

Integration of Banco Pastor

Madrid, October 10th, 2011



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Agenda

1. Key Messages

2. Integration of Banco Pastor

2.1. Transaction Overview

2.2. Strategic Rationale

2.3. Financial Impact

2.4. Next Steps

3. Capital Increase Programme

4. Annex

Key Messages

1 The deal is **financially attractive to our shareholders**: EPS⁽¹⁾ accretive from day 1; ROI >15% by year 3; premium paid is 2.5x covered by the NPV of the synergies

2 The acquisition of Banco Pastor is **strategically relevant**:

- Consolidates Banco Popular as a **leading player in the Spanish market: there will be 5 major banks**
- Brings a **profitable** underlying business with a **low execution risk given its similar business mix**

3 **Balance sheet reinforcement**: the NPA coverage rises from 47% to 54%, becoming one of the highest in the system. Banco Popular will put aside €1.1bn (post-tax) of allowances anticipating future provisions (7x Banco Pastor's current rate)

4 Banco Popular **aims to maintain its top core capital levels** by issuing, most likely, €700m of MCN

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Transaction Overview (1/2)

Transaction Summary

- Exchange offer for:
 - 100% of Banco Pastor's shares and
 - 100% of existing mandatory convertibles
- Subject to an acceptance level of at least 75% of the shares
- Irrevocable commitments by shareholders representing 52.3% of Banco Pastor's share capital
- December¹: Extraordinary Shareholders Meeting
- Closing of the transaction: Early 2012

Economic Terms

- Total consideration paid through Banco Popular ordinary shares for an equivalent effective value of €1,346 million (378 million new shares)
 - NPV of synergies amounts to c.60% of the transaction value (approx. 2.5x premium paid)
- 1.115x new ordinary shares of Banco Popular for every Banco Pastor ordinary share
 - Equivalent to a 31% premium based on market closing price of both entities as of 7-Oct
- 30.9x new ordinary shares of Banco Popular for every mandatory convertible bond of Banco Pastor
 - Equivalent to a 31% premium to the theoretical conversion price based on market closing price of both entities as of 7-Oct
- Equivalent effective price² of €3.97 for every Banco Pastor ordinary share and €110.1 for each Banco Pastor mandatory convertible

1. Tentative

2. As of Fridays closing price (7/10)

Transaction Overview (2/2)

The transaction makes strategic and financial sense

Strategic Rationale

- Financially attractive (EPS¹ accretive from year 1 by >1%) on the back of strong synergies and lower provisioning requirements following an initial valuation adjustment
- Reinforcement of our business model (SME focused, concentrated on key markets) with low execution risk thanks to Banco Pastor's market discipline and cultural fit
- Reinforcement of our Balance sheet (NPA² coverage from 47% to 54%): €1.1 bn post-tax from fair value adjustments to cover future contingencies in the most extreme scenarios
- Incorporates a stable shareholder to Banco Popular

Financial Impact

- Transaction EPS accretive by year 1 (>1% in 2012, >3% in 2013 and >3% by 2014) including pre-tax phased-in synergies (€147.2m run-rate)
- Impact of -68bps on Banco Popular's CT1 ratio neutralised by a €700m mandatory convertible issuance taking PF CT1 to 9.7%
- Good liquidity profile with low leverage and termed out maturities

1. Ex restructuring costs

2. NPLs + R.E. assets + written off loans

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Strategic Rationale

A Reinforces Popular's position among the top banking groups	<ul style="list-style-type: none">■ Consolidates Banco Popular position among the top five banking groups■ Reinforces Popular's SME focused business model■ Popular's leadership consolidated in key banking markets such as Madrid, Galicia, Catalonia and Comunidad Valenciana where market shares range between 5% and 17%
B Financially Attractive	<ul style="list-style-type: none">■ Banco Pastor's outstanding capacity to generate reserves / pre-provision margin■ Transaction expected to provide a c.15% ROI by year 3 for Banco Popular■ Transaction expected to be accretive by year 1 (>1% in 2012 and >3% in 2013 and >3% in 2014) on the back of important synergies (€147.2m run rate) and lower loan loss changes after a strong initial fair valuation adjustment of €1,108m post-tax
C Reinforcement of our balance sheet	<ul style="list-style-type: none">■ Significantly increasing NPA coverage to 54%■ Maintaining CTI close to 10%
D Low Execution Risk	<ul style="list-style-type: none">■ Perfect cultural fit■ Proven integration skills
E Strengthens Popular's Shareholder's Base	<ul style="list-style-type: none">■ Reinforces the stability of Banco Popular's shareholders base with the incorporation of the Fundación Pedro Barrie de la Maza as a stable shareholder with a c.8% stake¹ in the combined bank

1. Previous to dilution following issuance of €700m of mandatory convertibles sold to third parties

2. Integration of Banco Pastor

A Reinforces Popular's Position Among the Top Banking Groups

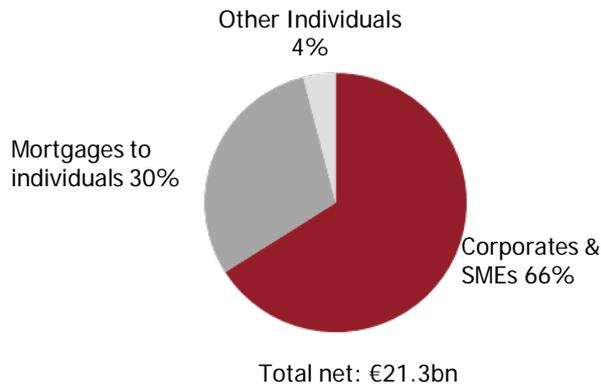
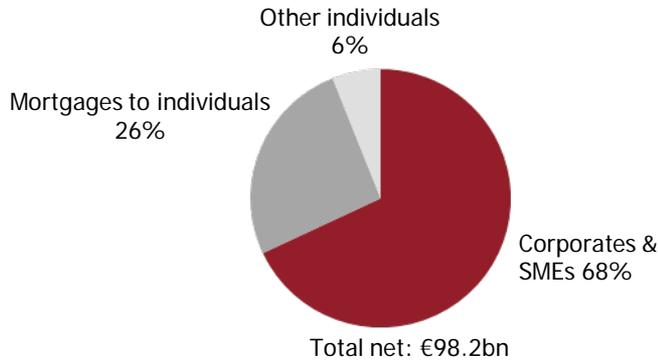
The combined entity, with over €160bn total assets, would consolidate itself among the top five banking groups

PRE-DEAL		POST-DEAL	
Ranking Jun 2011	Total Assets (€bn)	Ranking Jun 2011	Total Assets (Bn€)
Assets > 150 €bn		Assets > 150 €bn	
Santander Spain + Banesto	316	Santander Spain+ Banesto	316
BBVA Spain	300	BBVA Spain	300
Bankia	285	Bankia	285
Caixabank	273	Caixabank	273
		Popular + Pastor	161
Assets 70 - 150 €bn		Assets 70 - 150 €bn	
Popular	130	Sabadell	95
Sabadell	95	Unicaja+C.E.+C.Duero	79
Unicaja+C.E.+C.Duero	79	Catalunya Caixa	76
Catalunya Caixa	76	NCG	76
NCG	76	BBK Bank	74
BBK Bank	74	Cívica	72
Cívica	72	CAM	71
CAM	71		
Assets < 70 €bn		Assets < 70 €bn	
BMN	68	BMN	68
Bankinter	57	Bankinter	57
Effibank	52	Effibank	52
Ibercaja	45	Ibercaja	45
Pastor	31	Unnim	29
Unnim	29	B.Valencia	24
B.Valencia	24	Caja 3	21
Caja 3	21	Banca March	13
Banca March	13	Caixa Ontinyent	1
Caixa Ontinyent	1	Caixa Pollença	0
Caixa Pollença	0		

A Reinforces Popular's Position Among the Top Banking Groups

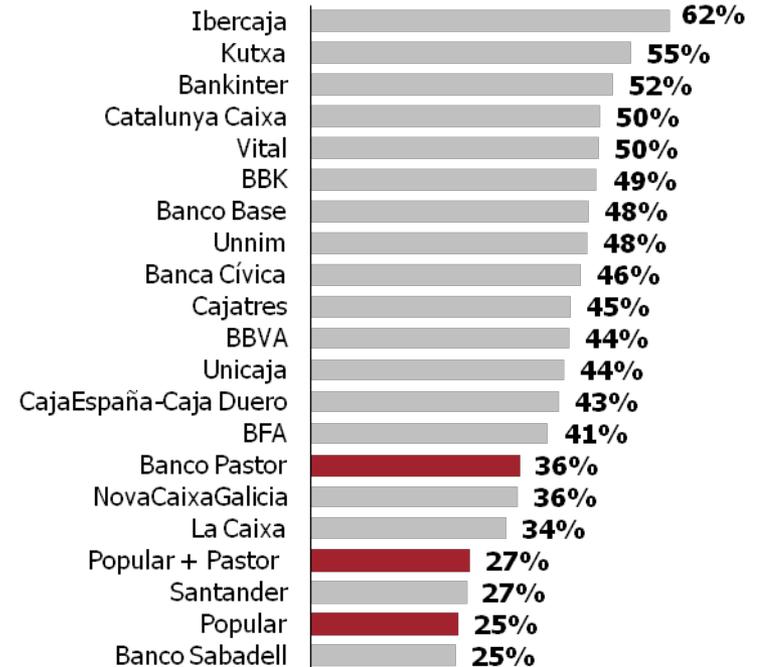
Banco Pastor and Banco Popular have similar business models with a strong focus on SME lending

