1st Half 2012 Results Presentation

Madrid, July 27th 2012

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Agenda

1. 1H12 Results and operating performance

    1.1 P&L main drivers

    1.2 Risk management

    1.3 Liquidity & funding

2. Business Plan

3. Solvency, EBA capital and Stress Tests

4. Conclusions and outlook – Q&A

A best-in-class first half of the year, beating targets in a very demanding scenario

Key highlights 1H12

Best-in-class recurrent revenues	• Net interest income +37% YoY. Pre-provision profit up to €1.2Bn, (+37% YoY) in 1H12
Efficiency and Pastor integration	• Efficiency ratio improves even further: 38.5% in 1H12 • Synergies of the Pastor integration above initial expectations (already reached 70% of the 2012 target)
Strong provisioning reinforcement. EBA targets already beaten. Liquidity on track	• NPAs coverage to 56% (+11pp YTD) • Core Tier 1 EBA: 10.3% • Further improvement of the commercial gap by €2.2 Bn YTD. Loan to deposit ratio at 130%
Business Plan approved by BoS. Extraordinary position to face the Stress Tests	• Business Plan approved by BoS. 2H12 results, ahead of plan • Our solid capital base, our exceptional capacity to generate revenues and the clean-up to date, key to face Stress Test scenarios

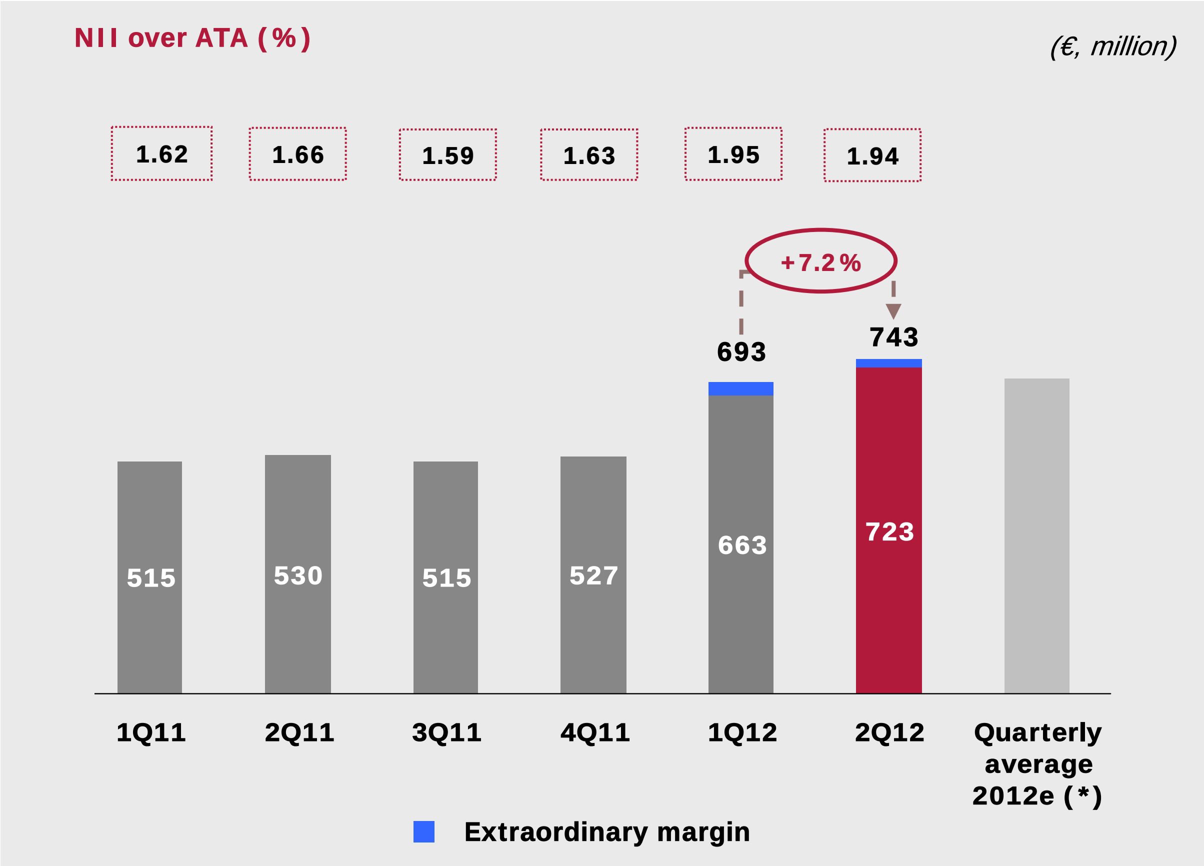
Financial Highlights 1H12

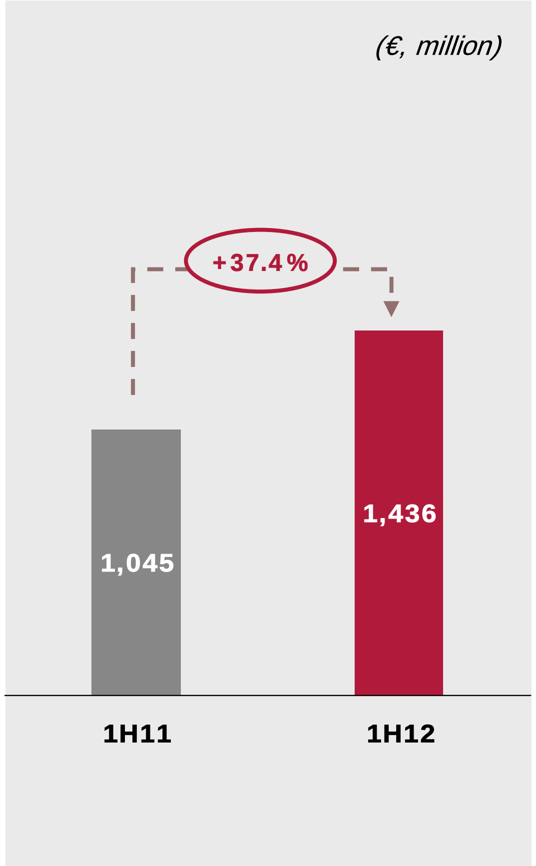
(€, million)	1H12	1H11	Change YoY (€m)	Change YoY (%)
Net interest income	**1,436**	**1,045**	**+391**	**+37.4%**
Fees and commissions	410	350	+59	+16.9%
Trading and other recurrent income	180	126	+54	+42.9%
Gross operating income	**2,026**	**1,521**	**+505**	**+33.2%**
Total Operating Costs	-847	-663	-184	+27.9%
Pre-provisioning profit	**1,178**	**858**	**320**	**+37.3%**
Provisions for loans and investments (ordinary & accelerated)	-739	-578	-161	+27.9%
Net of Provisions for real estate (ordinary & accelerated) and extraordinary gains	-195	-18	-175	-
PBT	**244**	**261**	**-17**	**-6.5%**
Net profit	**176**	**305**	**-129**	**-42.3%**
Non-performing loans ratio	**6.98%**	**5.58%**		**+ 140 b.p.**
Efficiency ratio	**38.52 %**	**40.14 %**		**-162 b.p.**
Loans to deposits ratio	**130 %**	**135 %**		**-5 p.b.**
Core Capital EBA	**10.3%**	**7.6%**		**2.7 p.p.**

