

FINANCIAL RESULTS

1st Half 2010

July, 27th 2010



 BANCO
POPULAR

Disclaimer

This presentation has been prepared by Banco Popular 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. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

7. Closing remarks and outlook



Summary remarks 1H-2010

- **€355M net profit, in line with estimates. €830M devoted to Credit & Real Estate provisions.**
- **Results as planned: lower NII but lower provisioning needs.**
- **The crisis is not over yet, but NPL trends keep improving.**
- **Net Profit 19% down but driven by lower exceptionals.**
- **NPL Coverage at c. 50%. Bad debt ratio below the industry.**
- **Core capital up by 23.8%. Stress Test: passed with surplus.**
- **We keep growing & gaining quality market share.**

Financial Highlights

<i>(€, million)</i>	1H 10	1H 09	Change (€M)	Change (%)
Net interest income	1,286	1,417	-€131M	-9.3%
Fees and commissions	376	389	-€13M	-3.4%
Trading income	61	181	-€120M	-66.2%
Other income	82	60	+€22 M	+36.7%
Gross operating income	1,805	2,047	-€242M	-11.8%
Expenses	636	630	+€6M	+0.9%
Pre-provisioning profit	1,169	1,417	-€248M	-17.5%
Provisioning expense (net)	-23	-16	€7M	+44.6%
Provisions for loans and investments	642	821	-€179M	-21.8%
Extraordinary items , net	-48	11	-€59M	-
Profit before tax	501	623	-€122M	-19.5%
Net profit	355	443	-€88M	-19.9%
Non-performing ratio	5.04%	4.39%	-	+65 b.p.
Efficiency ratio	32.58%	28.27%	-	+4.3 p.p.
Loans to deposits ratio	158%	180%	-	-22 p.p.
Core Capital	8.6%	7.4%	-	+1.2 p.p.

N.B.: with flat exceptionals, profits up

Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

7. Closing remarks and outlook



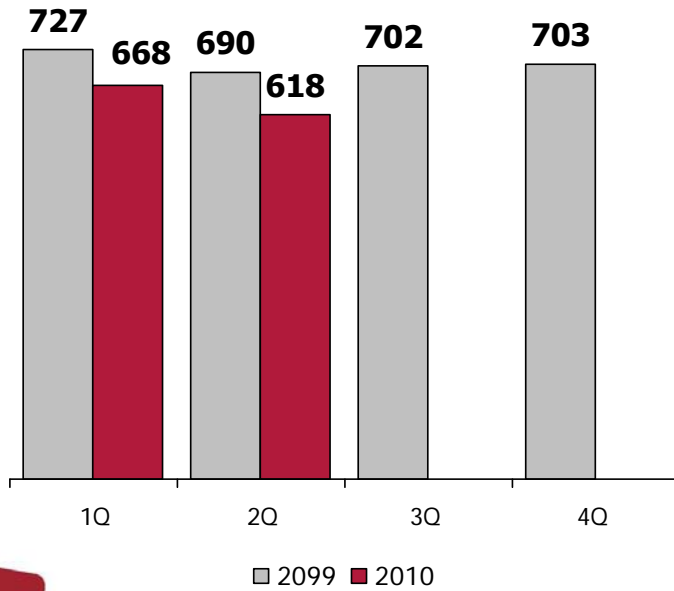
NII affected by the prevailing interest rates and the repricing mismatch between assets (60%+ linked to Euribor 12 months) & liabilities

Net interest income trend

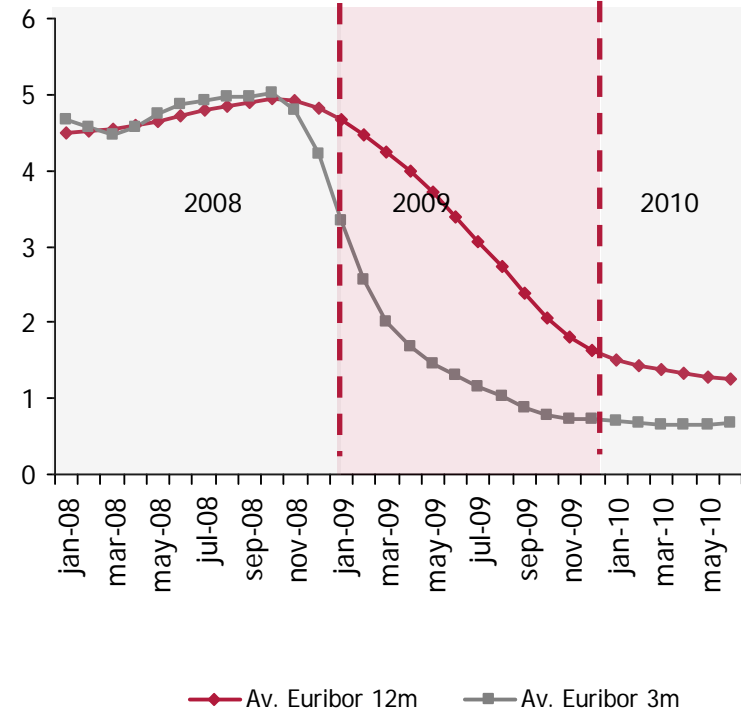
(€, million)

-8.1%

-10.5%



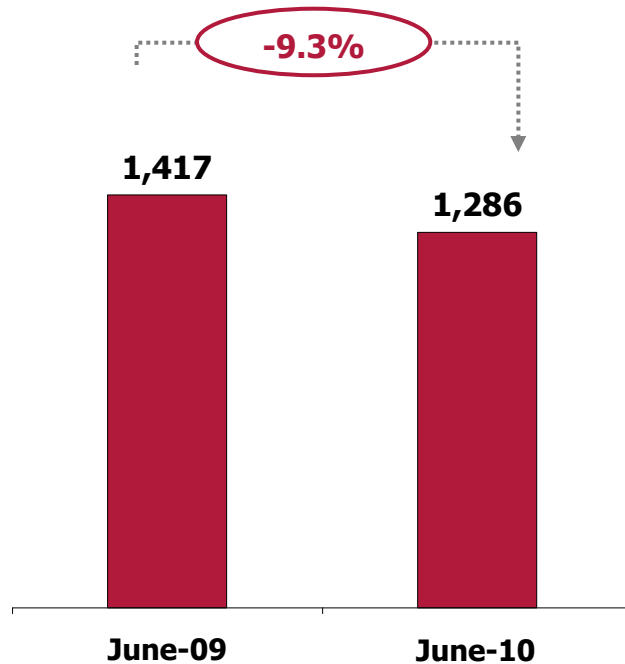
Interest rates evolution



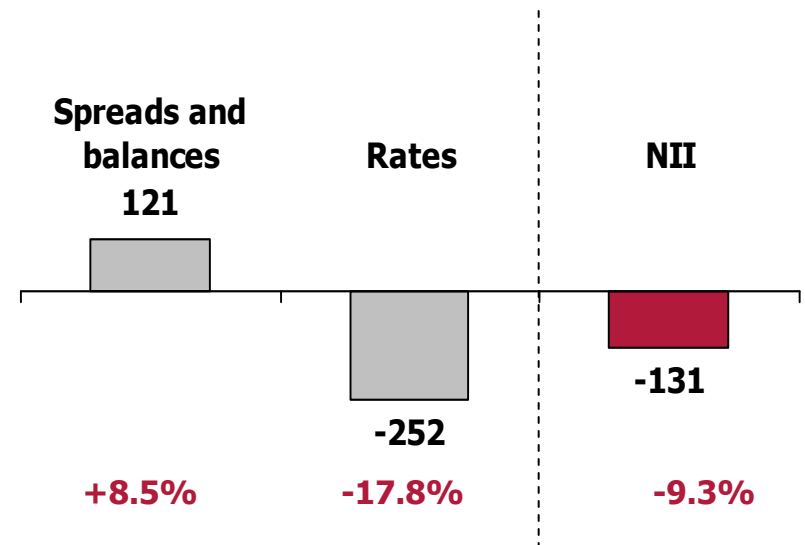
We have been able to partially offset the low interest rates impact with a remarkable spread improvement

Net interest income

(€, million)



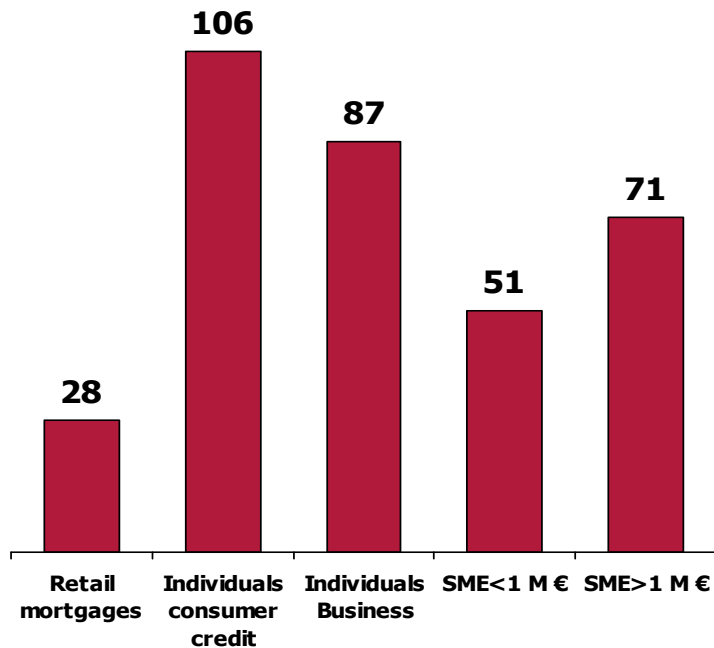
NII Impact from Rates, Spreads and Balances