Loans to Customers¹



BS flexibility

As a % of total assets



Source: Company data and transparency exercise

1. Based on DRC and excludes loans to public sector

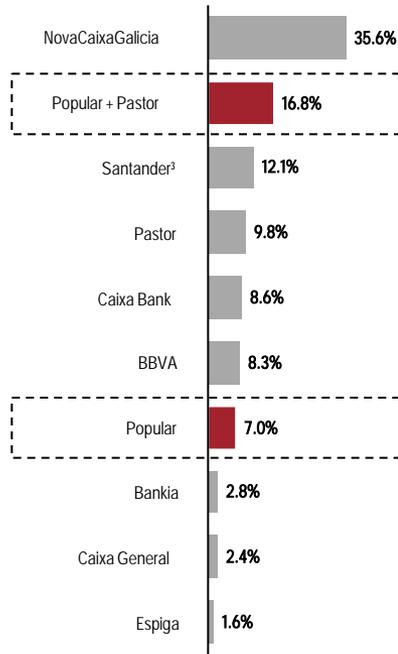
Popular & Pastor very low exposure to low-profit residential mortgage book, construction & R.E. assets

2. Integration of Banco Pastor

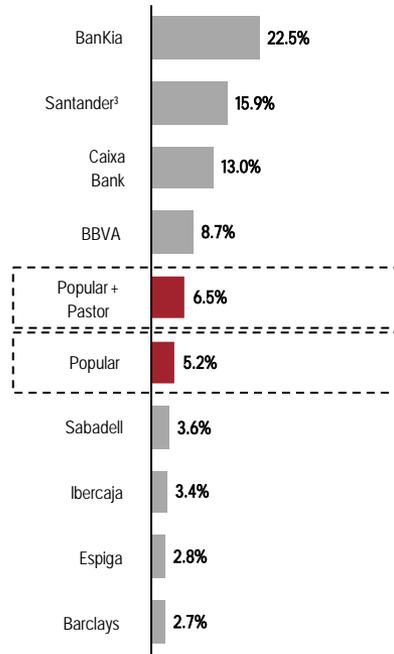
A Reinforces Popular's Position Among the Top Banking Groups Reinforces Banco Popular's Position in Key Spanish Markets

The Combined entity will hold important market shares in key Spanish banking markets

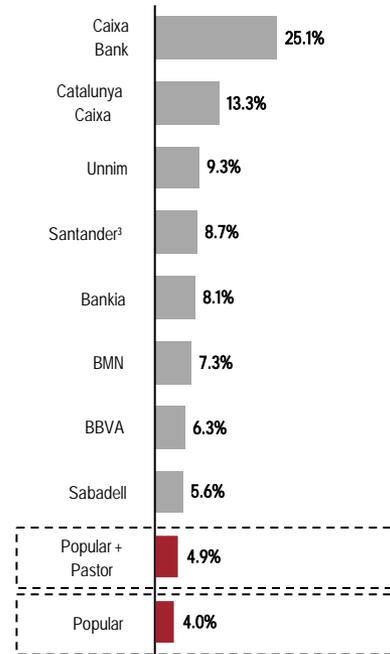
Galicia¹



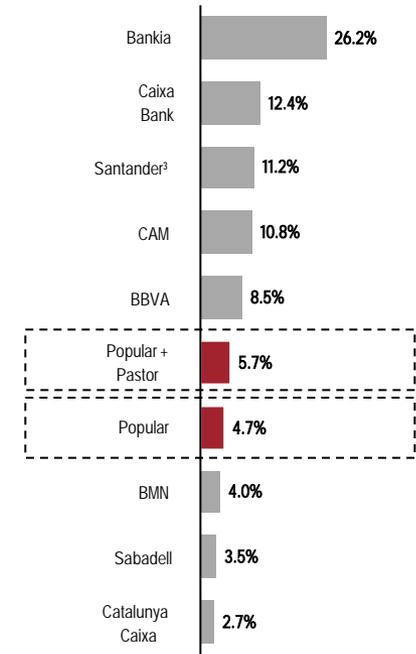
Comunidad de Madrid¹



Catalonia¹



Comunidad Valenciana¹



Popular branches²: 162
Pastor branches²: 229

Popular branches²: 267
Pastor branches²: 70

Popular branches²: 293
Pastor branches²: 62

Popular branches²: 183
Pastor branches²: 40

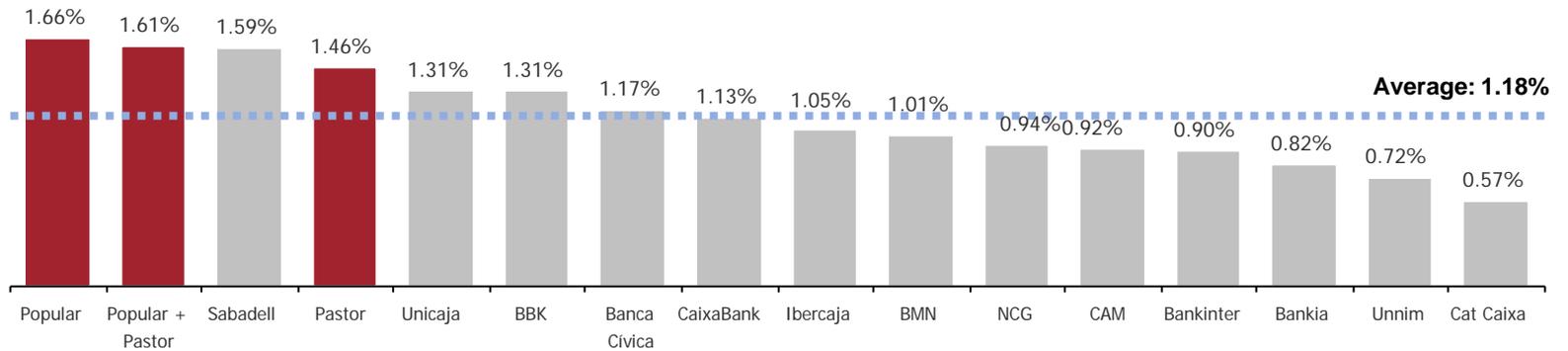
1. AE Banca and CECA as of Dec-2009 – Market shares in terms of branches
2. AE Banca as of Dec-2010
3. Includes Banesto

2. Integration of Banco Pastor

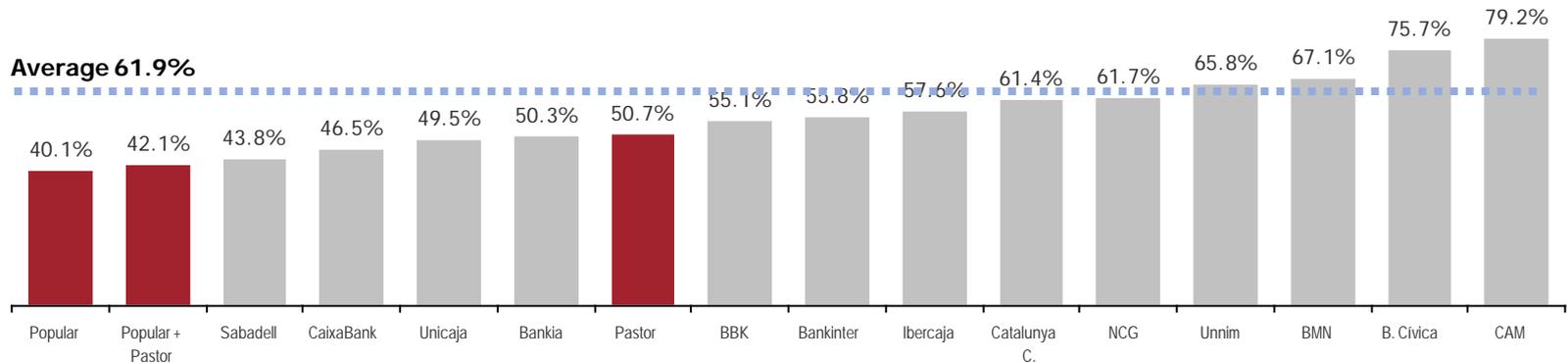
B Financially Attractive Outstanding capacity to generate reserves

Banco Pastor's underlying banking business is very profitable compared to the sector

Net Interest Margin¹



Efficiency²



Note: Information as of 1H 2011 except Unicaja, BBK and Caja Vital as of 1Q2011

1. Net interest margin over average total assets

2. General and administration costs over gross margin

B Financially Attractive

The transaction offers Banco Popular significant earnings enhancing potential

Key Elements Affecting Earnings Going Forward

- €1,108m of post-tax fair value adjustments reduces future provisioning at Pastor
- €147.2m of yearly synergies to be achieved by year three