Note: 'Trading and other income' includes FGD fees (€ 64Mn increase YoY). Includes Pastor figures since February 17th 2012

As expected, NII has grown again boosting a significant increase YoY of 37%. 7% QoQ. A sustained growth

Net Interest Income evolution

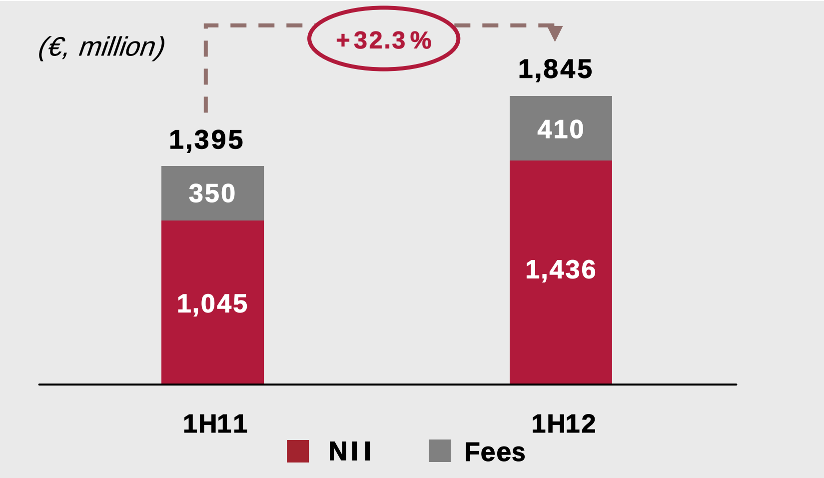




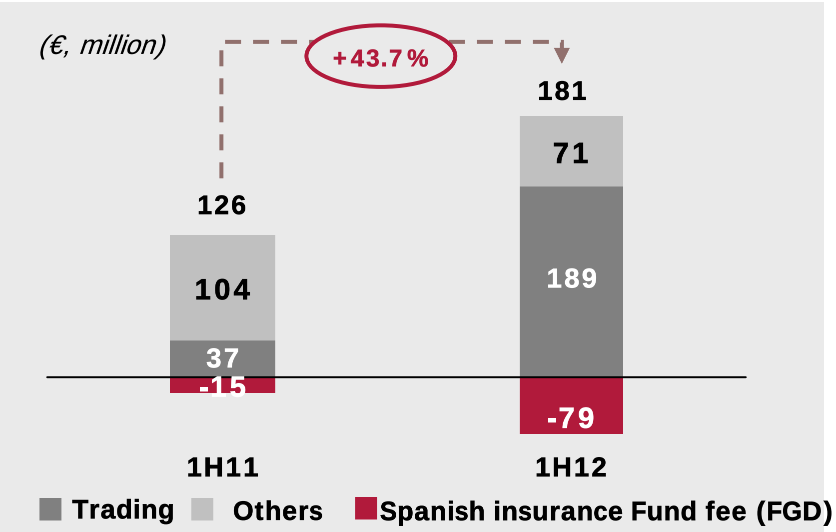
(*) Includes Banco Pastor since February 17th 2012. Quarterly average according to the Business Plan approved by BoS

The improvement of the NII, coupled with the sound evolution of fees and trading, raise the total revenues to record levels