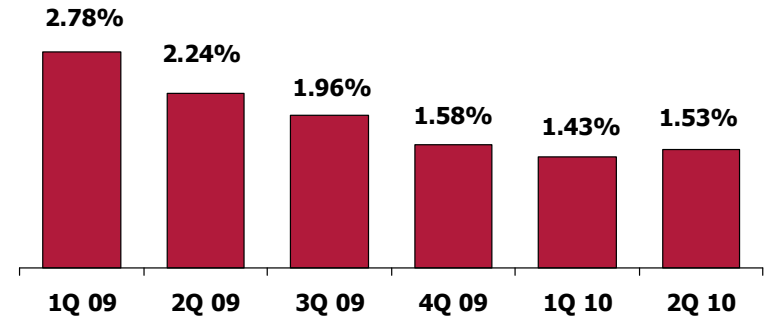
We keep better spreads on assets compared to competitors and the cost of retail and wholesale deposits are at reasonable prices - given the current market disruptions

Loan-book spreads vs. banks as of May-10

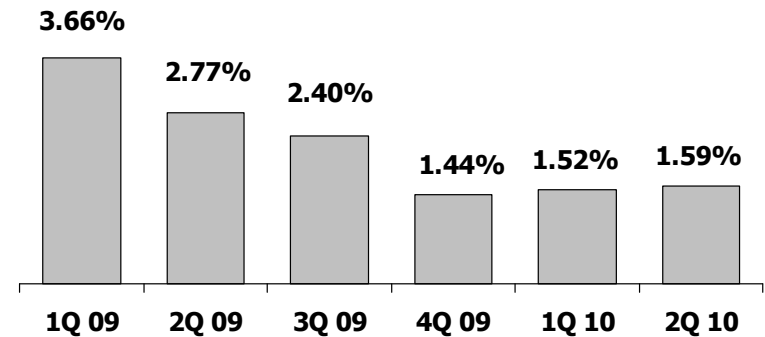
(b.p)



Retail interest costs



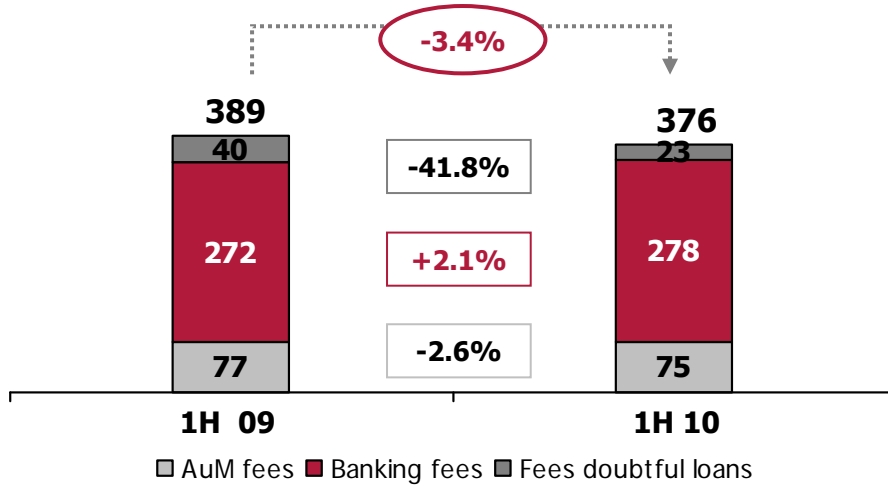
Wholesale interest costs



Ordinary recurrent Fees are recovering while trading profits down, as envisaged

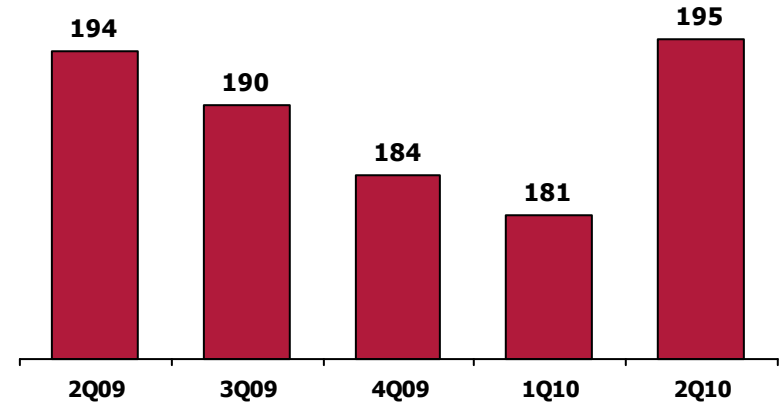
Fees

(€, million)



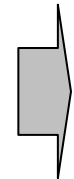
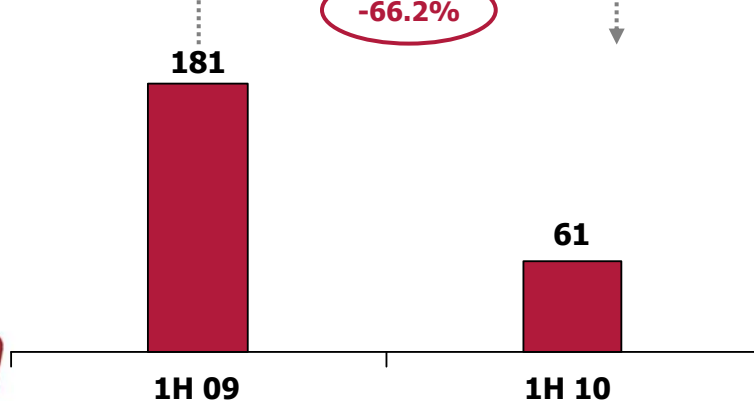
Fees quarterly trend

(€, million)



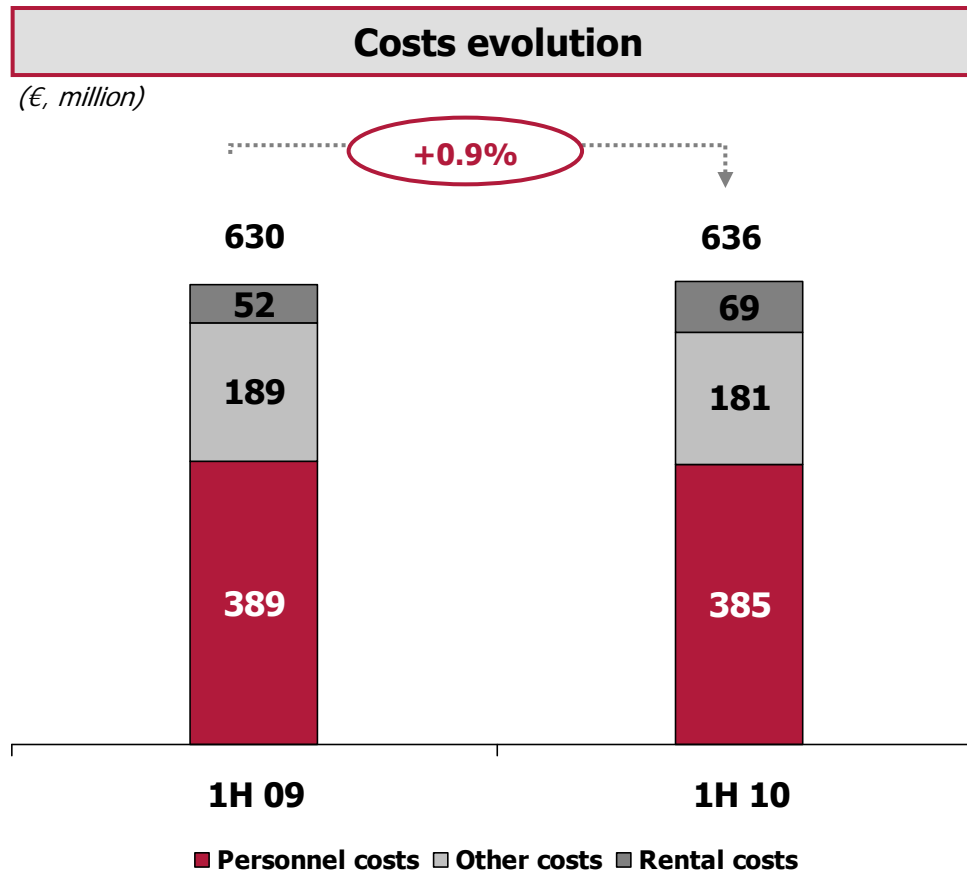
Trading profits (R.O.F.)

(€, million)



Trading profits:
€120M adverse vs 1H09.