Estimated EPS Accretion / (Dilution)¹

2012
>1%

2013
>3%

2014
>3%

RoI²

>15% by year 3

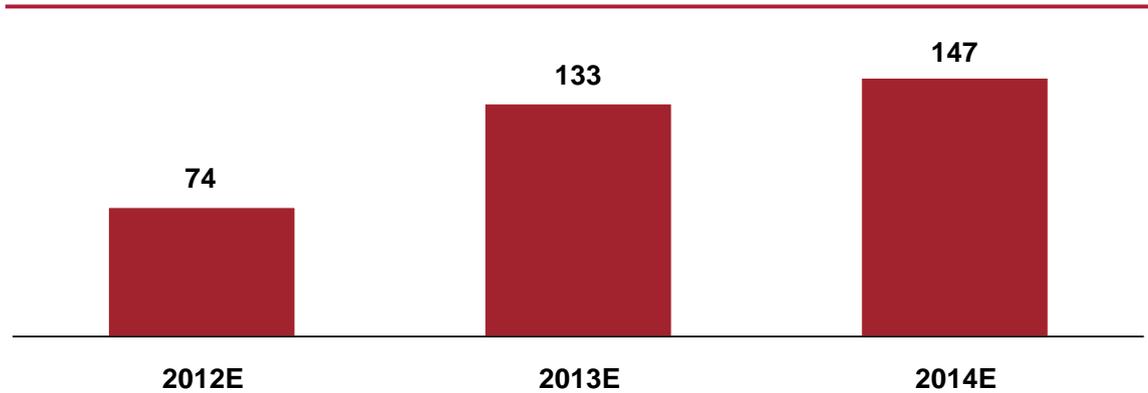
1. Assuming phased-in synergies and excluding restructuring costs

2. Invested capital = economic capital of the business to maintain a core capital of 9%

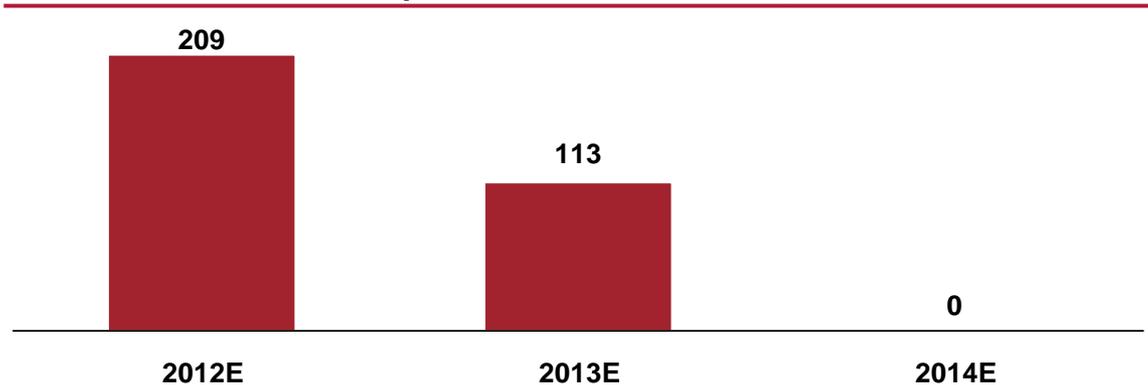
B Financially Attractive €147m of Run-Rate Synergies

Popular estimates significant synergies to spring from the acquisition, which will represent approximately 60% of the value of the transaction

Annual Synergies (€m)



Implementation Costs (€m)



Synergies:
39.5% of Pastor
Operating Costs

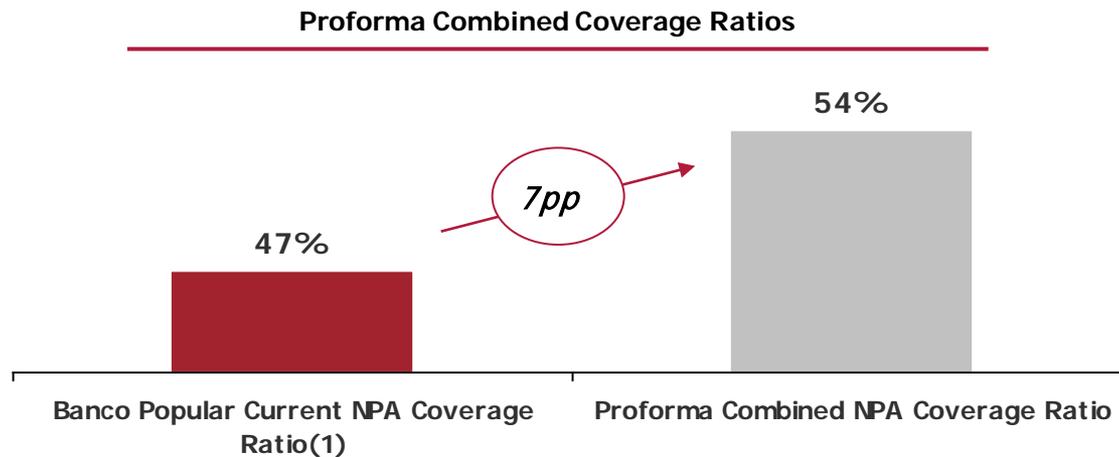
**Restructuring
Costs: 2.2x Run-
rate Synergies**

**Net present value of
€799m, c.60% of the
value of the
transaction
(2.5x premium paid)**

Ⓒ Reinforcement of our Balance Sheet Extraordinary Provisions and Increased Coverage Levels

The extraordinary provisions charged against reserves upon closing of the transaction will allow the group to significantly reduce provisioning requirements going forward

As a consequence of the transaction, coverage levels of the combined entity will increase by €1,108m (net)



1. NPAs= NPLs + Real estate assets + written off loans. Coverage includes specific, generic provisions and R.E. assets provisions

2. Integration of Banco Pastor

D Low Execution Risk Cultural Fit

The strong regional identity of Banco Pastor fits in well with Banco Popular's approach to Spanish regional Markets

Popular has already proven its ability to operate under a multibrand strategy



Perfect cultural fit and Pastor's market discipline

Key Cultural Features

- Cost culture
- Client oriented
- Regional identity

Pastor's Market Discipline (vs. Saving Banks)

- Corporate governance
- Shareholders oriented

Profitability oriented

2. Integration of Banco Pastor

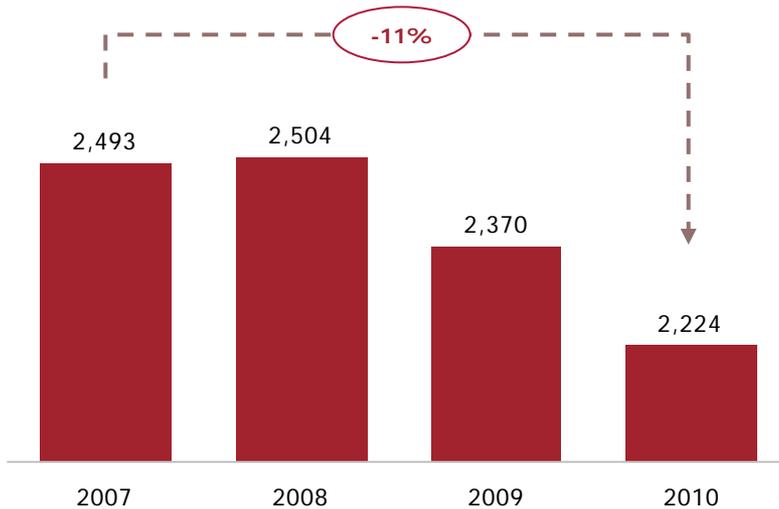
D Low Execution Risk Proven Integration Skills

Popular has successfully integrated 6 commercial networks in the last 3 years...



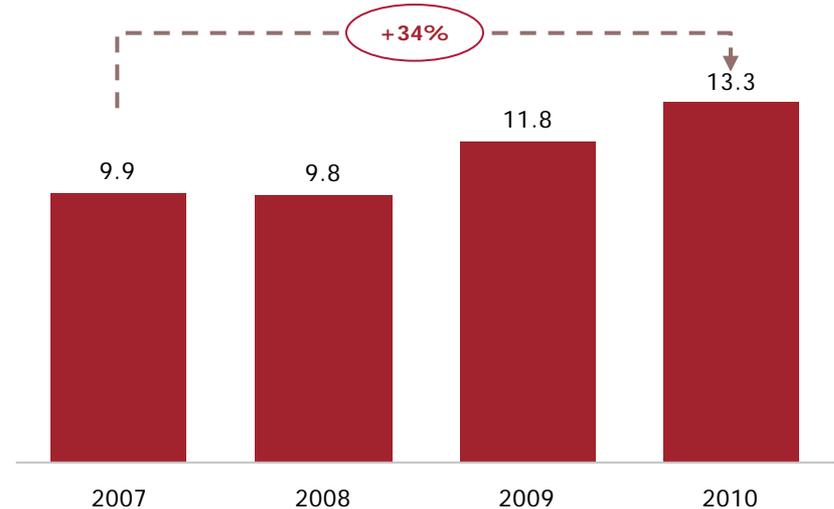
...optimizing its size...