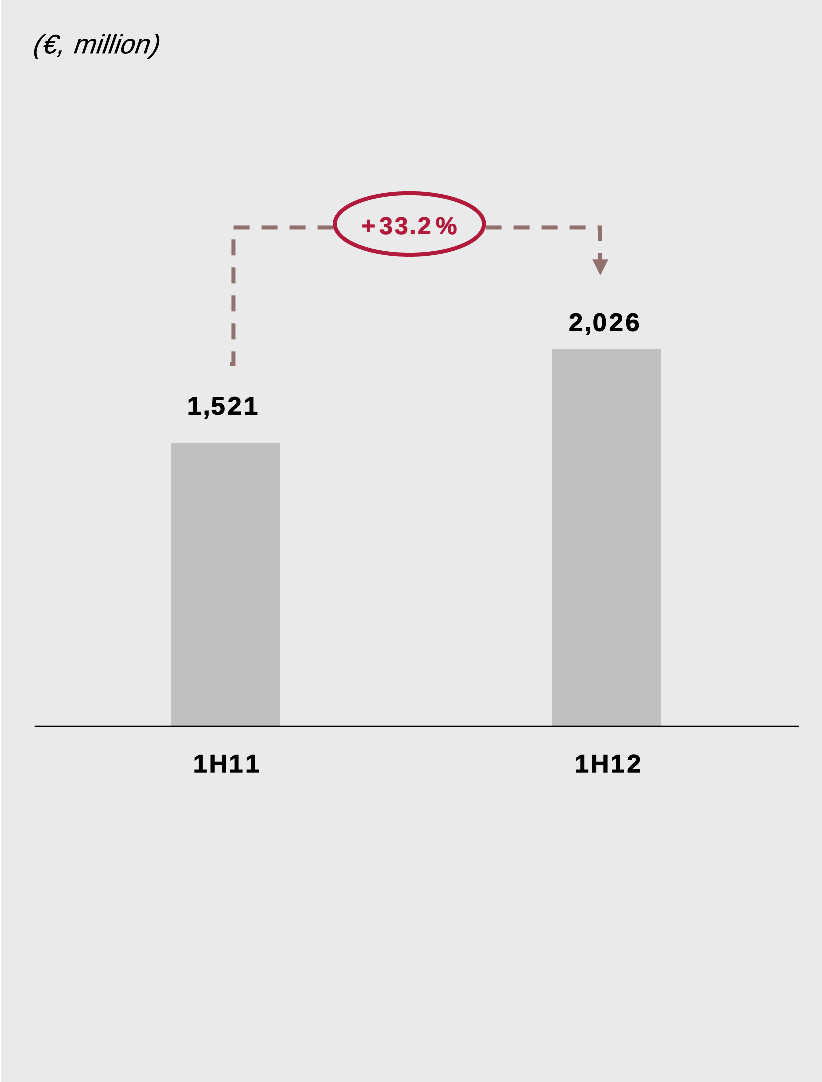
Basic revenues



Trading & other



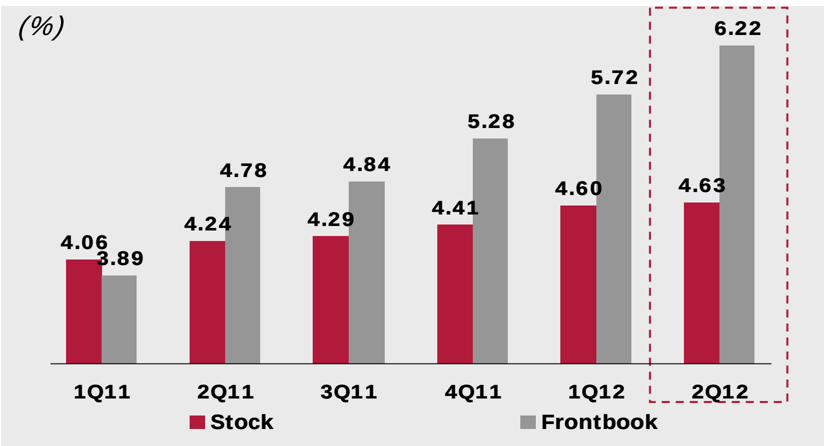
Total revenues evolution 1H12



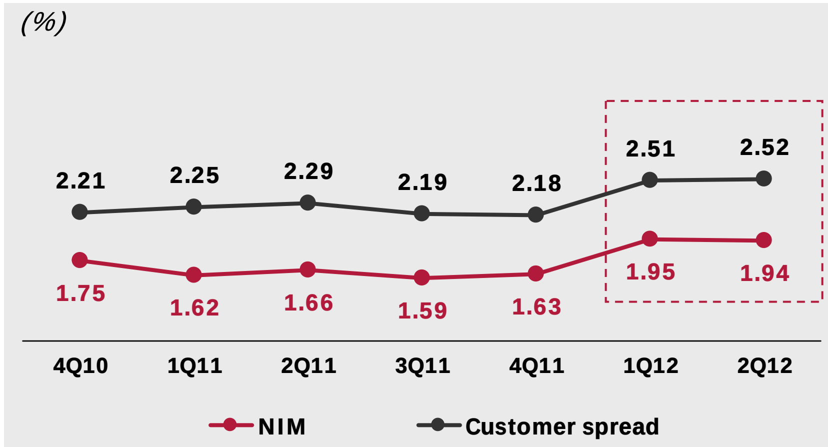
Note: Includes Banco Pastor since February 17th 2012

This remarkable NIM expansion is based on our already demonstrated capacity to manage spreads. We reinforced our leadership in margins vs. our peer group