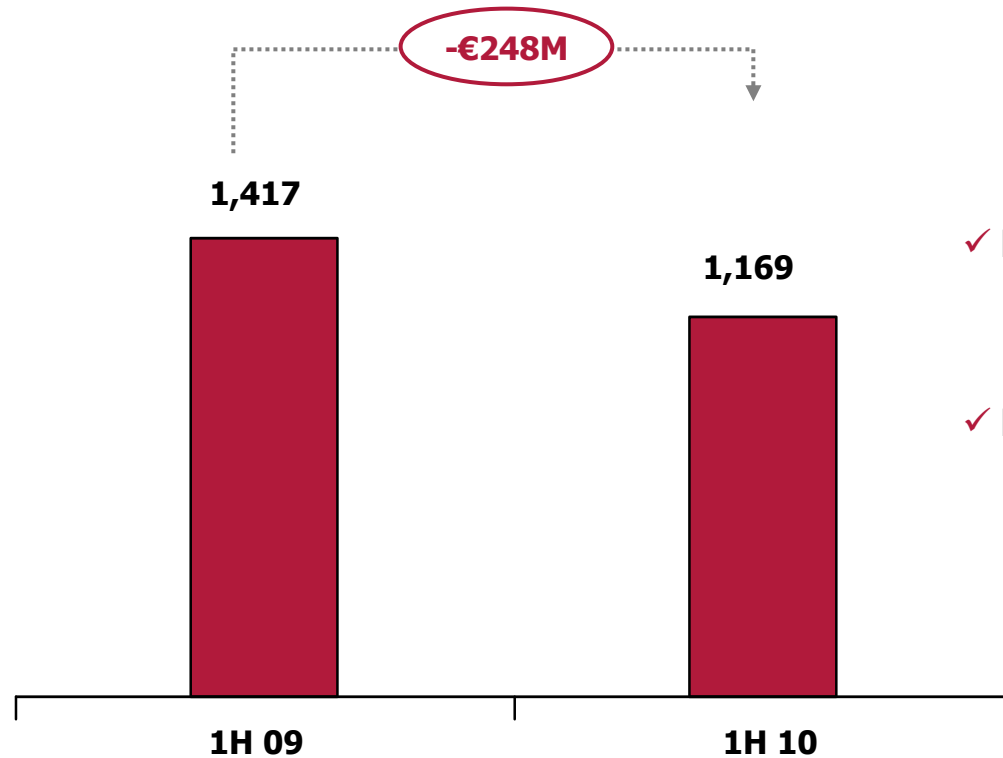
**Costs remain under control: falling by 2% ex-sale and lease-back effect.
We keep the best cost/income (32%) in class by far!**



Lower Pre-provision profits (€1,169M, €248M A) driven by expected lower NII and by lower trading gains... Our pre-provisioning profit gives us an *exceptional* capacity to set aside provisions for this adverse cycle

Pre-provision profit

(€, million)



✓ Lower net interest income: €131M

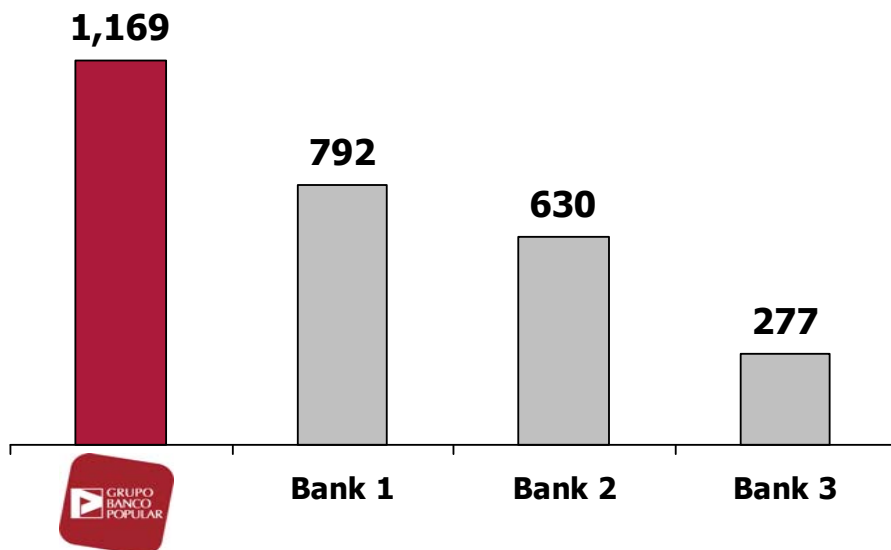
✓ Lower trading income: €120M



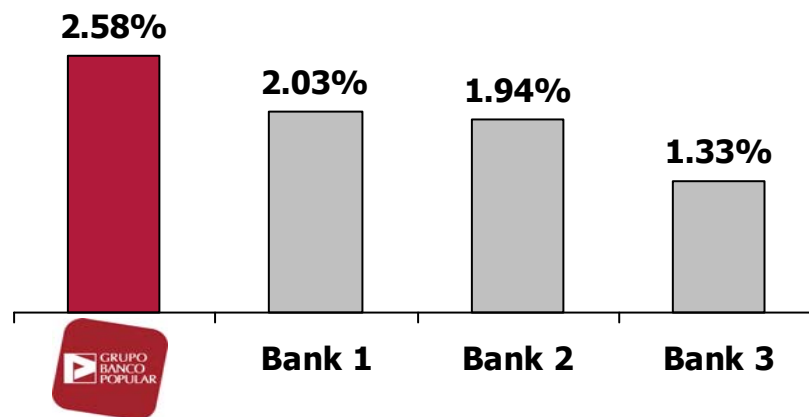
In relative & absolute terms, our Pre-provisioning profit stands well above other banks

1H-10 Pre-provisioning profit

(€, million)



1H-10 Pre-provisioning profit/Gross loans(*)



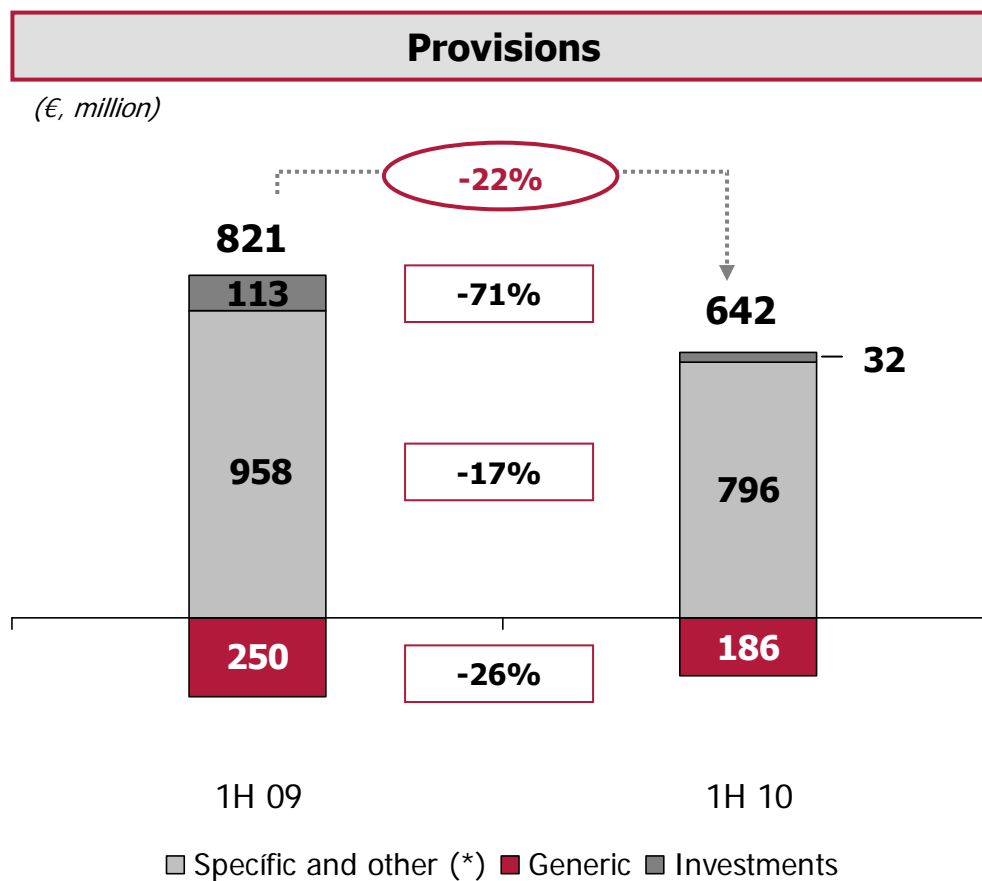
Source: Quarterly reports and analysts reports.