Number of branches



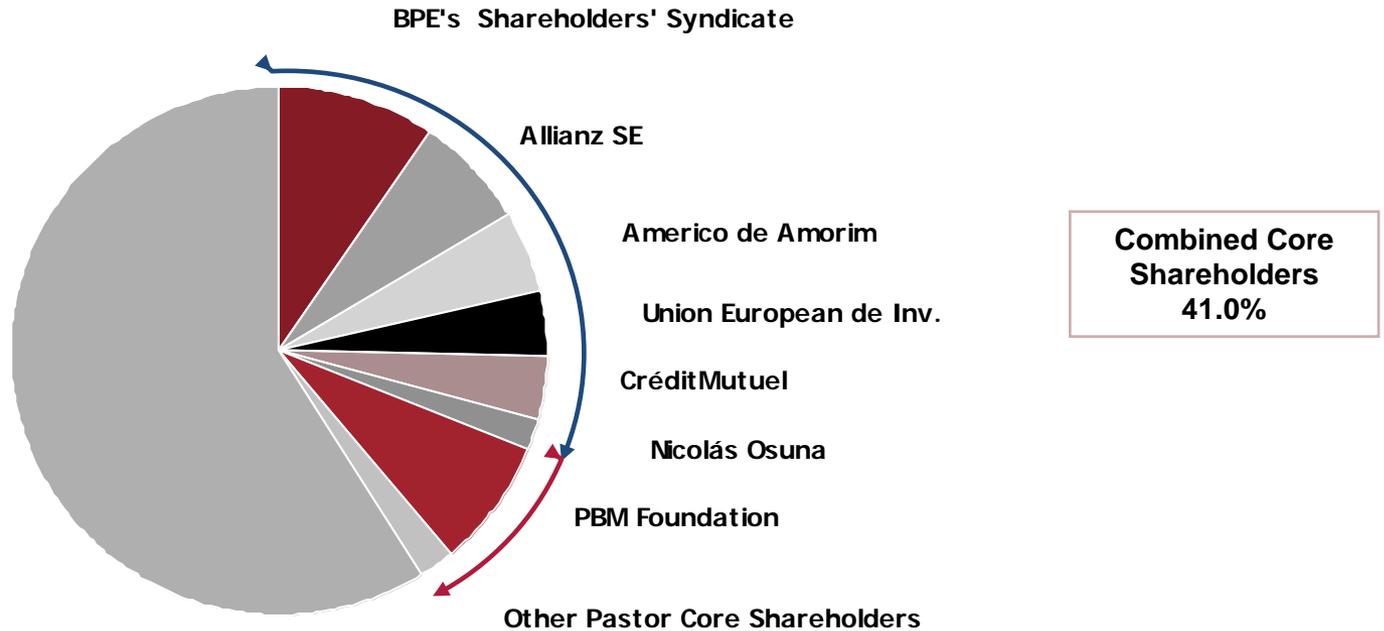
... and increasing productivity

Business Volume¹/FTE



E Strengthens Popular's Shareholder Base

Core Shareholders of the Combined Group



Key Shareholders % of Pastor

PBM Foundation	42.18%
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Proforma Shareholding excl. €700m of Mandatory Convertibles

7.8%

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Financial Impact

EPS	<ul style="list-style-type: none">■ Banco Pastor is a profitable business franchise with attractive net interest margins (1.5%) and good efficiency levels (50.7% cost-to-income ratio)■ Additional value generated through synergies (NPV of €799m equivalent to over 60% of the total consideration paid)■ EPS¹ accretive from year 1 (>1% in 2012 >3% in 2013 and >3% by 2014) assuming phased-in synergies and excluding restructuring costs
ROI	<ul style="list-style-type: none">■ >15% ROI by year 3
Capital and Coverage Impact	<ul style="list-style-type: none">■ Impact of (68)bps on Banco Popular's Core Tier 1 neutralised by a €700m mandatory convertible issuance■ Strong proforma capital level of 9.7% Core Tier 1■ Increased NPA coverage attaining 54% as a consequence of extraordinary provisions
Liquidity	<ul style="list-style-type: none">■ Combined entity with solid liquidity profile■ LTD ratio compares favourably with the industry■ Banco Pastor has a manageable maturity schedule

1. Ex restructuring costs

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Key Next Steps

Calendar – Main Events 2011-2012



DISCLAIMER: *The dates set out above are only estimates, subject to variation depending on many circumstances, and, particularly, on the length of the authorization processes which need to be undertaken. In this sense, the transaction is subject to authorization by several supervisory authorities, including the Spanish Stock Exchange Commission ("Comisión Nacional del Mercado de Valores"), the Bank of Spain, the Spanish National Antitrust Commission ("Comisión Nacional de la Competencia") and the Spanish General Directorate of Insurance and Pension Funds ("Dirección General de Seguros y Fondos de Pensiones"). The length of these authorization processes cannot be accurately estimated by Banco Popular."

Agenda

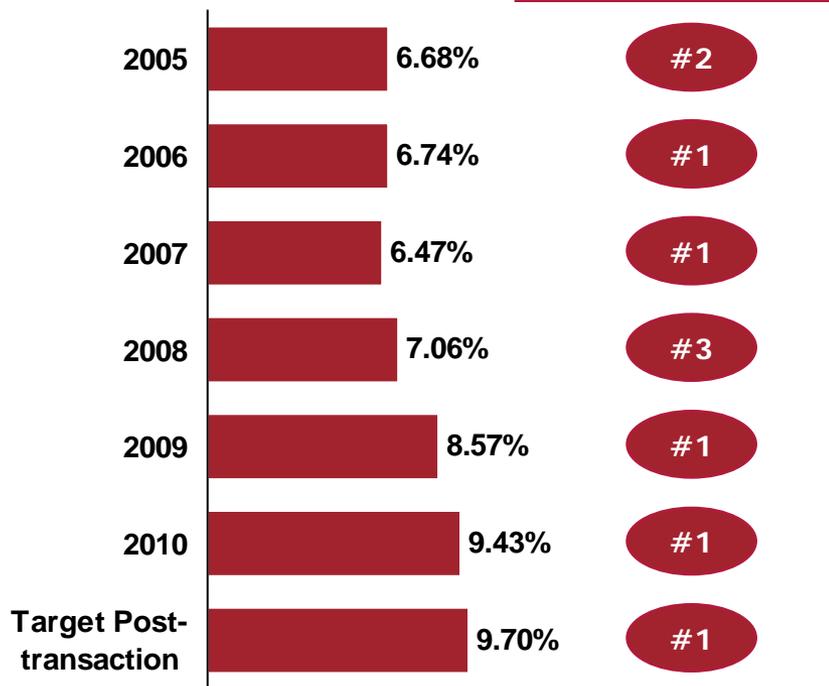
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Capital Objectives and Environment

Banco Popular has the objective of maintaining its high capital ratios strategy in order to face current market environment

Banco Popular has traditionally been the most capitalised listed Bank in Spain

Ranking by Core Capital



Current Market Environment

- Global economic slowdown
- High market volatility
- Changing regulatory environment
- Increased scrutiny on financial sector
- Sector deleveraging

Capital Increase to further Reinforce the Combined Balance Sheet

The combined entity will most likely issue up to €700m of mandatory convertible bonds

Key Terms

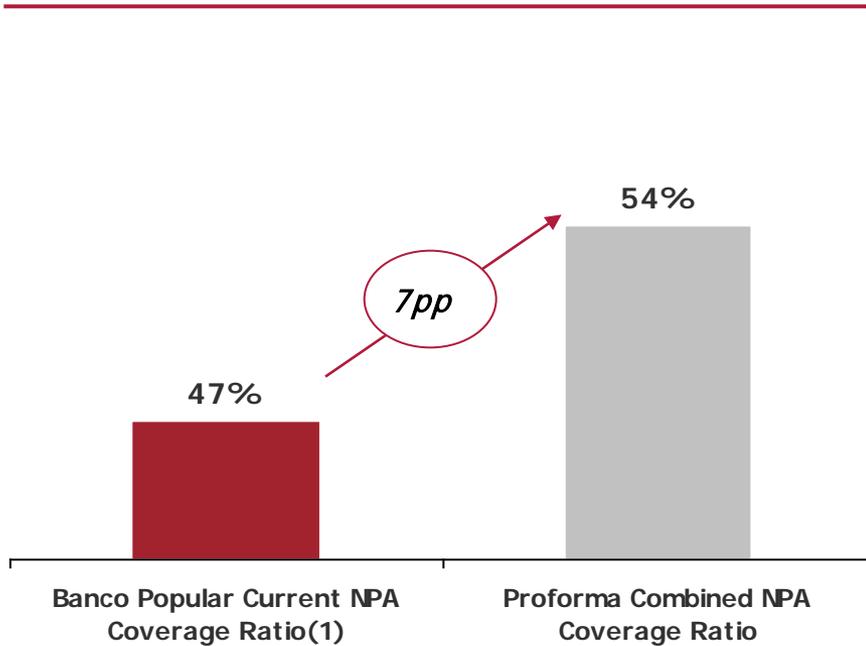
Securities	■ Mandatory Convertible Note
Issue Size	■ Up to €700 million
Tenor	■ Similar to prior convertibles issued by both Banco Pastor and Banco Popular
Conversion into Ordinary Shares of Combined Entity	■ Mandatory conversion at maturity ■ Voluntary conversion dates similar to prior issues by both Banco Pastor and Banco Popular
Conversion Price	■ Dependant with the market valuation of the entity at the moment of execution
Coupon	■ Similar to prior convertibles issued by both Banco Pastor and Banco Popular

