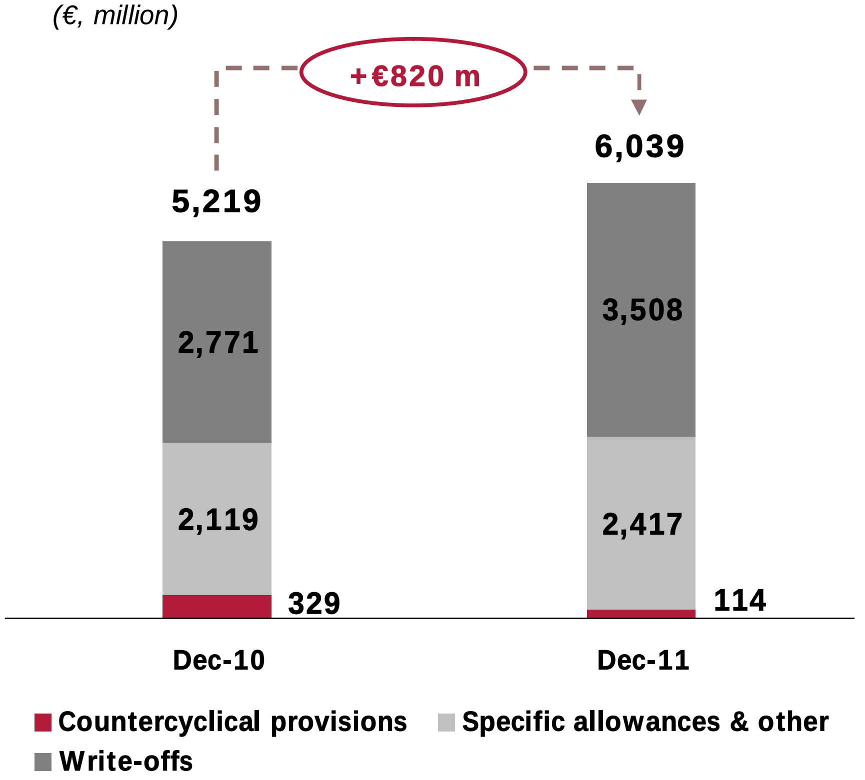
Evolution of gross entries YoY vs. peers (%)



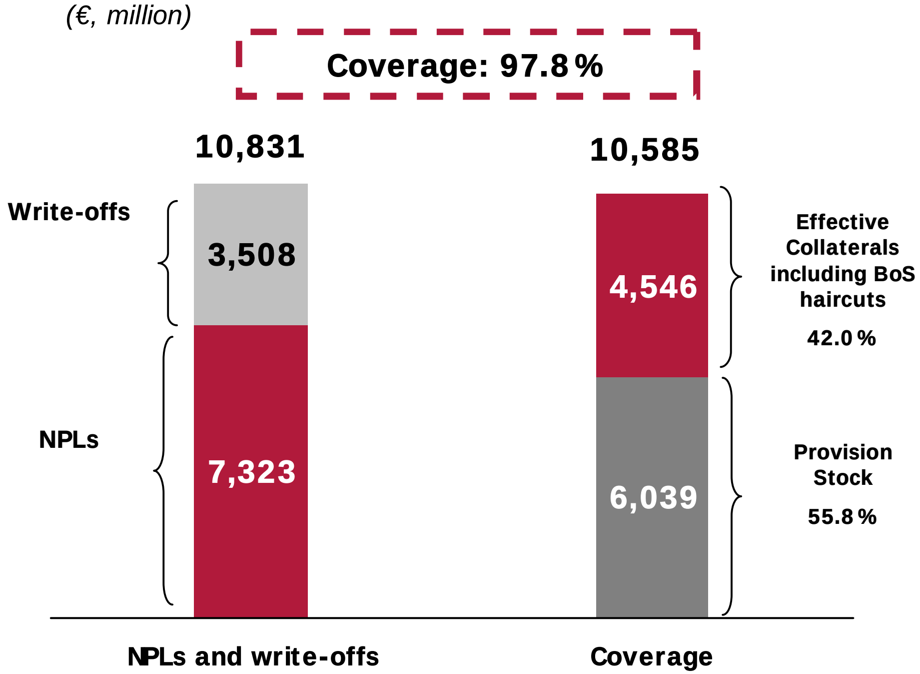
Peers: Banesto, Sabadell, Caixabank and Bankinter