Note: Comparable banks include, Banesto, Sabadell and Bankinter

(*) Annualised quarterly pre-provisioning profit/ first half average loans to customers



On provisions, as advised and planned for 2010, we booked in 1H-10 lower specific provisions and we release less anti-cyclical funds

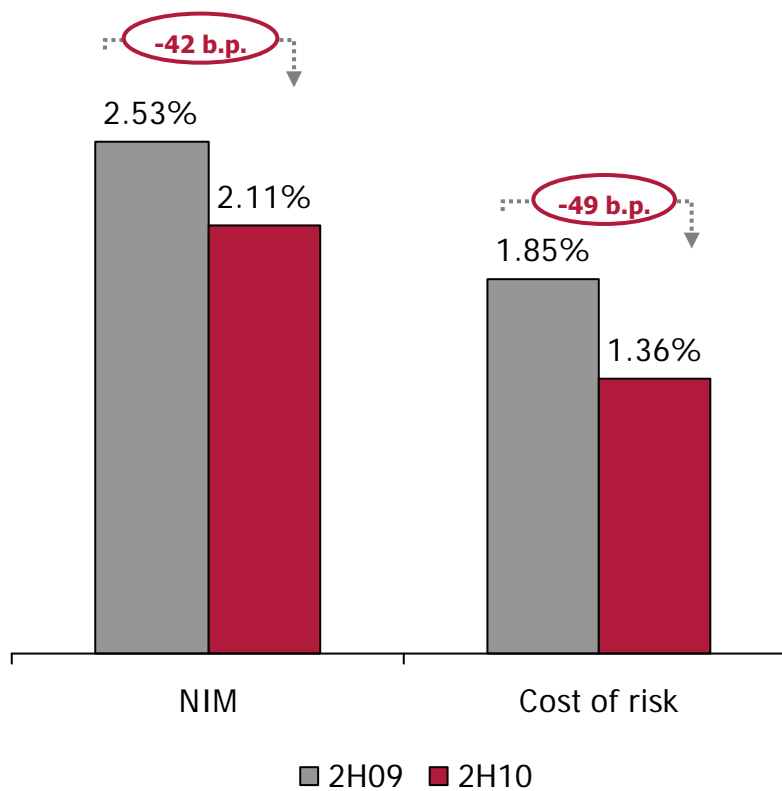


(*) Net of Country Risk and Recoveries from written off loans

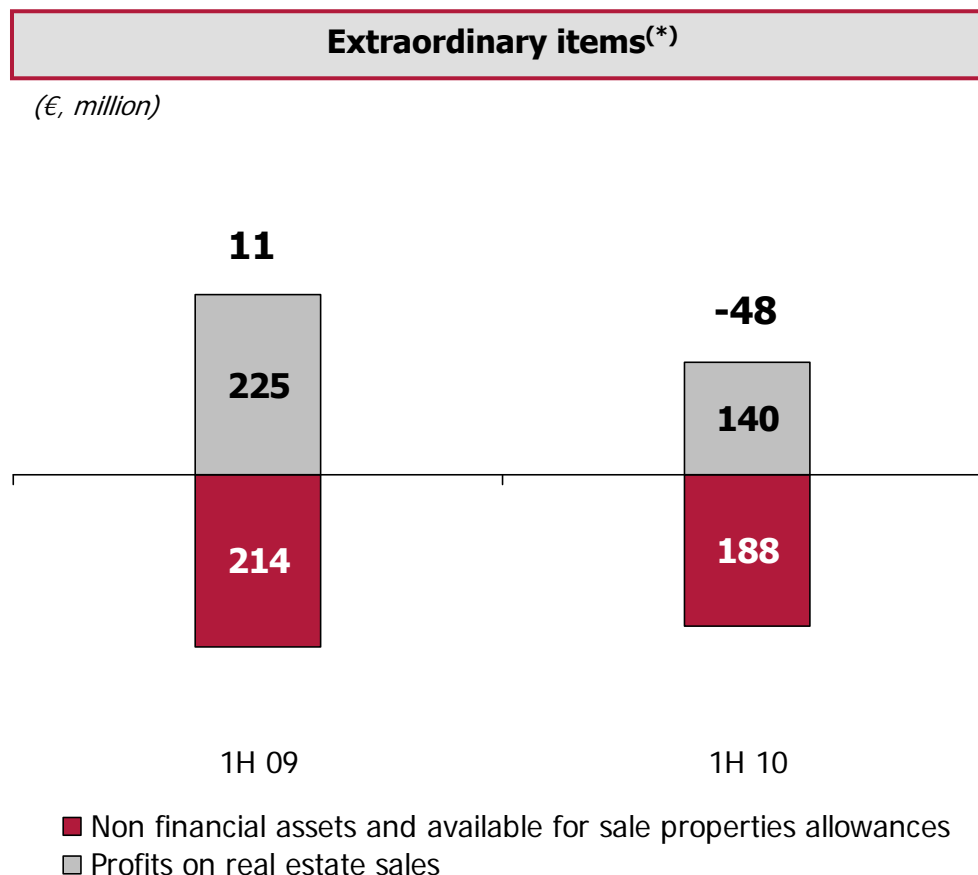
In line with our expectations, margin compression should be offset by lower cost of risk

NIM and cost of risk evolution

(% over ATAS)



On the extraordinary front, we keep largely compensating Real Estate provisions (ahead of timetable to take the coverage of non current assets available for sale over the current mandatory levels) with profits in other Real Estate assets

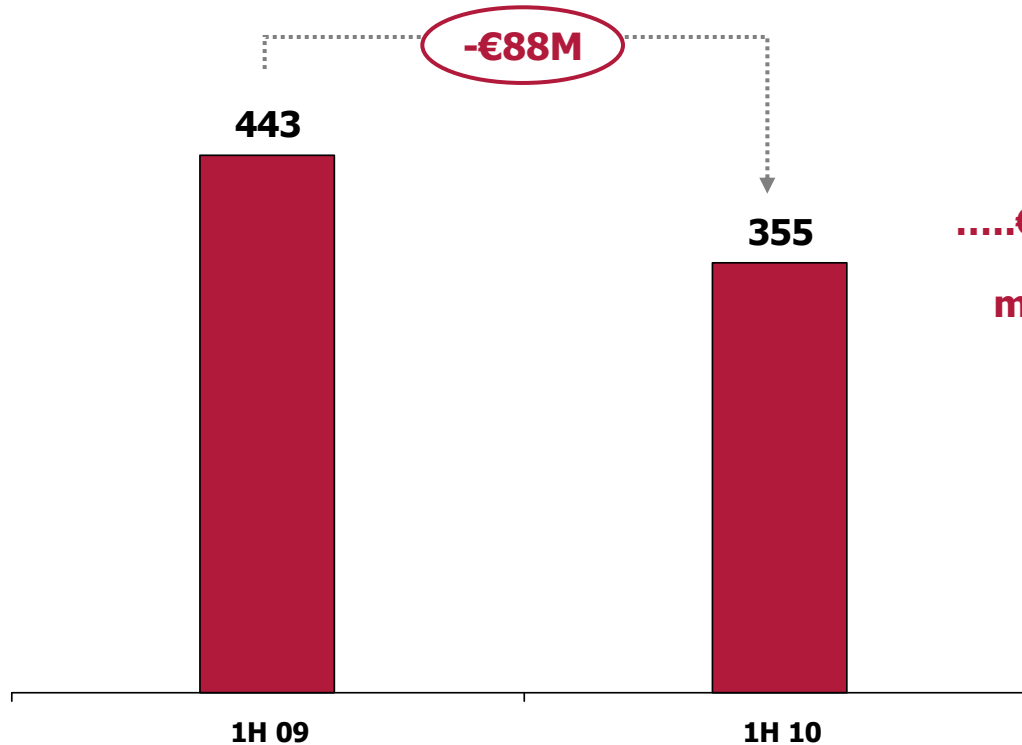


() Aim: to compensate exceptional provisions with extraordinary profits.*

All in all, net profit at €355M. Completely in line with current market consensus

Net attributable profit: in line with expectations

(€, million)



.....€88M below 1H2009, but bear in mind....

- ✓ Lower trading income: €120M (A)
- ✓ Lower extraordinary profits: €59M (A)

(A): Adverse

P&L Recap.

<i>(€, million)</i>	1H 10	1H 09	Change (€M)	Change (%)
Net interest income	1,286	1,417	-€131M	-9.3%
Fees and commissions	376	389	-€13M	-3.4%
Trading income	61	181	-€120M	-66.2%
Other income	82	60	+€22 M	+36.7%
Gross operating income	1,805	2,047	-€242M	-11.8%
Expenses	636	630	+€6M	+0.9%
Pre-provisioning profit	1,169	1,417	-€248M	-17.5%
Provisioning expense (net)	-23	-16	€7M	+44.6%
Provisions for loans and investments	642	821	-€179M	-21.8%
Extraordinary items , net	-48	11	-€59M	-
Profit before tax	501	623	-€122M	-19.5%
Net profit	355	443	-€88M	-19.9%