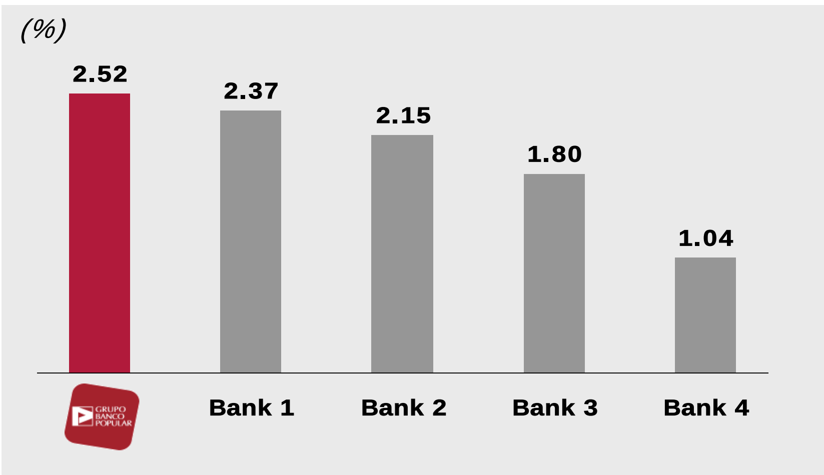
Loans Yields: frontbook vs. stock



Margins evolution

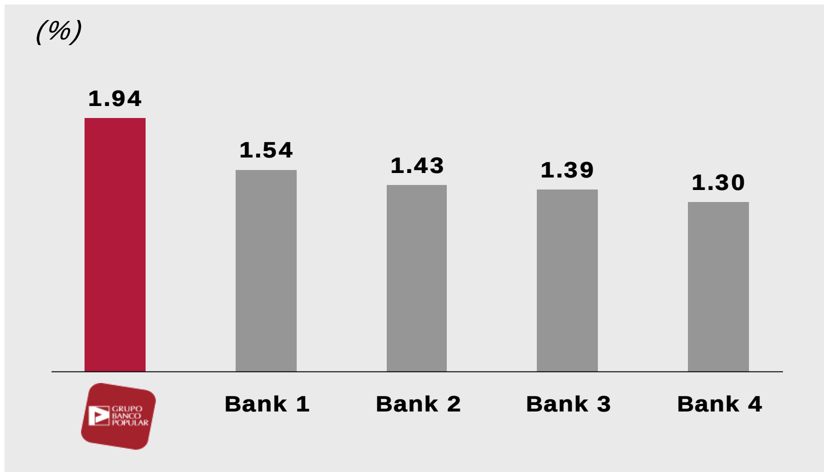


Customer spread comparison



Banks: Banesto, Sabadell, Caixabank y Bankinter

NIM comparison



Banks: Banesto, Sabadell, Caixabank y Bankinter

The strong commercial effort is paying off

Government fund for payments to suppliers

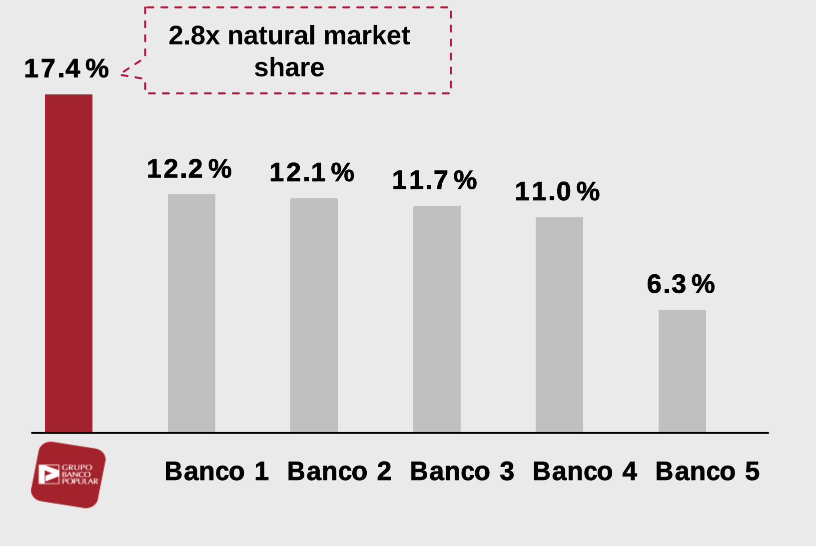
- **€2,850 Mn of transactions channelled**
- **€2,135 Mn of loans financed**
- **623,000 bills paid**
- **10.34% market share**

Customer base and market share evolution

- **96,884 new customers (*)**
- **33,762 new SMES (*)**
- **Maintaining market shares: +10 bps. QoQ in loans (6.5%) and stable in deposits (6.0%)**

**Note: Popular standalone, HoH variations*

ICO (Public credit lines) market share July-12



Source: ICO July 2012. Banks: Santander, Bankia, BBVA, Sabadell and Caixabank

International business

- **+9.39% revenues vs. dec 11**
- **New commercial offices: Istanbul, Dubai, Warsaw and Sao Paulo**

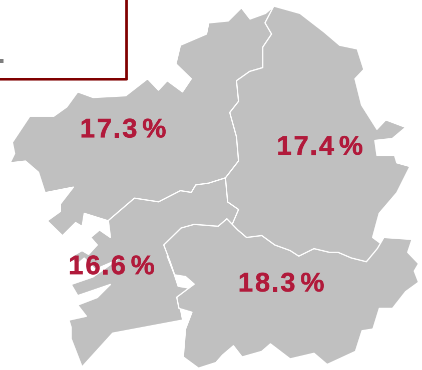
The integration of Pastor continue evolving above expectations as both parties share the same values. Synergies on track and the commercial activity of Pastor remains in very good shape

Main milestones in the quarter

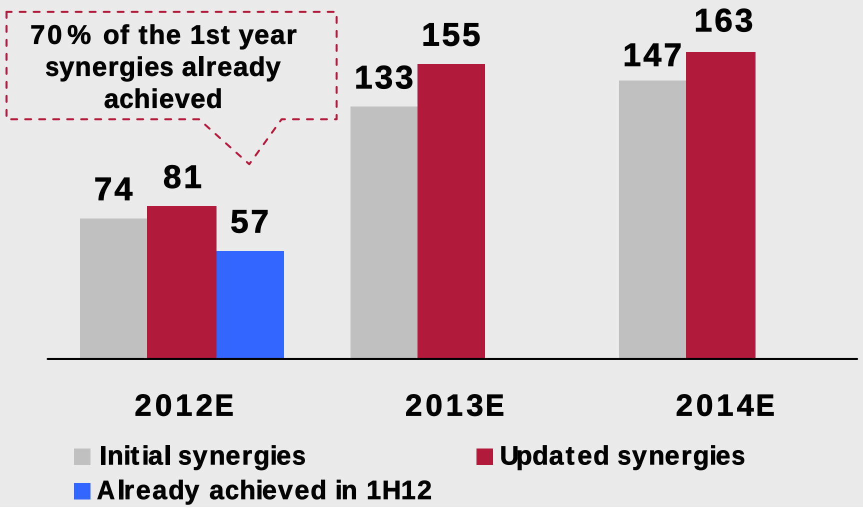
- **Synergies confirmation. Achieving goals at a good pace**
- **Legal merger completed (July 5th)**
- **Perfect commercial fit. Franchise improving in Galicia**

Deposit market share

Market share: 17,3%
QoQ evolution: +30 bps.



Annual synergies (€Mn)