Our credit provisions stock is up by +€820m. Good coverage even after strict haircuts in the face value of the collaterals (i.e.: other finished residences 40%)

Provision Stock



Coverage analysis



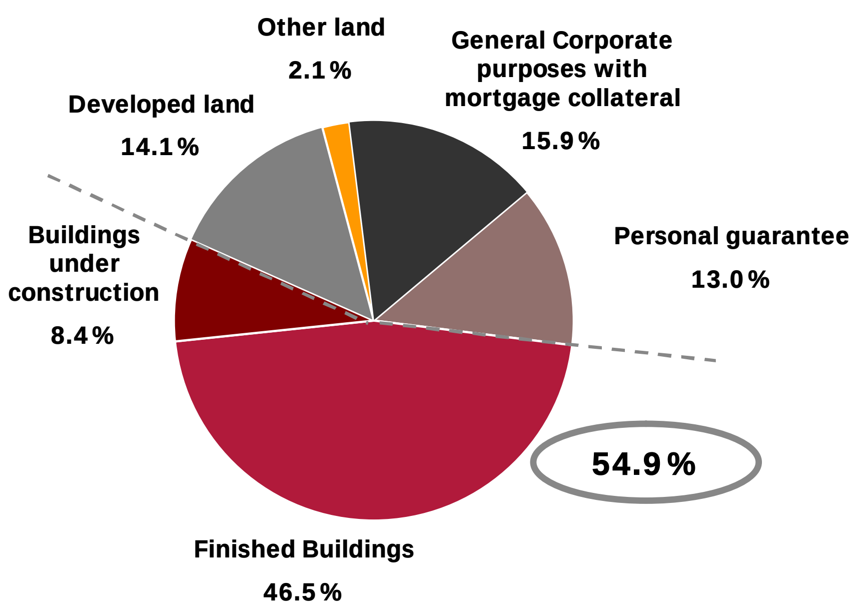
NPAs (1) coverage up to 47%, and will rise to mid-fifties after PAS merger

(*) BoS haircuts: First residence, 20%; Commercial RE 30%; Other finished residences, 40%, Land 50%

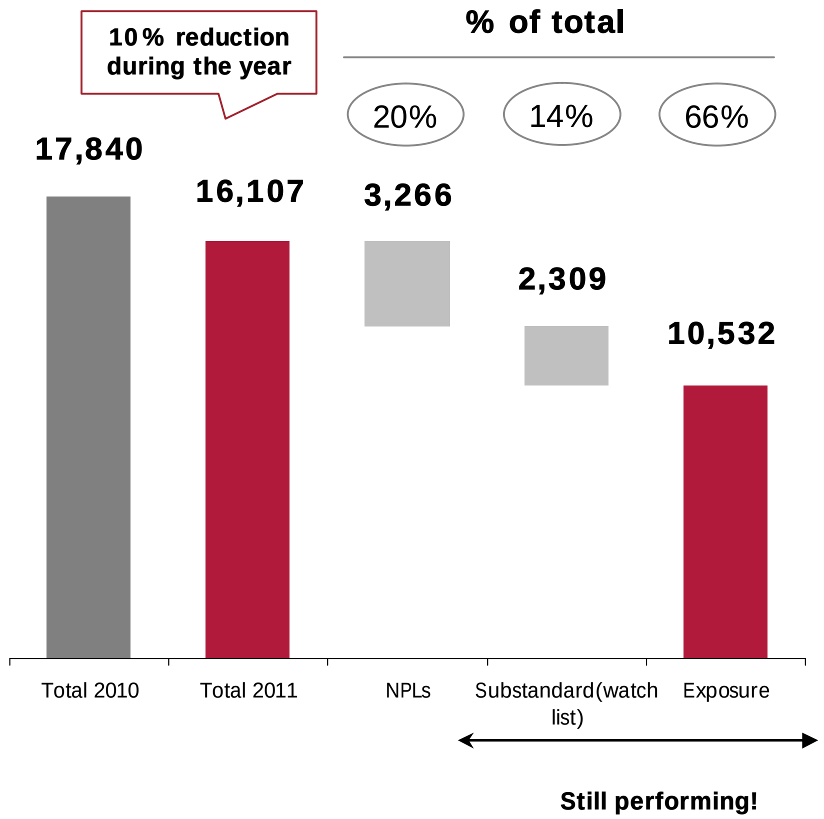
(1) NPA: NPLs+ RE assets+ Write-offs

On the BoS transparency exercise: Lending to construction and RE purposes in Spain remains our most affected sector