- **Instrument less dependant on market conditions and volatility**
- **Core Tier 1 qualifying instrument**

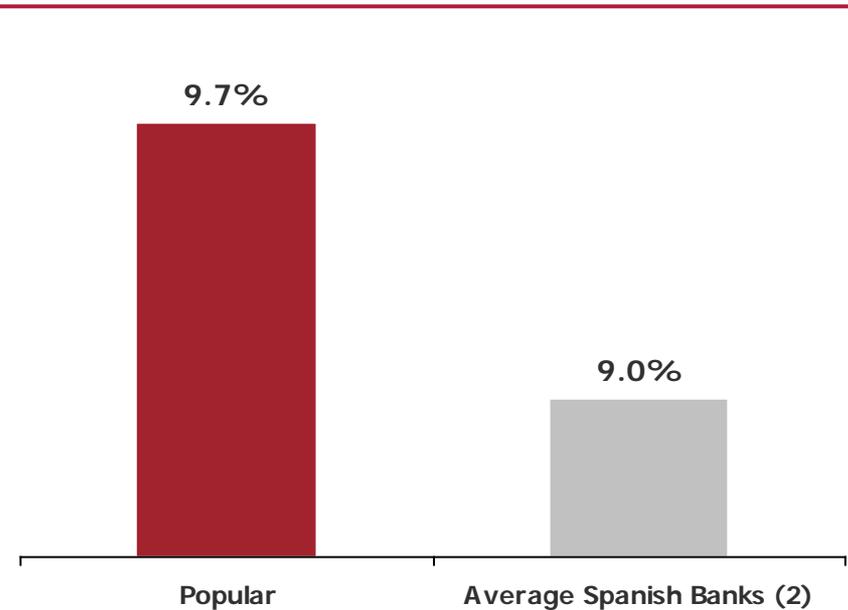
Strong Resulting Coverage and Capital Ratios

As a result of the exercise, the combined group will be one of the most capitalised and covered in Spain

Coverage of NPA Comparison¹



Core Capital Comparison



Source: Company data as of 30-Jul-2011

1. Excluding substandard loans
2. Excluding Banco Popular and Banco Pastor. CaixaBank, Sabadell, Santander, BBVA, Banesto, B. Civica, Bankia and Bankinter

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Annex I: Banco Pastor in Summary

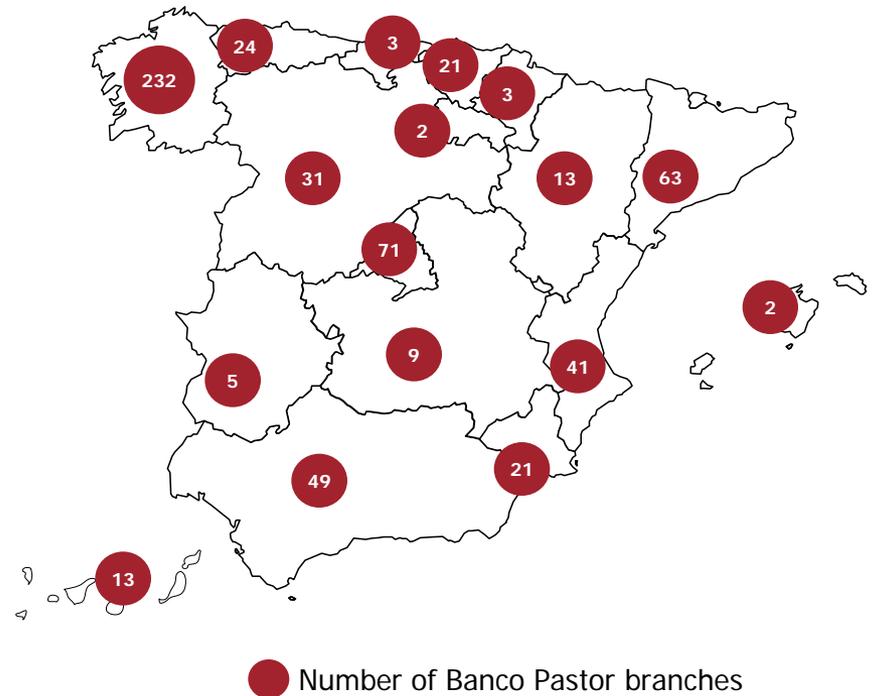
Annex I. Banco Pastor in Summary

Reported Key Data¹

- Second oldest Spanish bank founded in 1776
- Ranked as Spain's 20th financial entity based on total assets
- 4,124 employees
- €30,955m of total assets
- €21,334m of net customer loans
- €15,833m of customer deposits
- 1H2011 Net profit of €38m
- Shareholder's funds €1,721m
- Core Tier 1 = 9.1%
- Tier 1: 10.8%
- BIS: 11.2%
- NPLs: €1,714m
- NPL ratio: 5.73%
- NPL coverage ratio: 42%

1. Company filings as of Jun-2011
2. Spanish Banking Association as of Dec-2010

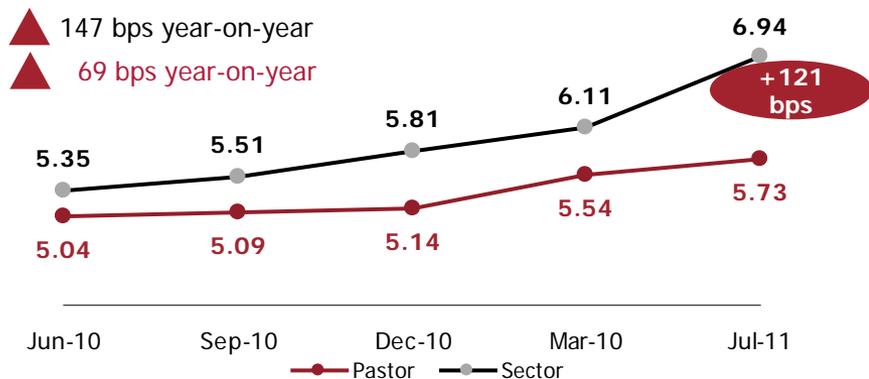
Branch Network²



603
38% in Galicia

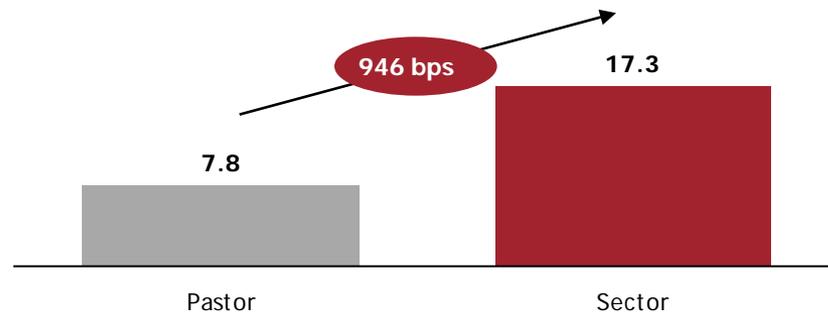
Annex I. Banco Pastor Risk Management

Pastor NPL Ratio vs. Sector (%)

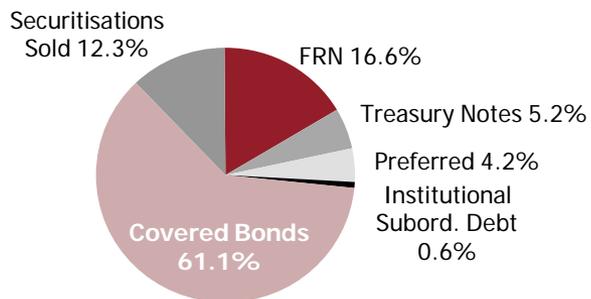


Bad and Doubtful Assets: % year-on-year

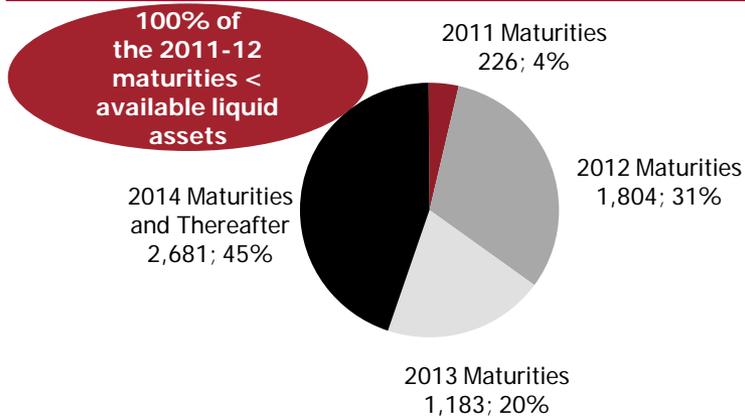
Bad and doubtful assets: €1,714m



Institutional Financing: €7,100m



Wholesale Funding Maturity (€ millions, %)