N.B.: with flat exceptionals, profits up

Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

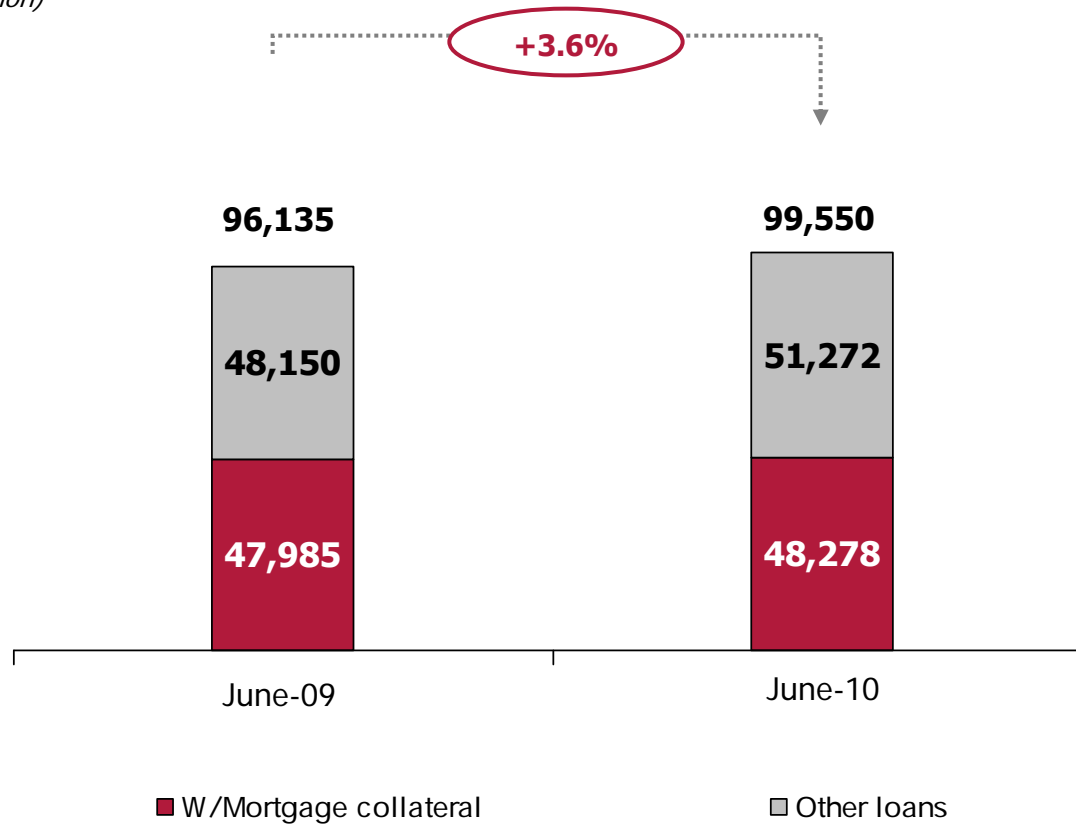
7. Closing remarks and outlook



Despite tough economic conditions, loan book grew by 3.6%. Capturing quality market share

Loans evolution: another market share gain (+ 17 b.p)*

(€, million)

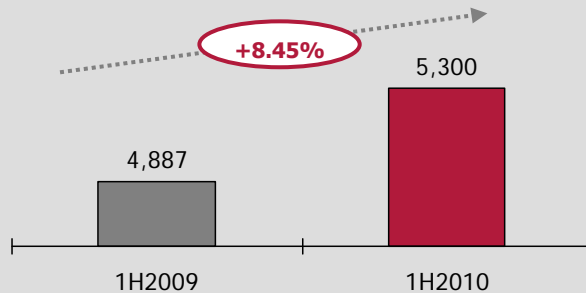


*As of May-10. Bank of Spain.

We reinforce our SME franchise

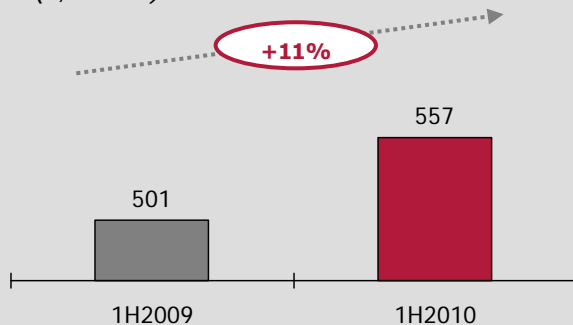
Commercial bills: new production

(€, million)



Leasing: new production

(€, million)



Total Financed 1H2010

€ 800 M

Market share

7.81%

(Over 5% natural market share)

Ranked fourth among banks and saving banks

✓ Greater effort in clients capture:

- ✓ **24 new Corporate centers** only focused on capturing new clients
- ✓ **29,000 new SMEs clients** in 1H2010

The commercial activity trends are turning more positive. We are benefitting from the industry restructuring...and we will benefit further...

- ✓ **Leader in excellence:**
best company in
customer
satisfaction and
loyalty



NOTE: Award by CM Clienting&Management magazine. June 2010.



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

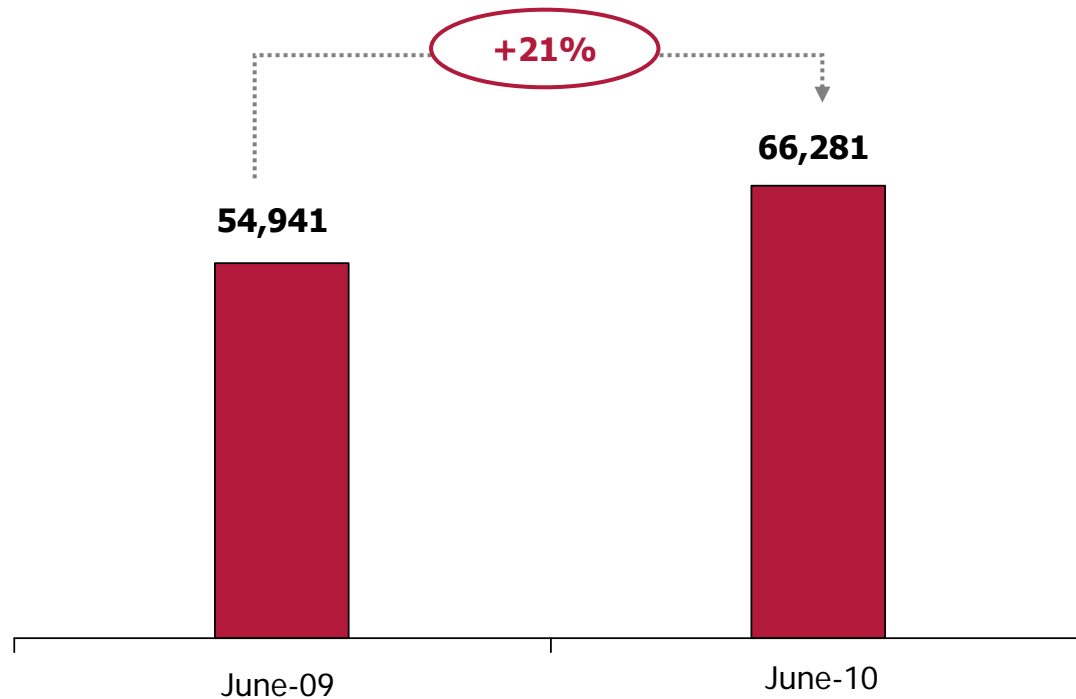


- ✓ **+21%** QoQ new payroll accounts
- ✓ **10,000** new customers

We have achieved an exceptional 21% retail deposit growth, based both on time deposits and on current accounts

Client deposit evolution: another market share gain (+52 b.p)*

(€, million)



Source: Bank of Spain, T7 form. Data as of March-10



Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

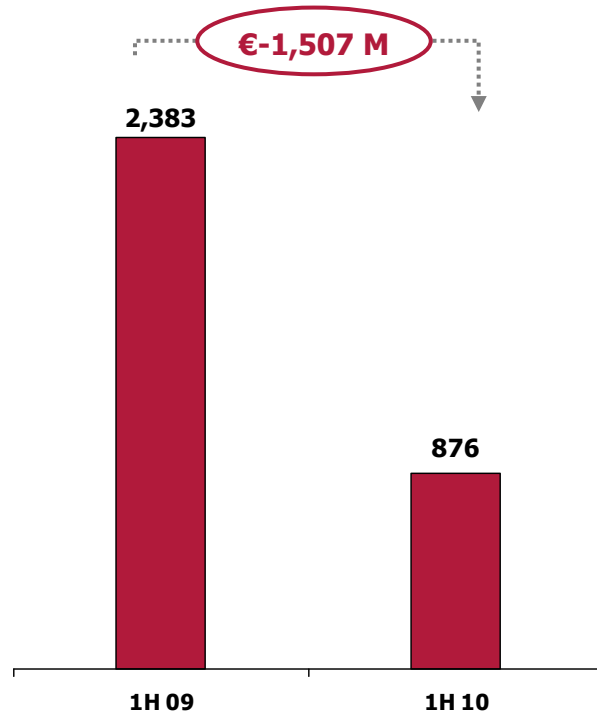
7. Closing remarks and outlook



NPLs formation follows a downward trend. NPL ratio below industry levels

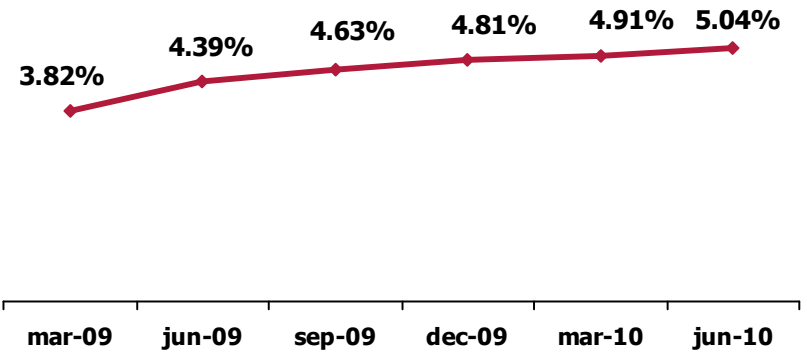
Evolution of net entries of NPLs

(€, million)