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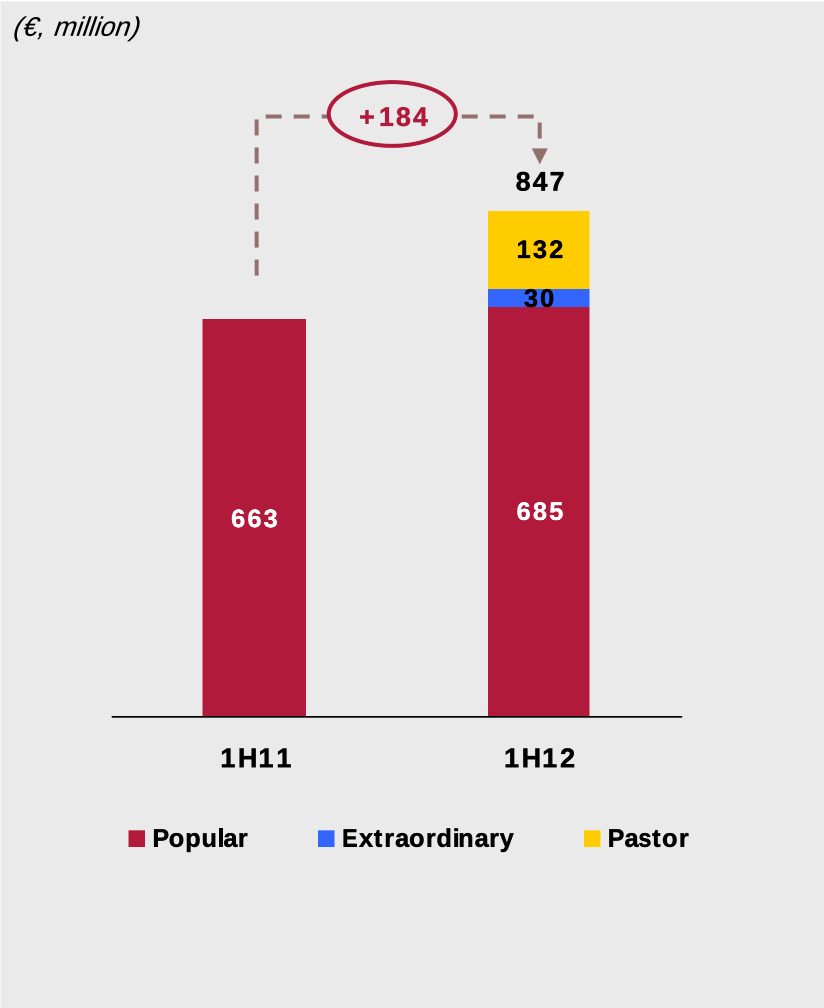
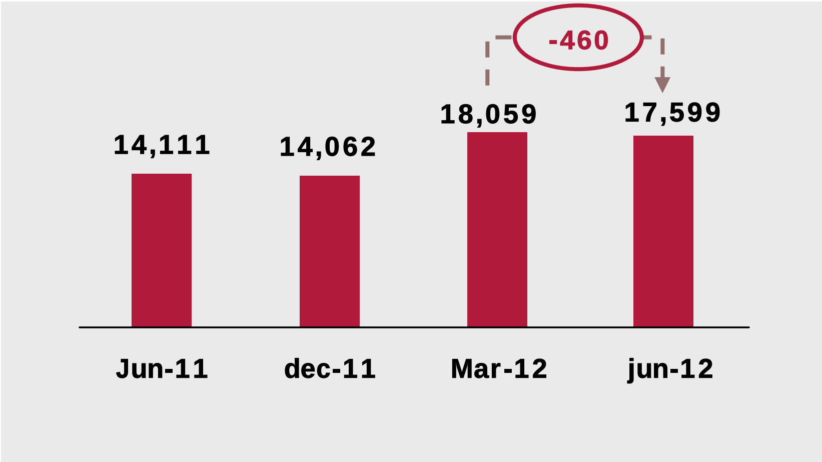
Costs increased due to the integration of Pastor, however the pace of synergies execution (staff reduction and commercial network) will allow to reduce costs in coming quarters

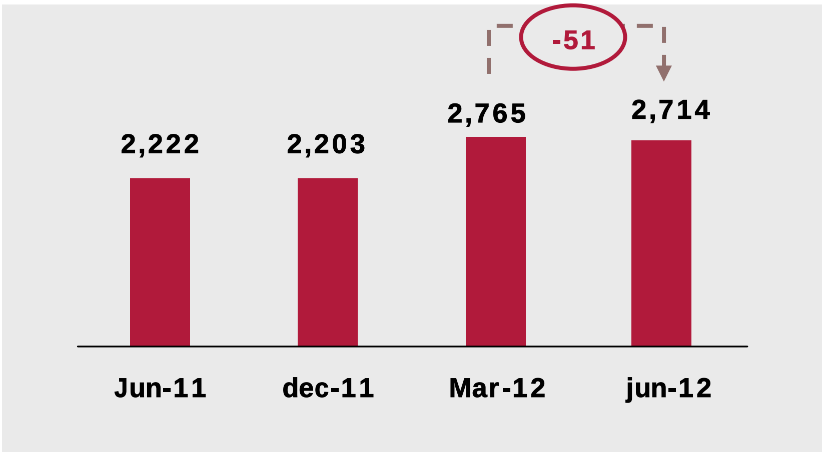
Total costs



Staff evolution-FTEs

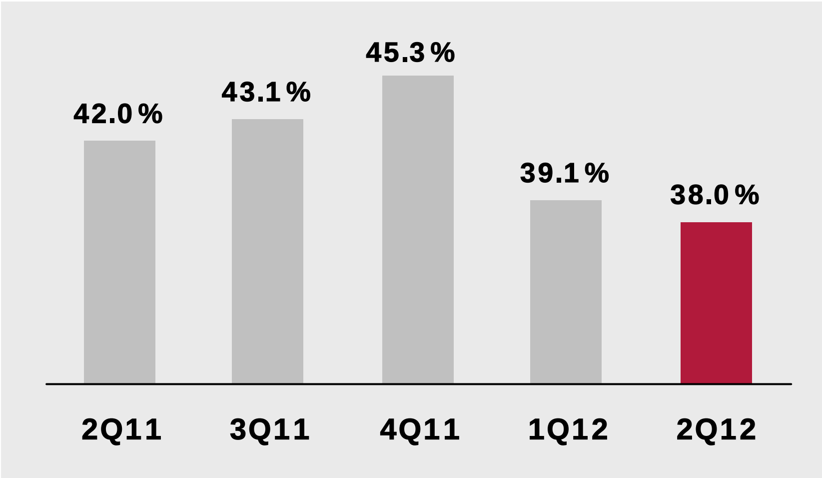


Branches evolution

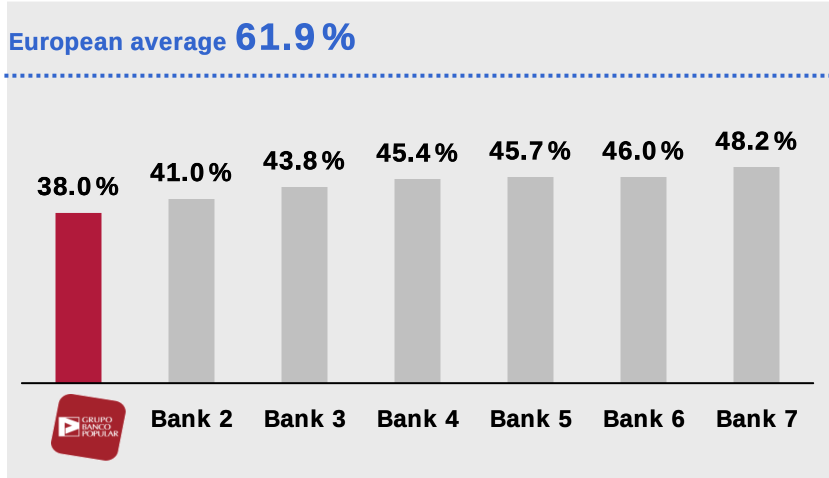


Our recurrent revenues have permited us to continue improving our cost to income ratio, which is already the industry's benchmark