Annex I. Banco Pastor Customer Loans and Deposits

Customer Loans (€ million)

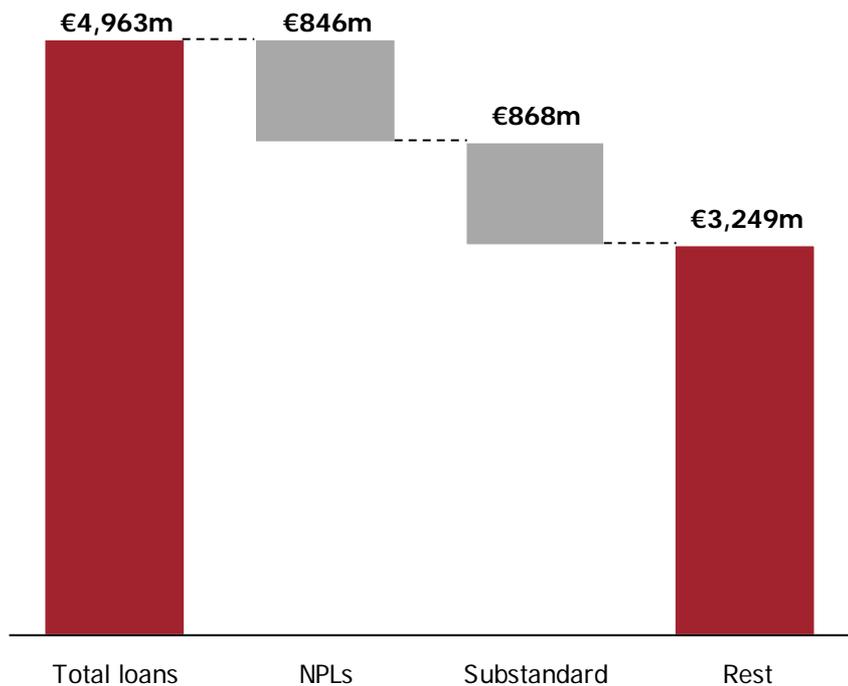
€ millions	2008	2009	2010
Commercial loans	1,525	975	1,029
Mortgages	12,426	13,447	13,939
Other loans	5,327	5,327	5,816
Credit line and others	845	600	830
Leasing contracts	1,091	812	715
Valuation adjustments	47	19	74
Gross loans	21,262	21,180	22,402
Specific provisioning	(283)	(514)	(643)
Generic provisioning	(191)	(281)	(106)
Net loans	20,788	20,385	21,652

Customer Deposits (€ million)

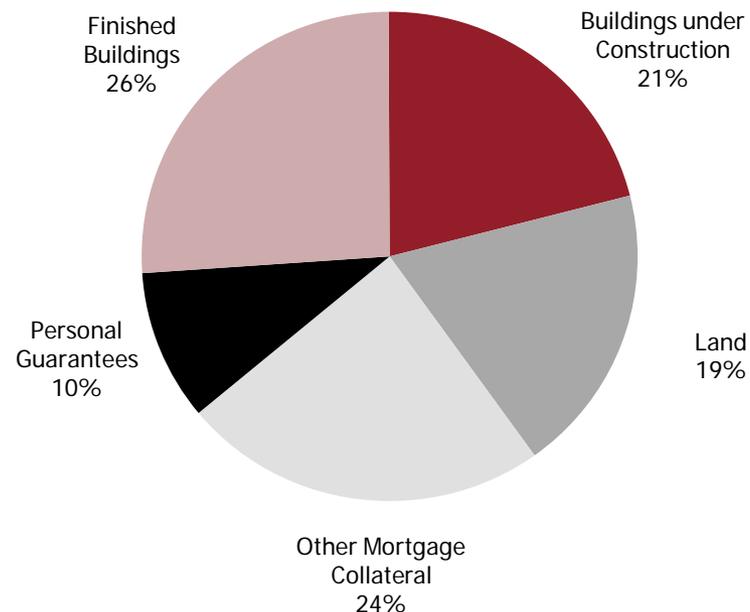
€ millions	2008	2009	2010
Public administrations	524	397	379
Other resident sectors	11,180	11,710	13,006
Current accounts	2,640	2,895	2,814
Other current deposits	1,187	1,339	1,311
Term deposits	6,801	7,030	7,843
Others	469	422	1,033
Valuation adjustments	83	24	5
Non-resident sector	1,626	1,577	1,645
Total customer deposits	13,330	13,683	15,030

Annex I. Lending to the Real Estate and Construction Sector

Lending to the Real Estate and Construction Sector



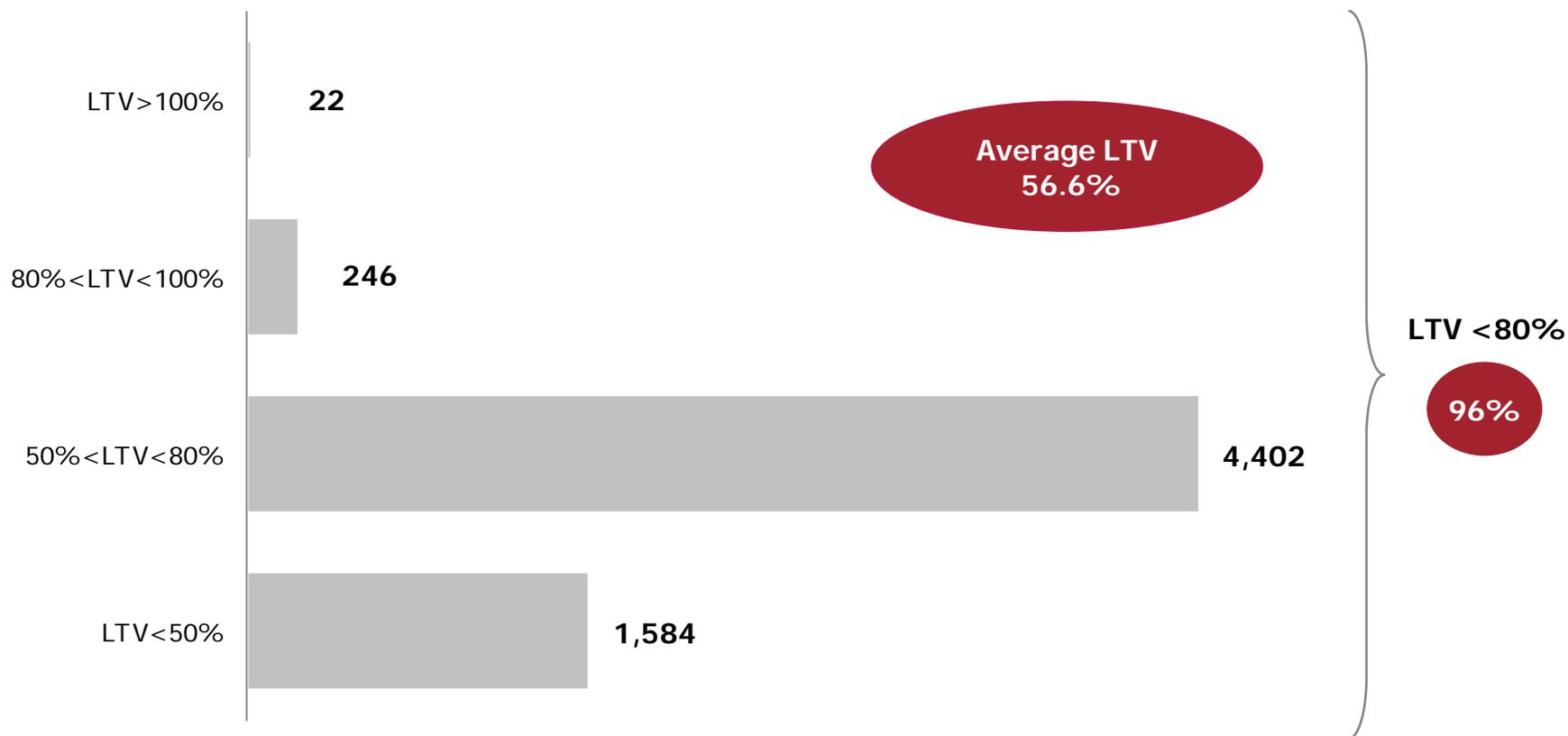
Breakdown by Type of Collateral (%)