Construction and real estate breakdown by type



NPLs and Substandard ("watch list")



Again on the BoS Transparency exercise: Real Estate assets held in Spain. Provisions and coverage, up

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

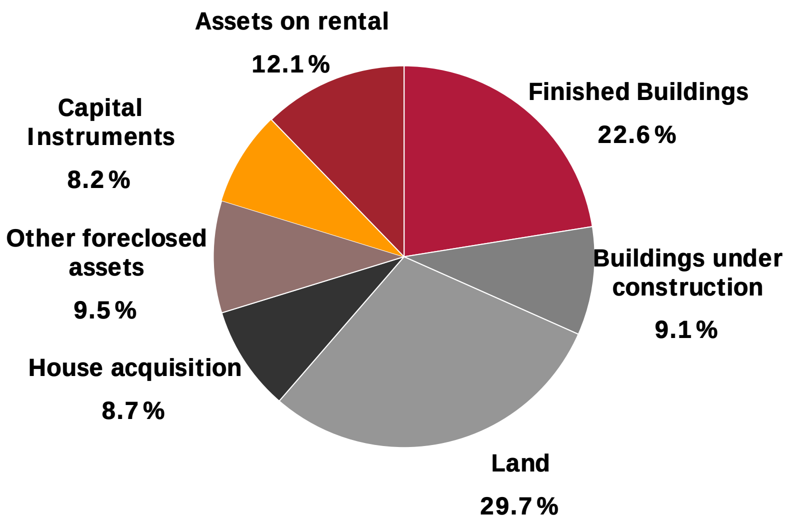
Net amount	**4,028**
❑ Construction and developers	3,105
❑ Residential repossessions	442
❑ Other Non RE companies repossessions	481
Provisions	**1,640**

Assets on rental (€,million)

Net amount	**609**

Capital instruments (€,million)