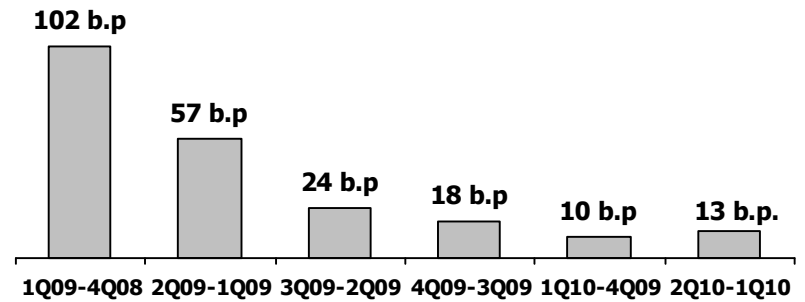


NPL ratio evolution

Average Spanish industry 5.47%*



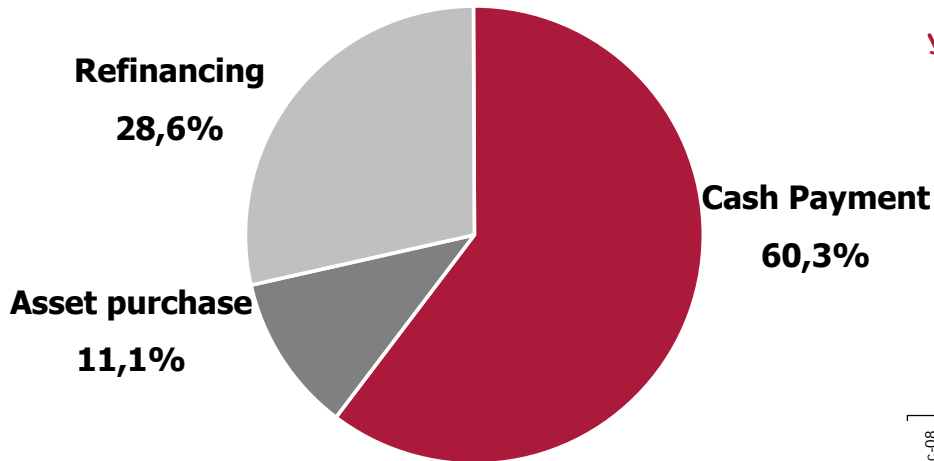
NPL ratio quarterly growth



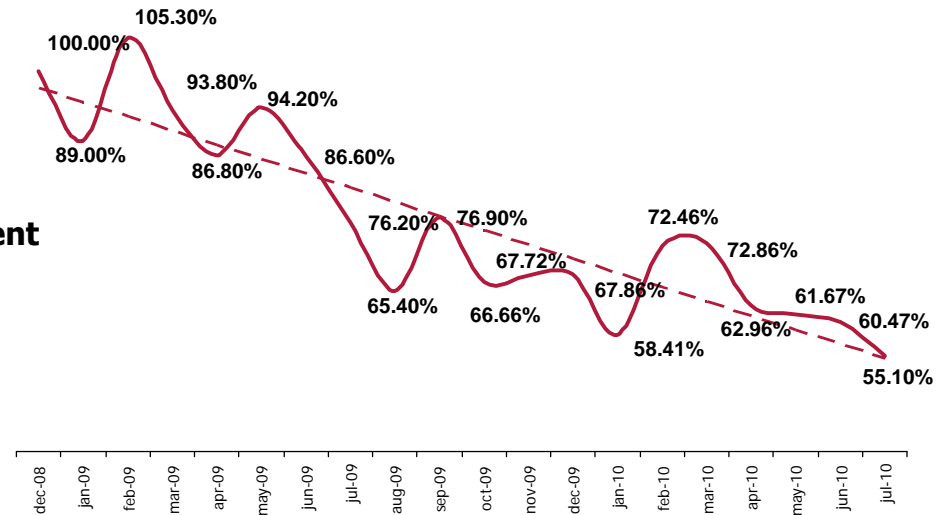
*Average of banks and saving banks as of May 2010. Other resident sectors. Source: Banco de España

The crisis is, unfortunately, not over yet , but our internal late/missed payment indicator falls to new lows.....

Recoveries 1H-10



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



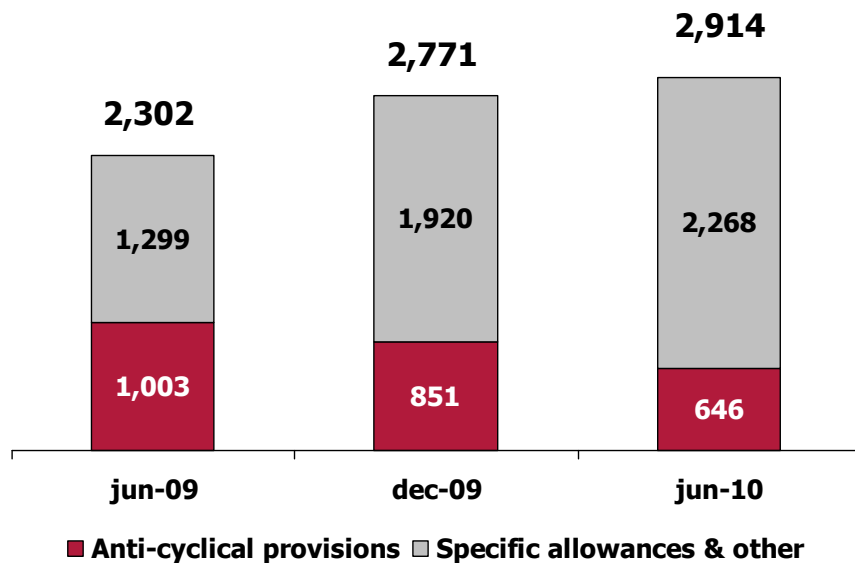
Note: Index shows evolution of € volume of Banco Popular's clients who have missed or defaulted payments (30-90 days) but are not yet "non performing" according to Bank of Spain regulations. Base of as December 2008. Data as of the beginning of each month.

We keep building provisions and reducing, as we stated before, the release of the anti-cyclical provision fund.

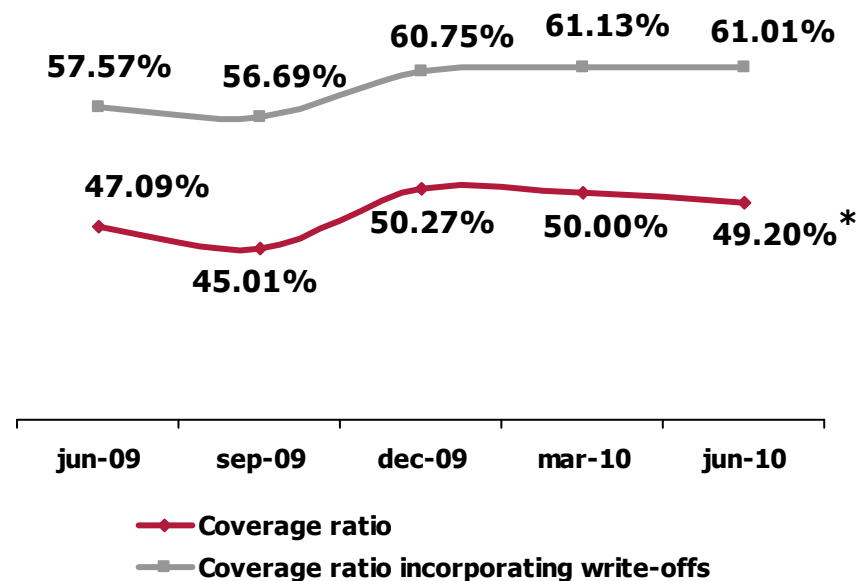
We have not included yet the gains from the Crédit Mutuel transaction which will be devoted to balance sheet strengthening

Reserve built

(€,million)



Coverage ratio evolution(*)



(*) The value of the collateral is not being taken into account, i.e of the €5.9bn of bad debts, 49% of which are collateralised with assets value at 2x debt .

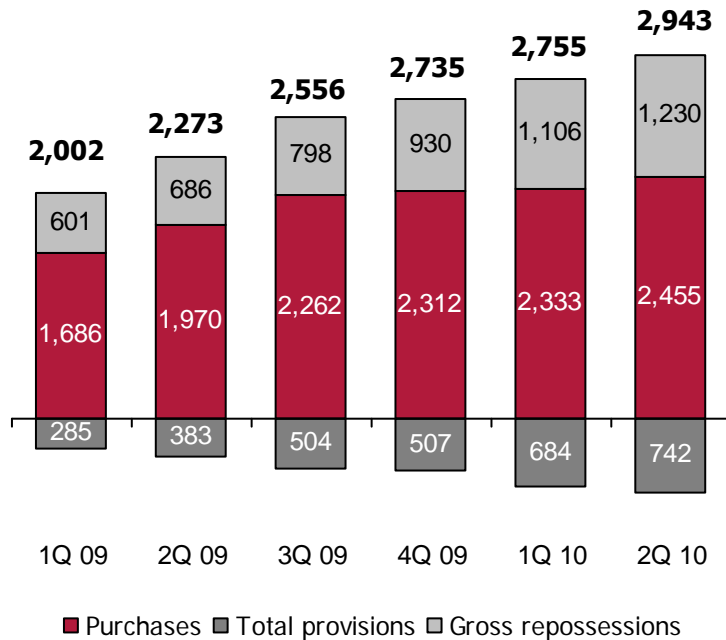
* Total coverage: 142.42%. Guarantees value: €5.5Bn.