Annex I. Mortgage Portfolio

€6,200m in mortgages to individuals with prudent LTVs

Breakdown of the Mortgage Home Loans

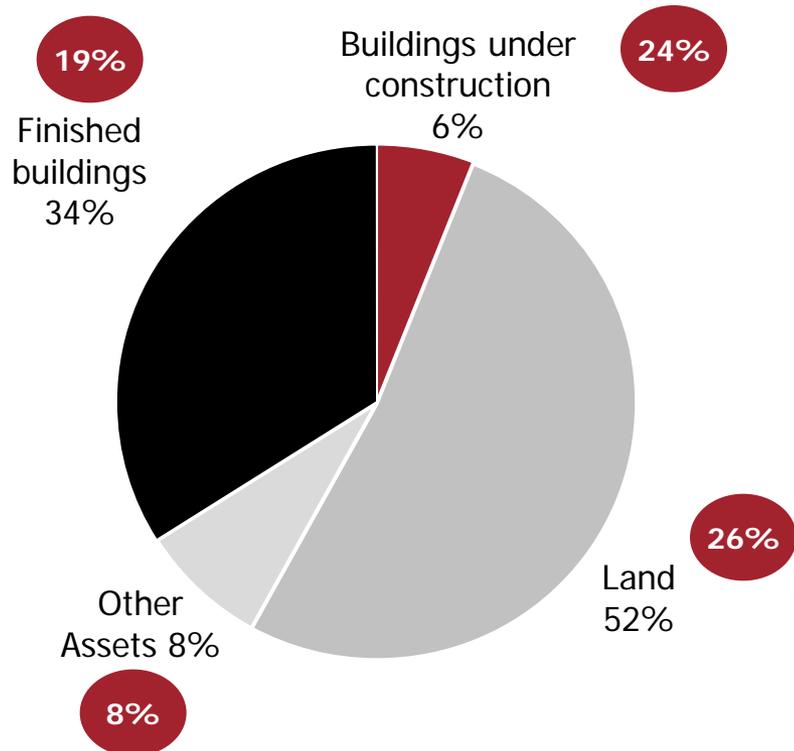


Annex I. Real Estate Assets

Details of the Real Estate Assets pre-deal (%)

Total net value: €1,678m

22.2% Coverage



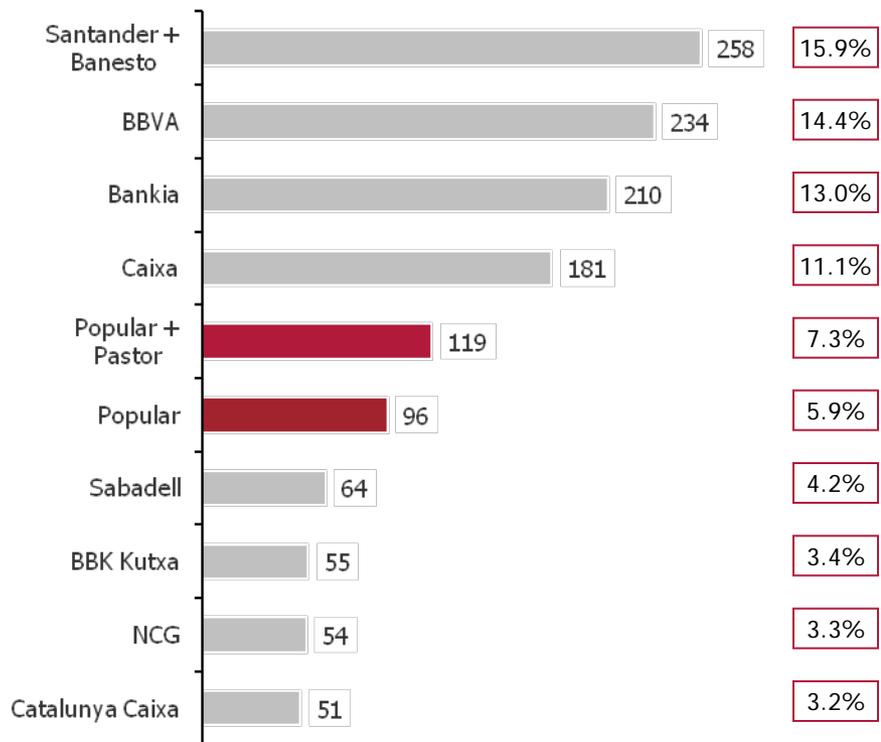
Net Value	€1,678m
Provisions	€480m
Market Value (appraisals)	€2,158m

Annex II: The Combined Entity

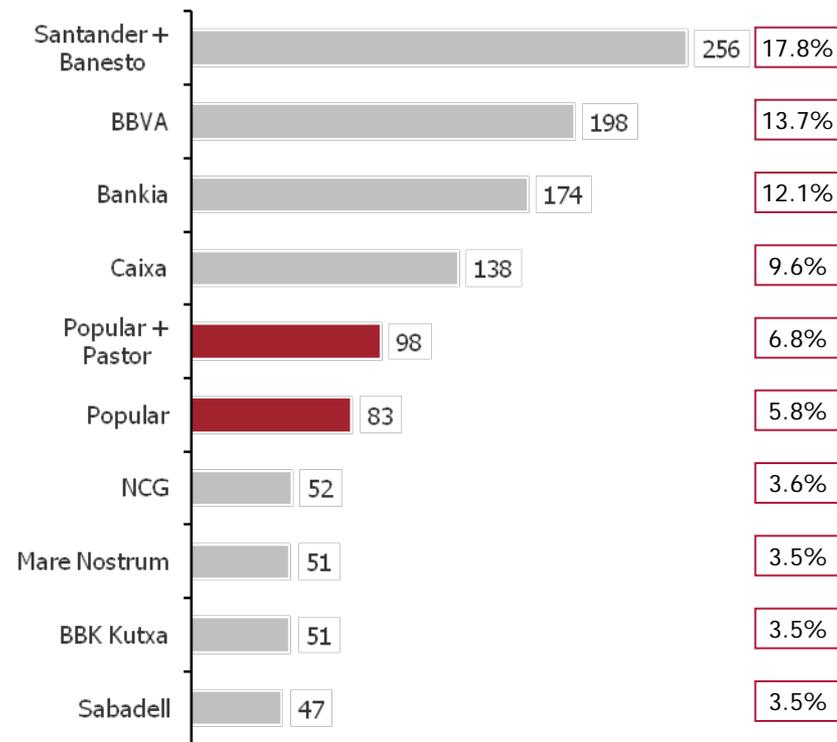
Annex II. Position in Spain

Popular reinforces its position as the fifth largest institution in Spain (i)

Net Loans to Customers (€bn, %)



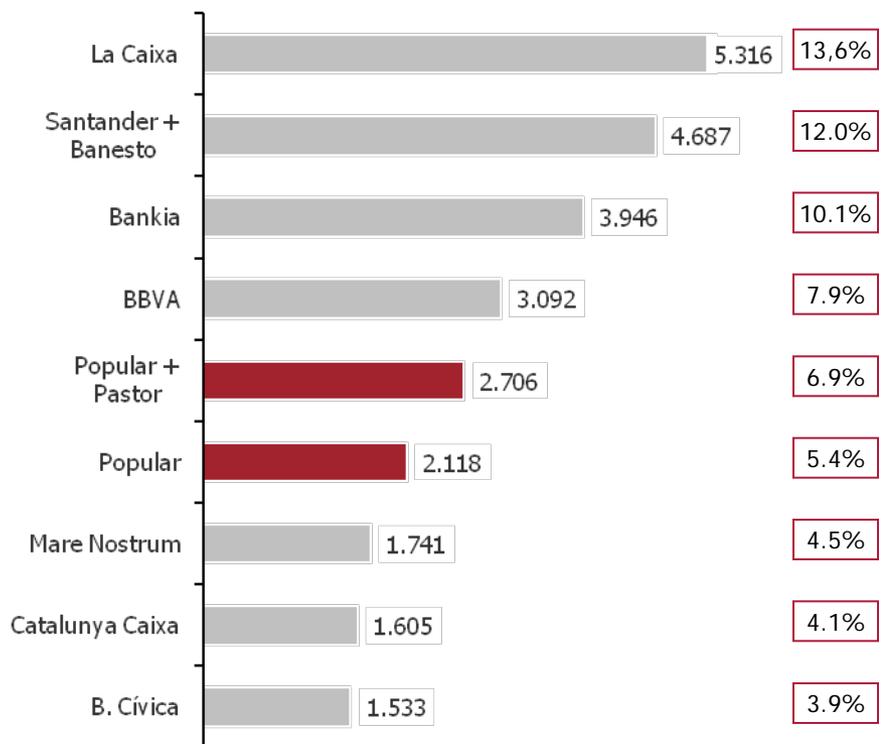
Customer deposits (€bn, %)



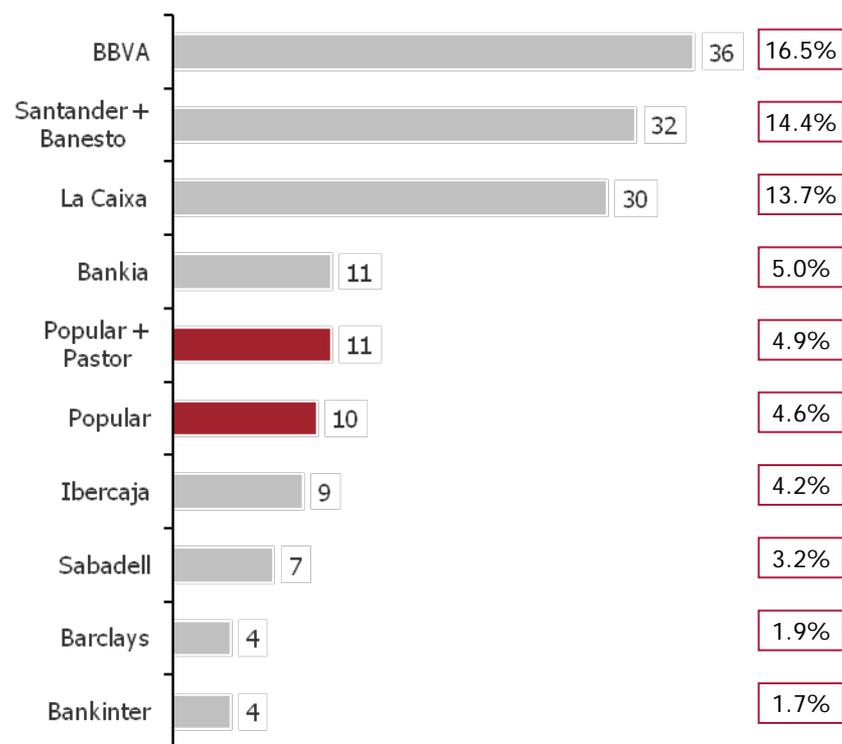
Annex II. Position in Spain

Popular reinforces its position as the fifth largest institution in Spain (ii)