Net amount	**416**

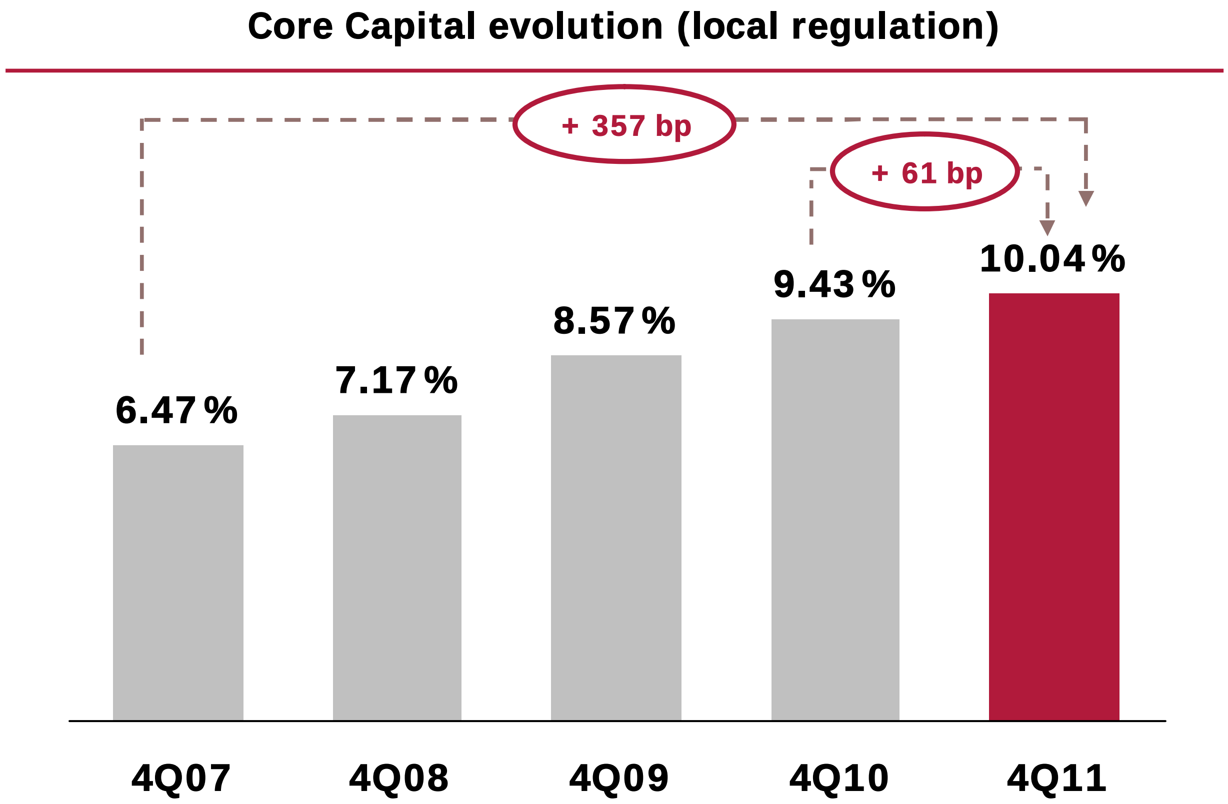


Coverage[1]:
Dec-11........... 34%
Dec-10............29%

[1] *Provision over acquired and repossessed assets and capital instruments*

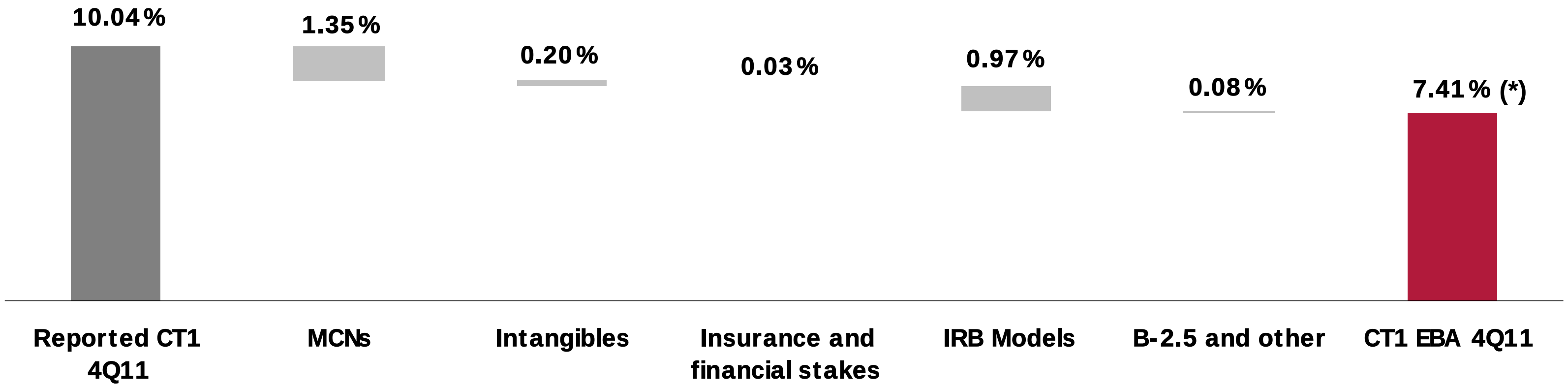
Agenda

As we have been showing over the last few years, we have a strong capital generation