Quarterly efficiency ratio

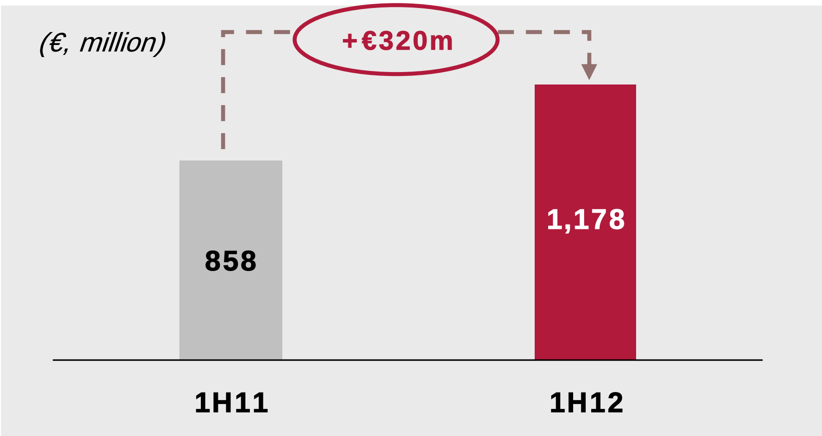


Efficiency ratio vs. Peers 2Q12



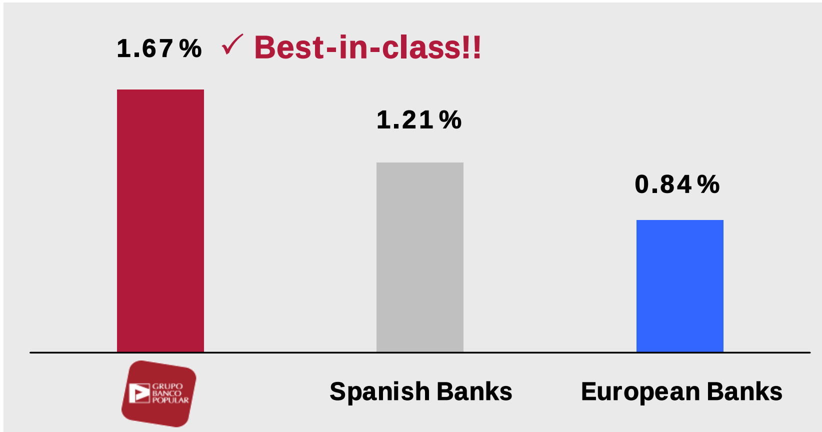
Banks: BBVA España, Caixabank, Santander España, Banesto, Sabadell & Bankinter

Pre-provision profit



Note: Includes Banco Pastor since February 17th 2012

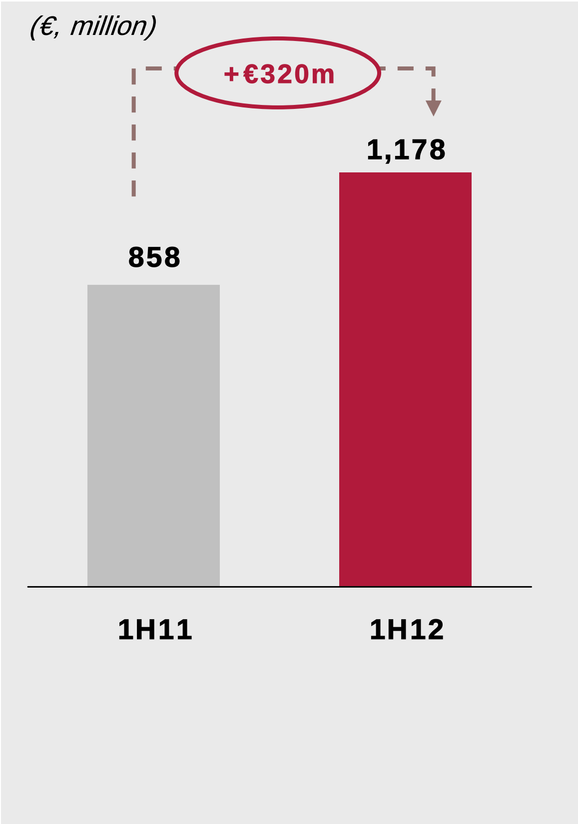
Pre-provision margin over total assets comparison 2Q12



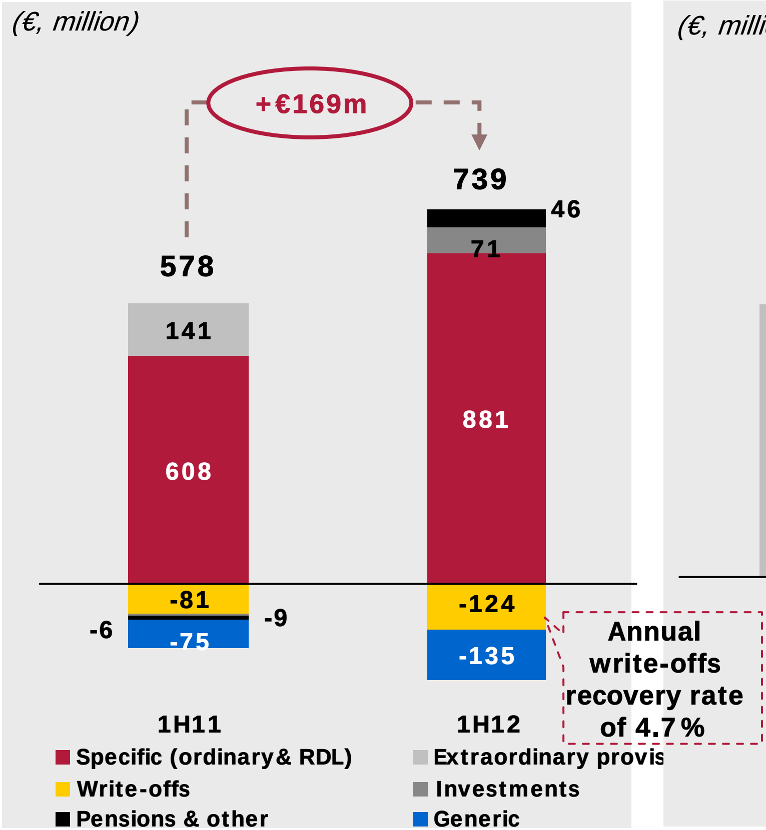
Source: Last available quarterly reports (Sabadell, Banesto, Caixabank, Bankinter) and KBW

The strength of PPP and solvency, has allowed us to carry out an extremely strong provisioning effort in the first half of the year: 3% of our loans!