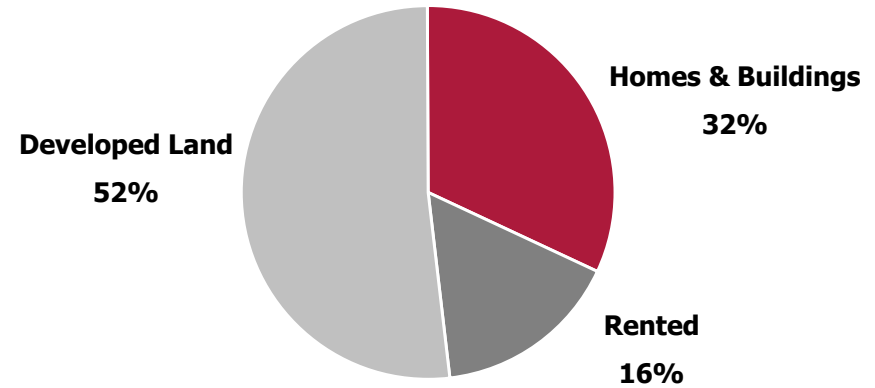
Our Assets Available for Sale: 20% coverage reached. We estimate 40% off peak prices

Assets available for sale. Book values.

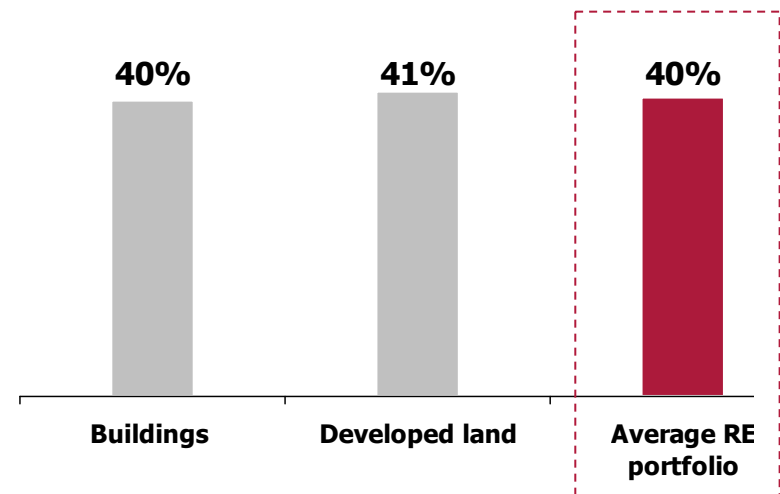
(€, million)



Aliseda: Assets by type



Discount* over peak price (2007/2008)



(* *Discount = (Acquisition price net of provisions) / Peak price of the asset (2007/2008), based on a large representative sample*)

Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

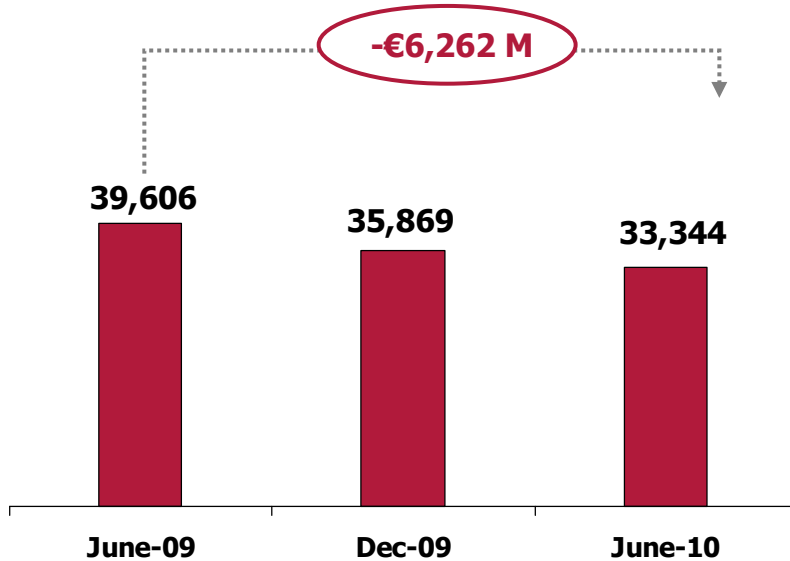
6. Financial Strength

7. Closing remarks and outlook

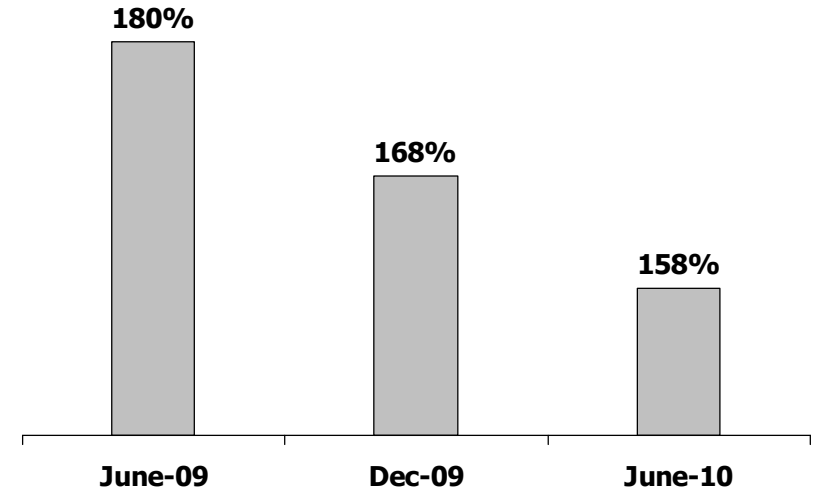


In spite of growing our loans, we have reduced our commercial gap thanks to the capture of retail deposits, hence reducing our loan to deposit ratio to 158%

Evolution of the commercial gap



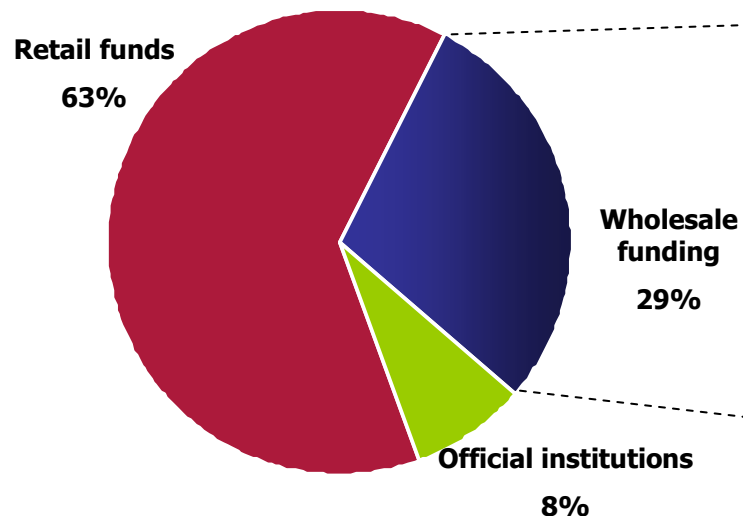
Loans/deposits ratio*



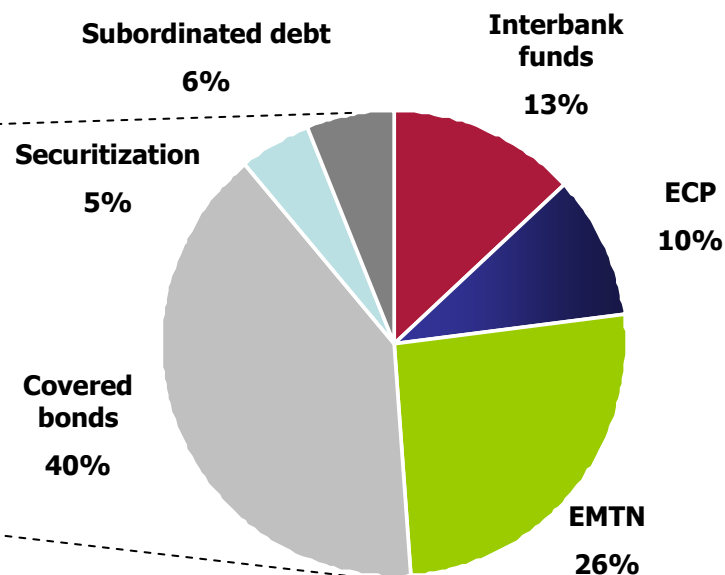
*Note: ex repos

We are witnessing a very tough wholesale environment, but we face it from a strong position

Borrowed funds breakdown



Wholesale funding breakdown



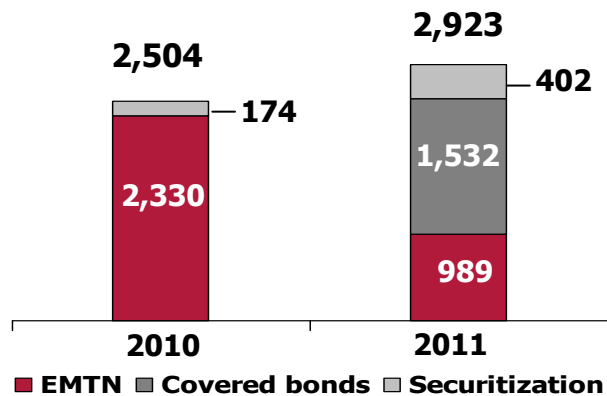
- ✓ Reduced reliance on wholesale funding: € 4.0 bn less in one year
- ✓ Long term wholesale instruments: 77%

N.B: Wholesale funding €29,4Bn

We keep reducing the gap and keep increasing our strong liquidity line to face extreme liquidity scenarios. Further we have issued €1.5Bn of medium and long term debt in the first half and prefunded all 2010 maturities.