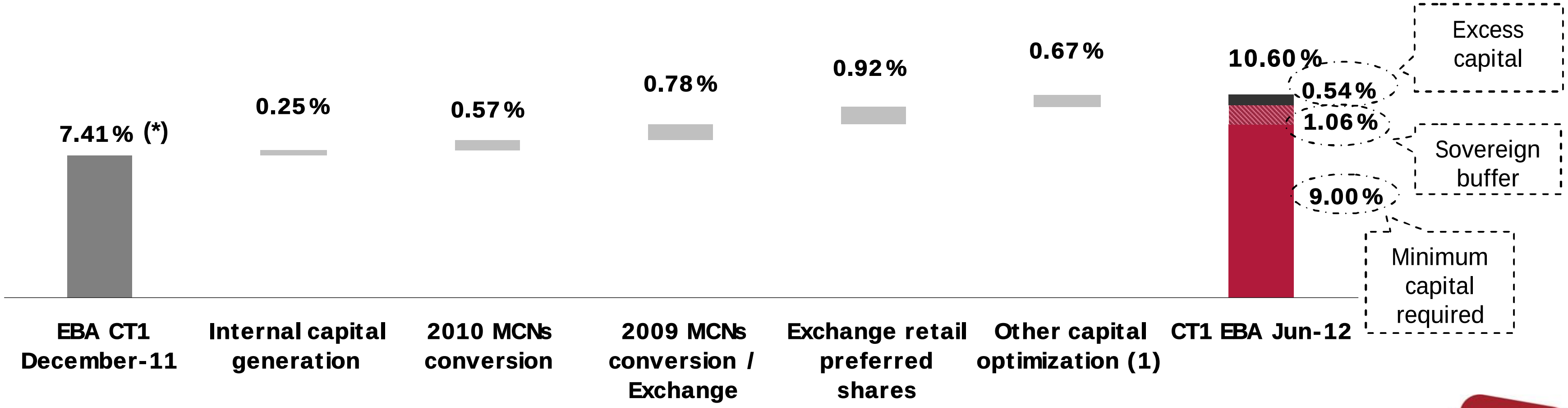


On EBA, an update and a confirmation of our full confidence in bridging the gap to the new EBA definitions without any kind of State capital injection

Reconciliation reported CT1 and new EBA CT1



Capital measures submitted to comply with the new EBA capital requirements



(*) Without the impact of the sovereign buffer

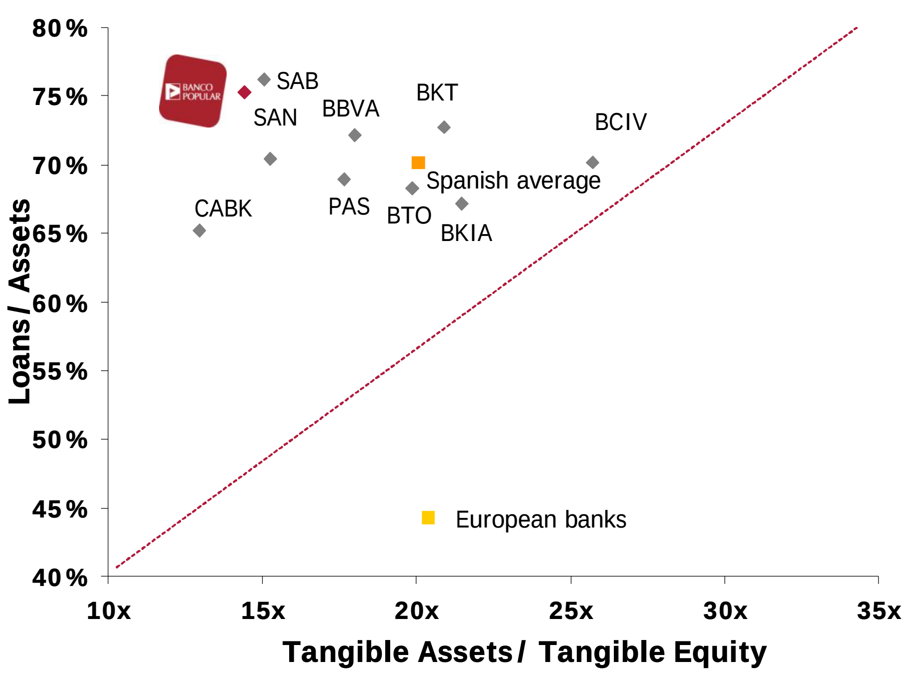
(1) Capital optimization (ie; Improvement of collaterals or development of internal models;...)

Let us remind that we are not only one of the least leveraged European institutions, but we have one of the most conservative IRB models. Some examples...