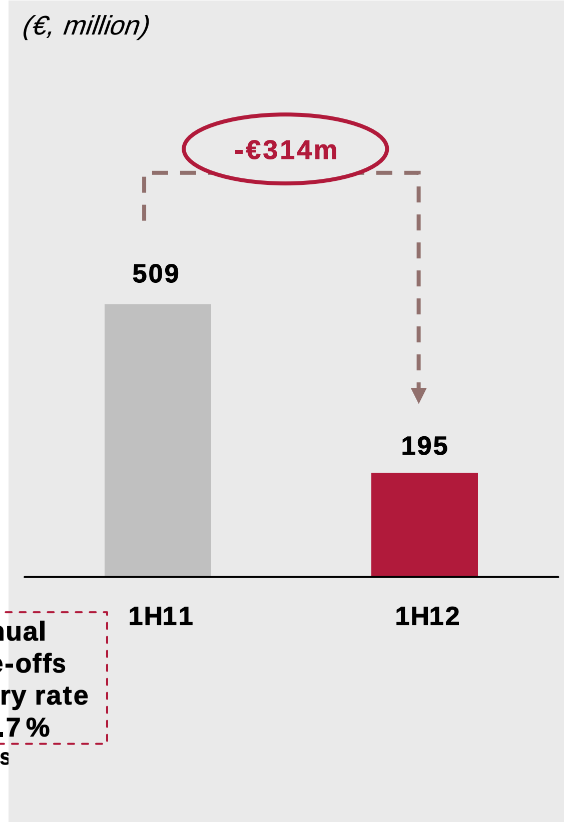
Pre-provision profit



Provision for loans and investments



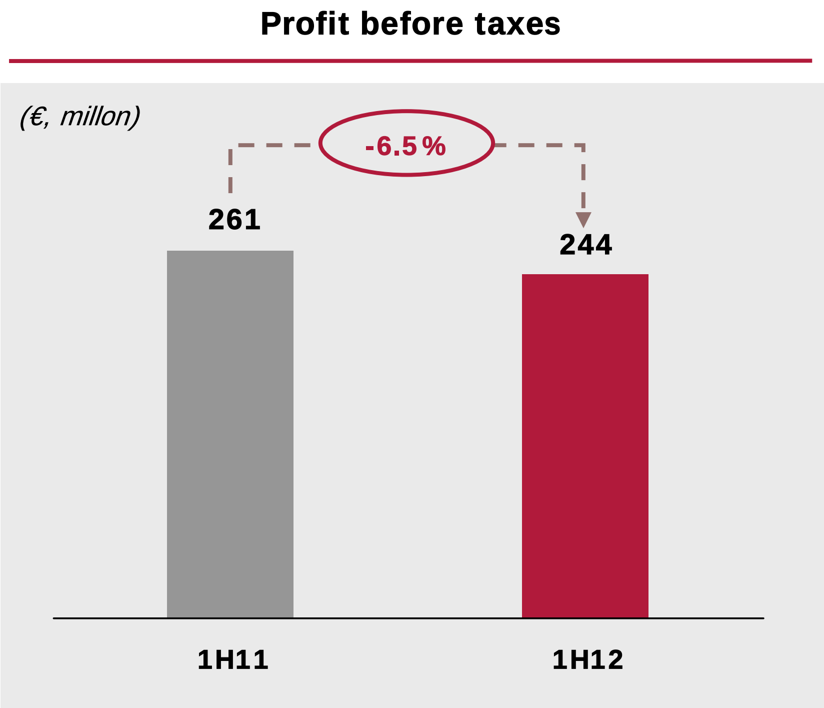
Real Estate provisions

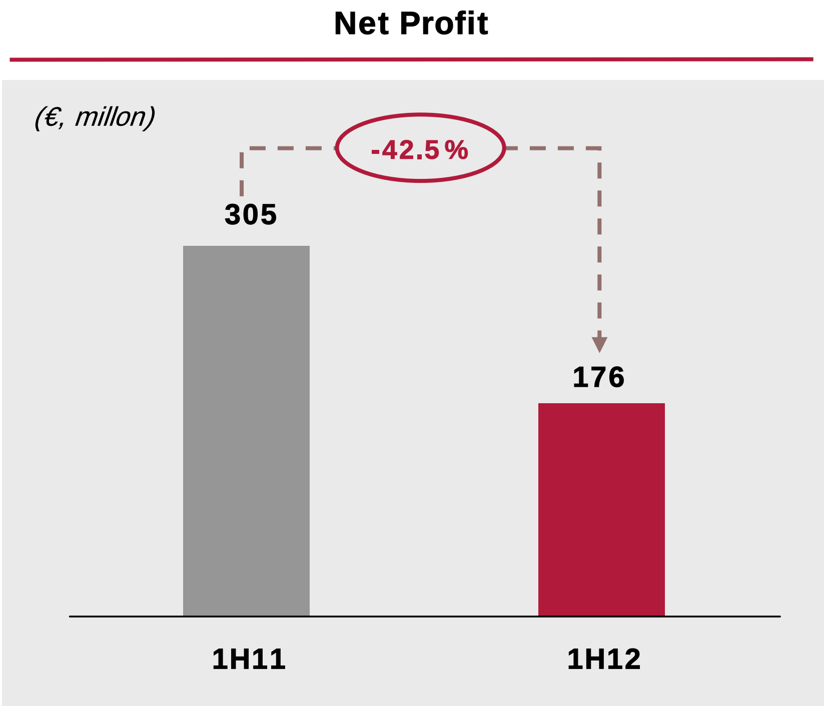


In addition we have booked **€2.4 Bn of FVA gross** (Pastor integration) leading to an improvement of our coverage ratios

Note: Includes Banco Pastor since February 17th 2012

Despite this demanding provisioning, we have posted €244 Mn of Profit before taxes and €176 Mn Net Attributable Profit in the first half of 2012