Domestic Branches (branches,%)



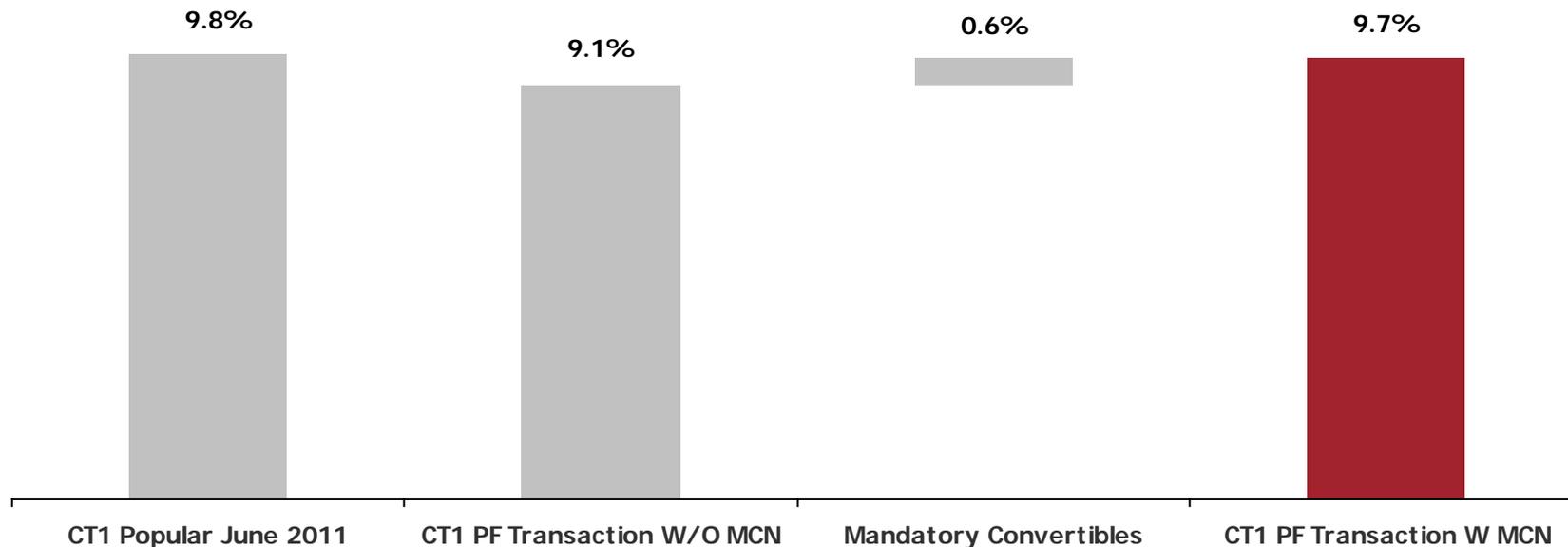
Mutual Funds and Pension Funds (€bn)



Annex II. Capital Impact

The core capital of the group will remain among the highest within the Spanish financial sector despite significant extraordinary provisions

Core Tier 1 Impact



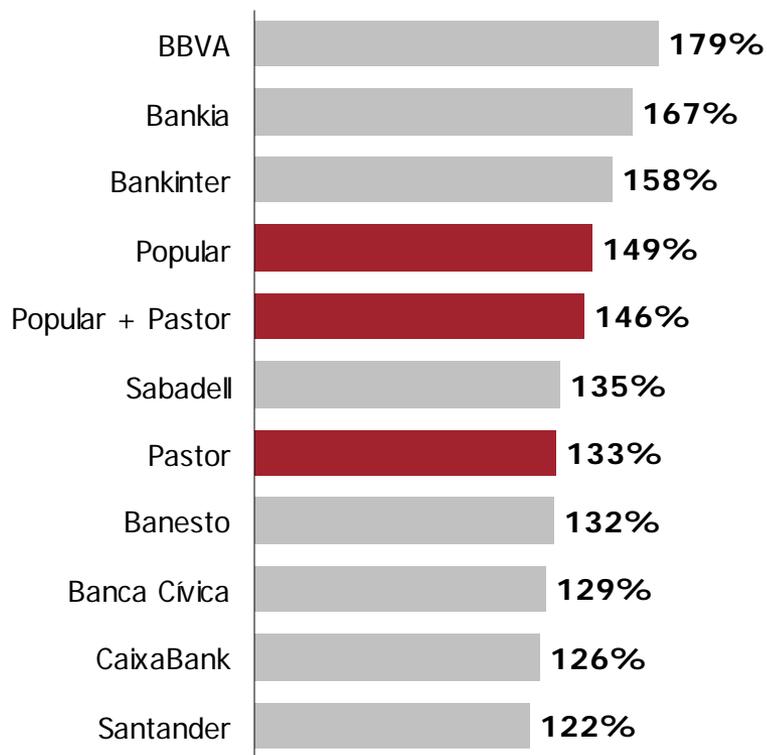
Source: Reported core capital as of 30th June 2011

1. Includes release of €234m of Banco Popular CT1 deductions related to the absence of non-core tier 1 instruments and €86m of Banco Pastor CT1 deductions

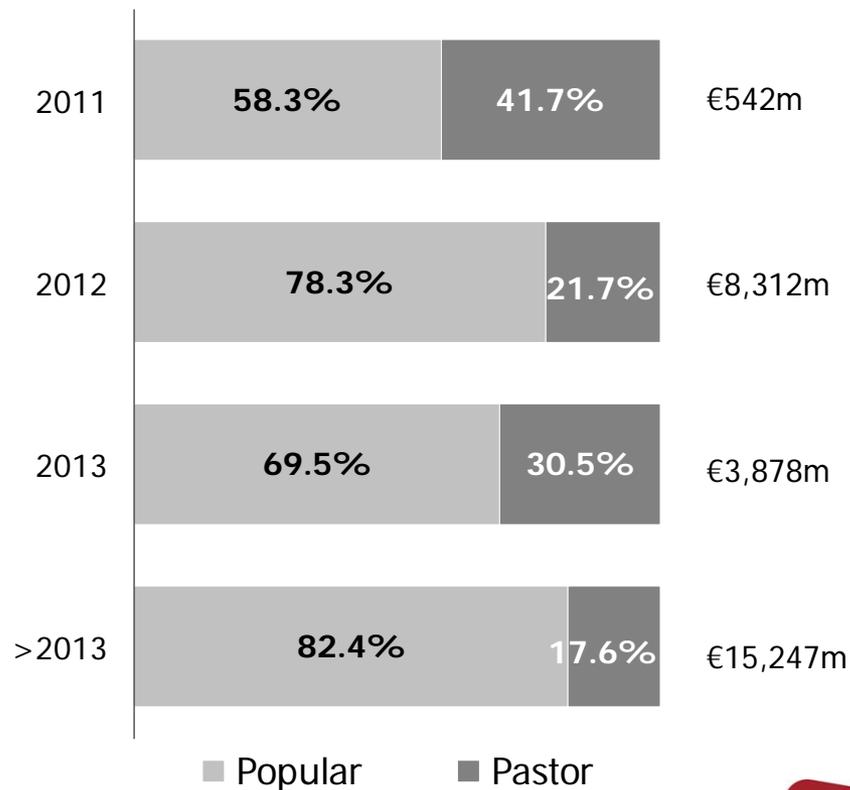
Annex II. Liquidity Profile Impact

Reduced leverage level and limited short term maturities at Banco Pastor present a good combined liquidity profile for the Group

LTD Ratio vs. Comparables



Popular + Pastor wholesale funding maturity



Annex II. Banco Pastor

Contribution Analysis

€m	■ Pastor	■ Popular	Total
P&L			
Net interest income	2,452 (84%)		2,922
Gross operating income	3,462 (82%)		4,214
Personnel and general expenses	(1,217) (77%)		(1,573)
Net income before provisions	2,149 (85%)		2,516
Attributable net profit	590 (90%)		652
Balance sheet			
Net loans to customers	96,032 (82%)		117,684
Customer deposits	79,384 (84%)		94,413
Shareholders' equity	8,203 (85%)		9,639
Total assets	130,140 (81%)		161,275
Other			
Employees	14,252 (77%)		18,422
Branches	2,224 (79%)		2,829
Average		82%	
Median		82%	