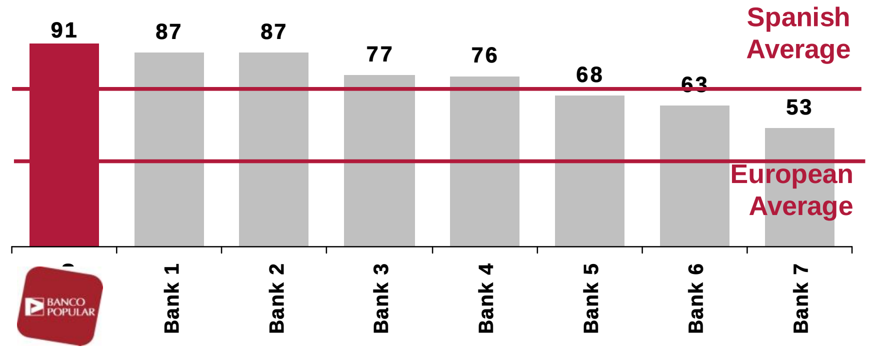
⇨ **The lowest leverage ratio and the purest retail franchise**

⇨ **The highest capacity to optimize capital**

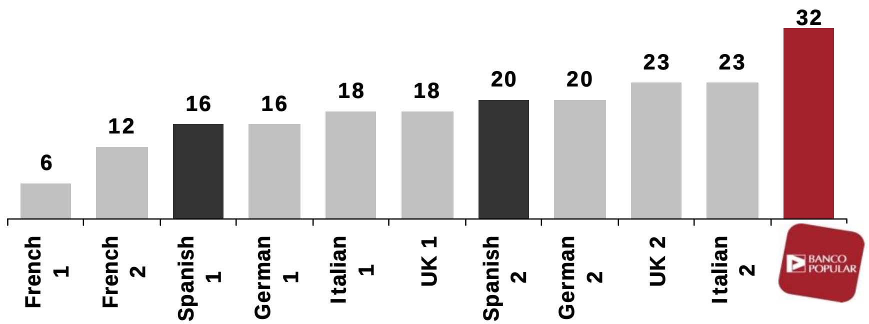
TA/TE vs. Loans/Assets



RWA/Net Loans (%) POP vs. Spanish peers



RWA for mortgages portfolios Euro & Spanish peers (%)



Source: Quarterly reports, Financial Analyst and Market Estimates.

Spanish peers: Banesto, Bankia, Caixabank, Bankinter, Sabadell, BBVA Spain and Santander Spain

European banks mortgage RW: Deutsche Bank, Santander, BBVA, Crédit Agricole, Société Générale, Intesa San Paolo, Unicredito, RBS & Bonds. Source: BoS Financial Stability report