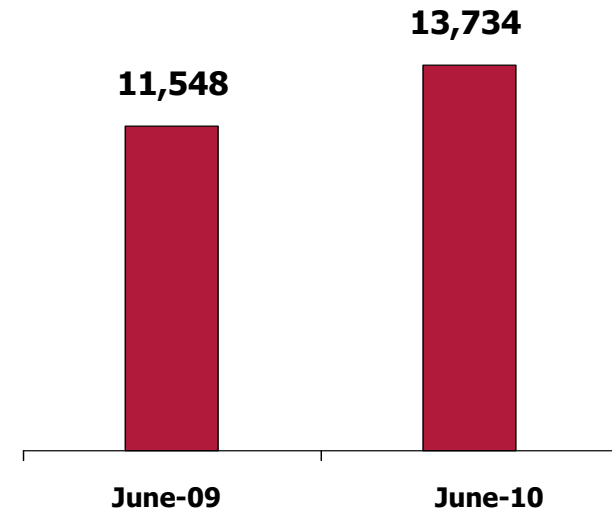
Long and medium term debt maturities

(€, million)



Second line of liquidity (cash basis)

(€, million)



... plus €4bn in unused GGB facilities...

Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

7. Closing remarks and outlook



CEBS on instructions from the ECOFIN has evaluated three stressed scenarios which Banco Popular would successfully overcome

	Benchmark stressed scenario	Adverse stressed scenario	Adverse stressed scenario + sovereign shock
GDP (2010 / 2011)	-3.4% / -2.2%	-3.4% / -2.2%	-3.4% / -2.2%
Expected loss (2010-11) ⁽¹⁾	8.8%	10.8%	11.4%
<i>Of which sovereign shock¹⁾</i>	-	-	0.6%
Total credit risk premium (2010-11) ⁽²⁾	5.6%	7.5%	8.2%
<i>Of which sovereign shock⁽²⁾</i>	-	-	0,7%
Δ Pre-provision profit on 2009	-15%	-19%	-19%
Tier 1 capital	9.2%	7.5%	7.0%
Core capital	8.7%	6.9%	6.4%

(1) On gross loans + gross RE assets

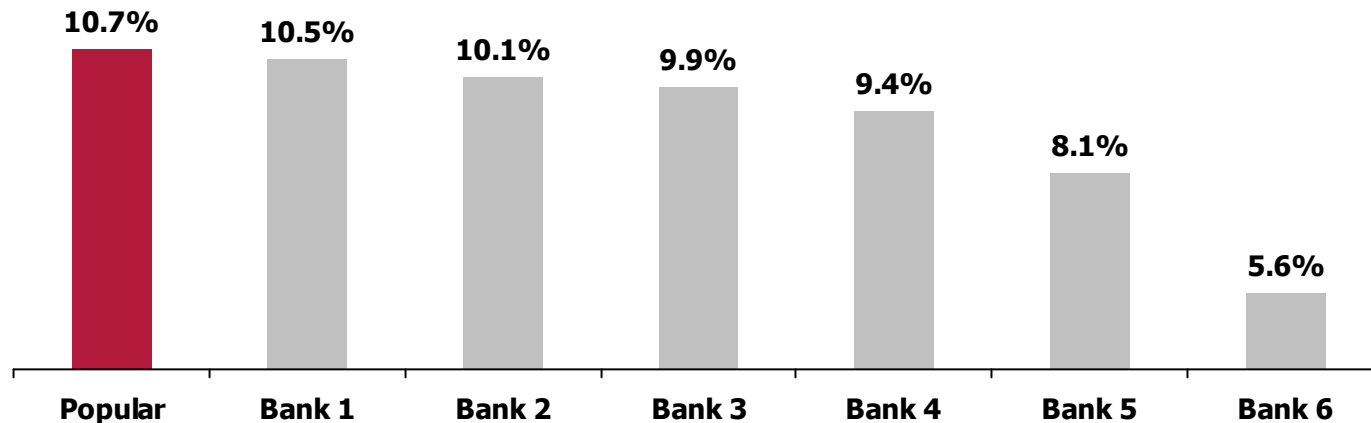
(2) Risk premium for the period (2010-11)

Bank of Spain as the leading regulator for Spain has carried out/supervised the CEBS stress tests on the Spanish banks. The exercise is most welcome.

- The combined scenarios are indeed extreme and harsh for Spain. I.e it would imply a NPL ratio of 3 to 4x the historical record of the local industry .
- We have carried out our own stress test with the assumptions provided in this exercise and our Tier 1 would be even better by a range of between 60 b.p-100 b.p. (Amounts classified in the CEBS template as “real estate and foreclosures” includes, i.e. loans to construction companies for activities not necessarily related to real estate).
- Banco Popular post the highest core capital post official stress test amongst domestic listed banks and it is the most resilient.

Spanish listed banks' loss absorption capacity under the Stress Test's assumptions

(% on exposure considered in the stressed adverse scenario + sovereign shock)



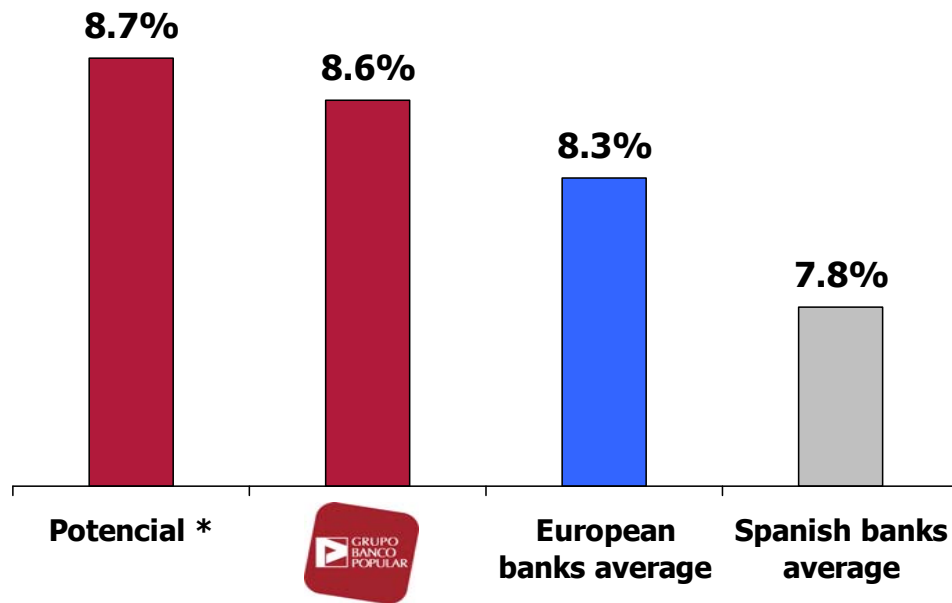
Source: CEBS, Banco de España, Banco Popular estimates

Note: Comparable banks include (alphabetical order): *Bankinter, BBVA, Guipuzcoano, Pastor, Sabadell y Santander*



Financial Strength: We have increased by 23.8% our capital y/o/y to reach a privileged position. Very well placed for Basle 3

Core capital



- ✓ Core capital : €8.2Bn
- ✓ Surplus capital over BIS: €1.4Bn
- ✓ Leverage ratio: 14.51x

*16 bp. From transaction with Crédit Mutuel

*Source: European banks: Credit Suisse, July 2010. Include banks that have received States' equity injections. Spanish banks: Quarterly reports 1Q2010



Financial Strength: our j.v. with Crédit Mutuel - a win-win transaction to launch a "new bank", starting with 123 branches of Popular

- **We partner and incorporate a new key shareholder: Crédit Mutuel Group will take a 5% stake in Popular.**
- **Banco Popular successfully culminates the rationalization and merger of its regional banks which started in Sep-08.**
- **The new bank will take advantage of new business opportunities arising from the current consolidation of Spanish Savings Banks market.**
- **We will develop further the current customer base of the 123 existing branches transferred to the new bank and we will jointly drive a new value proposition for international business to add new French and German customers.**
- **We are creating value to shareholders:**
 - **For Popular the transaction and multiples (PER10E 17x; 2.4xP/BV10E) highlight our superior business model and high quality franchise.**
 - **Crédit Mutuel reinforces its presence in Continental Europe: it will be the only French bank with a profitable retail and commercial operation in Spain.**



Agenda

1. Summary remarks and financial highlights

2. Revenues and operating performance

3. Business drivers

4. Risk management

5. Liquidity

6. Financial Strength

7. Closing remarks and outlook



Summary remarks 1H 2010

- **€355M net profit, in line with estimates. €830M devoted to Credit & Real Estate provisions.**
- **Results as planned: lower NII but lower provisioning needs.**
- **The crisis is not over yet, but NPL trends keep improving.**
- **Net Profit 19% down but driven by lower exceptionals.**
- **NPL Coverage at c. 50%. Bad debt ratio below the industry.**
- **Core capital up by 23.8%. Stress Test: passed with surplus.**
- **We keep growing & gaining quality market share.**

- **Popular expects to beat the current market consensus.**
- **We forecast lower NII compensated by lower ordinary provisions for bad debts. All exceptionals & one-offs (i.e new j.v with Crédit Mutuel) will be devoted to build additional provisions/new circular.**
- **We still expect NPL to peak below 5.5%.**
- **We remain extremely confident about (i) the proven resilience of our business model, (ii) our capacity to generate recurrent operating profit and (iii) our financial strength.**

Many Thanks.

Happy to take any question.





grupobancopopular.es



grupobancopopular.mobi



902 301 000