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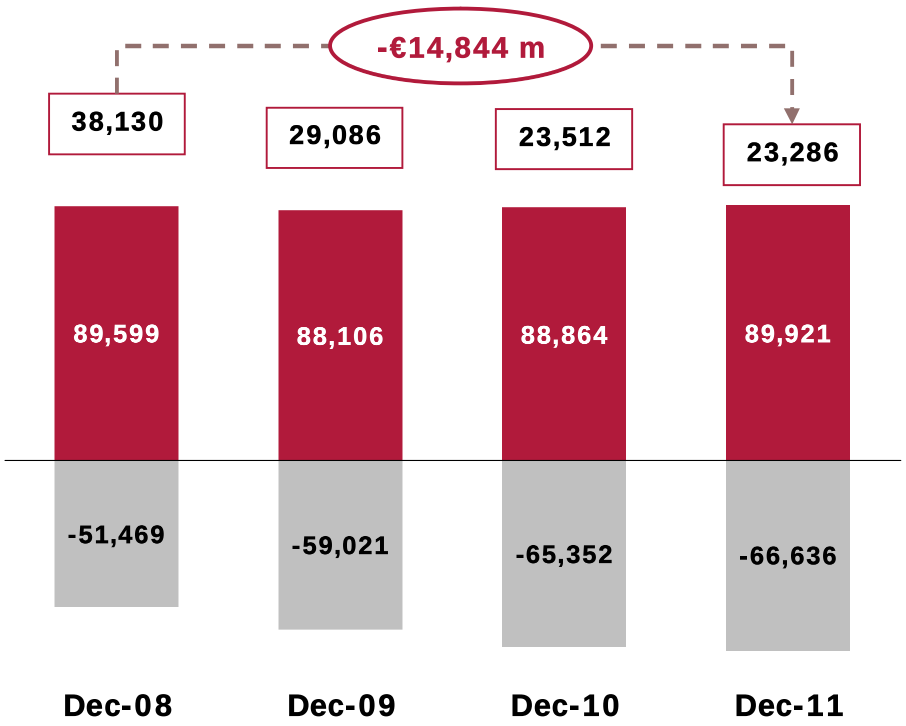
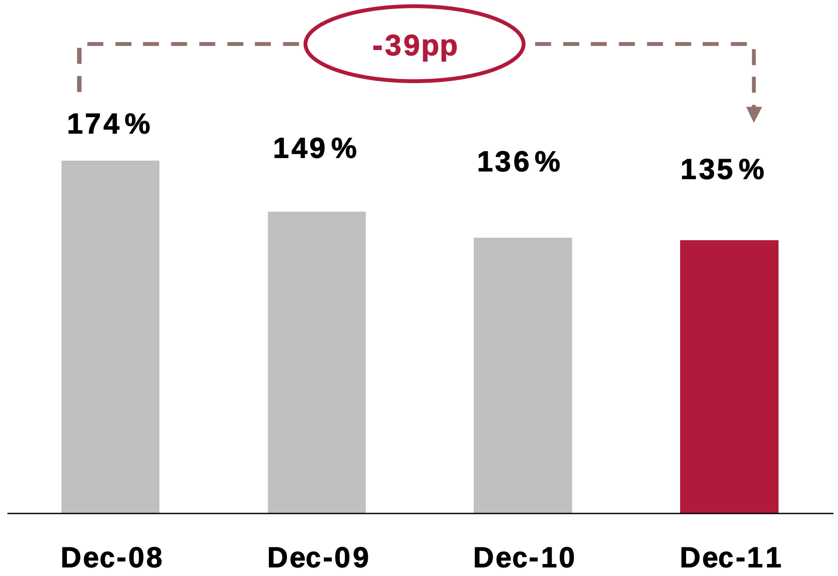
Following the increase in customer deposits, the loans to deposits ratio has improved by c.40 p.p. since the start of the crisis

Evolution of the commercial gap[1]

(€, million)



Loans/deposits ratio (%)



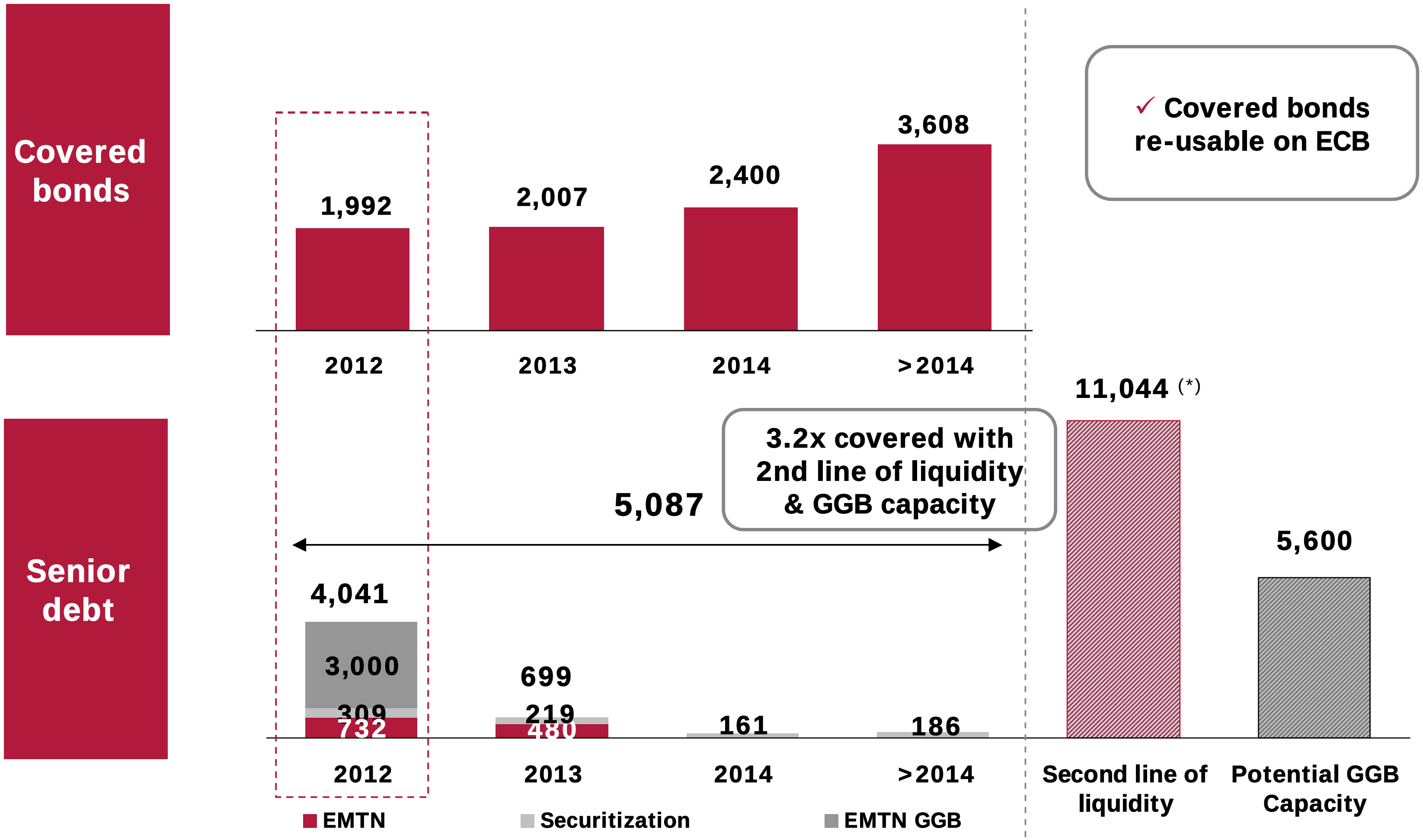
[1]GAP: Loans: Total loans to customers (net)- Other credits- Repos- Valuation adjustments of Repos – ICO Credit lines - Securitisations; Deposits: Demand deposits + time deposits +Other accounts and valuation adjustments + Collection accounts (included in Other financial liabilities)*

ICO Credit lines: credit lines to SMEs prefunded by State

The medium and long term maturities are more than 3x covered with the available pool of liquidity and unused GGB facilities

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

(€, million)



(*) *After haircuts*

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Over the past two years we have been focusing on Alliances and Corporate transactions that create value to our shareholders

Corporate deals

GRUPO BANCO POPULAR + Banco Pastor

Banco Pastor acquisition

GRUPO BANCO POPULAR + Allianz

Allianz-Popular joint venture in bancassurance

In 2011, we have launched the new brand Targobank

TARGO BANK

Crédit Mutuel-Popular joint venture to launch a new bank in Spain

Key Next Steps on Pastor

Preliminary Calendar – Main Events 1Q 2012

January

- 18th Jan: CNMV & CNC approval
- 19th Jan: Prospectus filling
- 20th Jan: Takeover bid acceptance period

February

Mid February:

- End of acceptance period.
- Publication of the success on the Takeover bid. Potential Squeeze out to be announced
- Takeover bid closing

March

- Early March: Potential Squeeze Out
- End of March: Corporate approval of the legal merger between Popular - Pastor

⇨ **Synergies planned and pre-integration process well on track within reach**
⇨ **Acceptance levels: bid becoming unconditional**

Agenda

Outlook 2012

- Macro, micro and regulatory environment will remain very challenging, though we remain very confident with our strengths to cope with it:
  - ✓ We have proved our capacity to face a tough environment and to build provisions over the recent past (c.€7bn last 4Y or 7.5% RWA)
  - ✓ We have kept our solvency at very strong levels (CT1 up +28 bp QoQ to 10.04%) and we have identified organic additional buffers to keep reinforcing our balance sheet.
- We expect net interest income to grow slightly in 2012 due to lower wholesale and retail funding pressure.
- Cost to Income ratio to remain best-in-class not only in Spain but also in Europe
- Still significant flows of NPLs but normally c.75% covered with mortgage collateral.
- Successful alliances plus now the Pastor acquisition will be key as it will lower the combined provisioning needs and will allow us to build substantial synergies.

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Many Thanks.

Happy to take any questions.

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