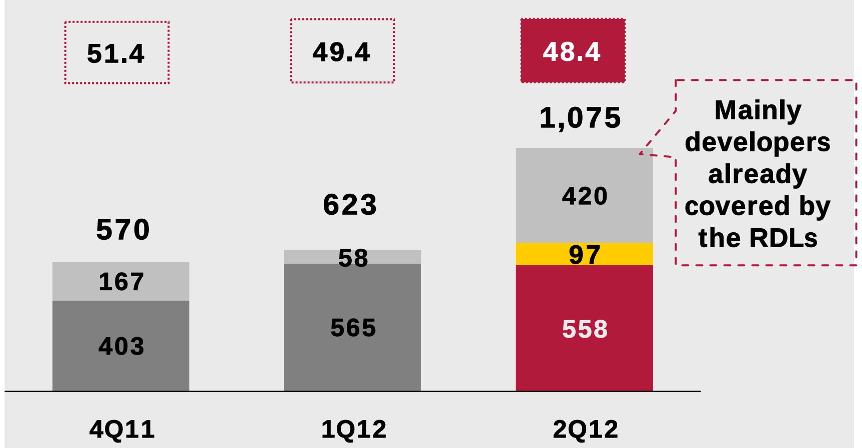


Note: Includes Banco Pastor since February 17th 2012. In 1H11 we registered a significant tax credit which makes Net Profit figures not comparable

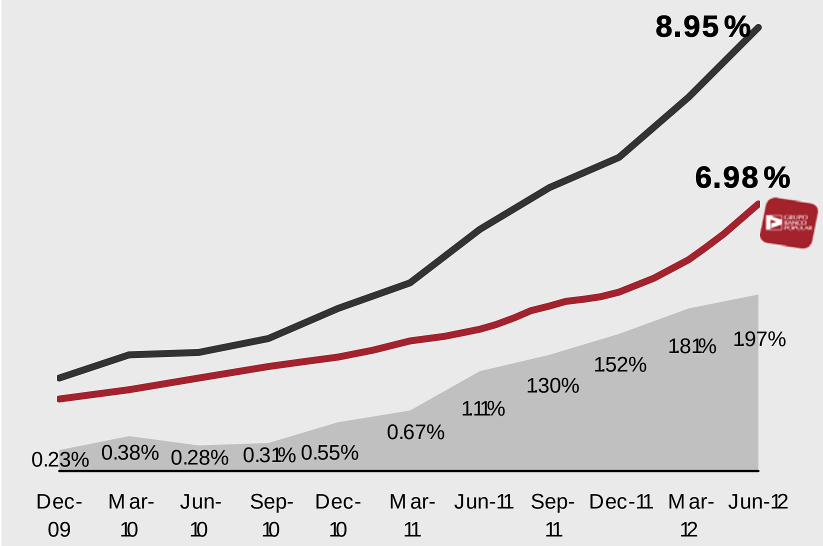
Agenda

Net entries increase as a result of the weak macro environment, the Pastor consolidation and a higher transfer from substandard to NPLs. The NPL ratio, however, remains well below the industry

Evolution of net entries of NPLs



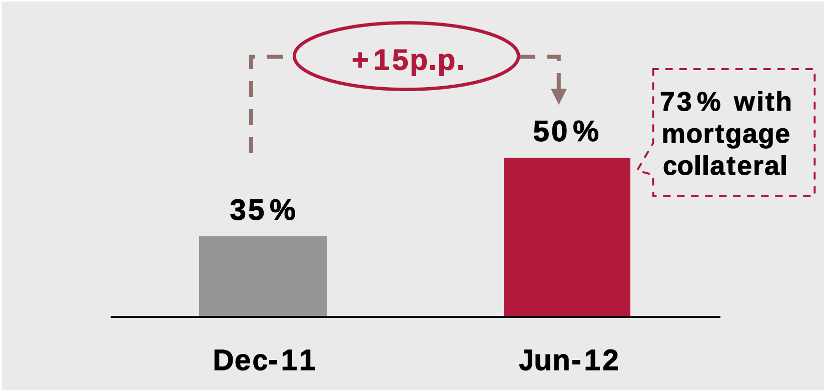
NPL ratio evolution vs. sector



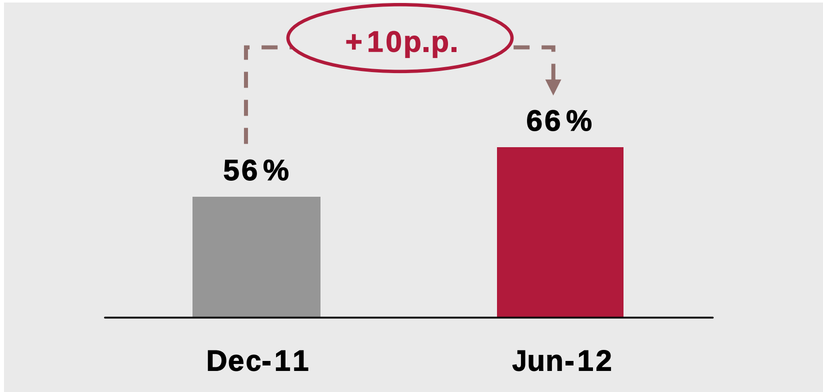
(*) Average banks, saving banks and credit unions as of May 2012 (last available data)

The massive provisioning effort leads to a remarkable reinforcement of our NPAs coverage

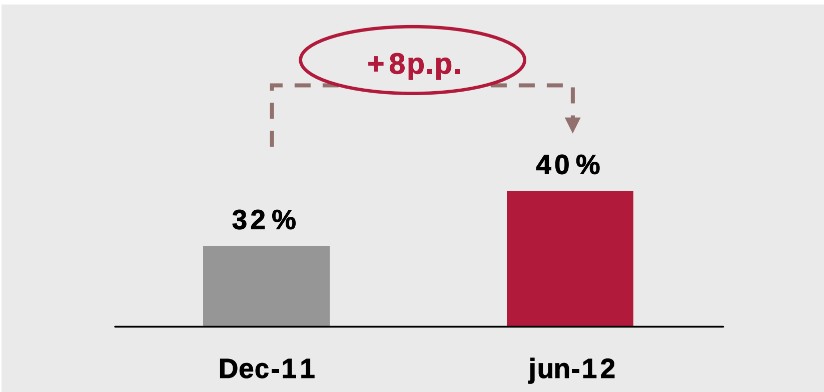
NPLs Coverage



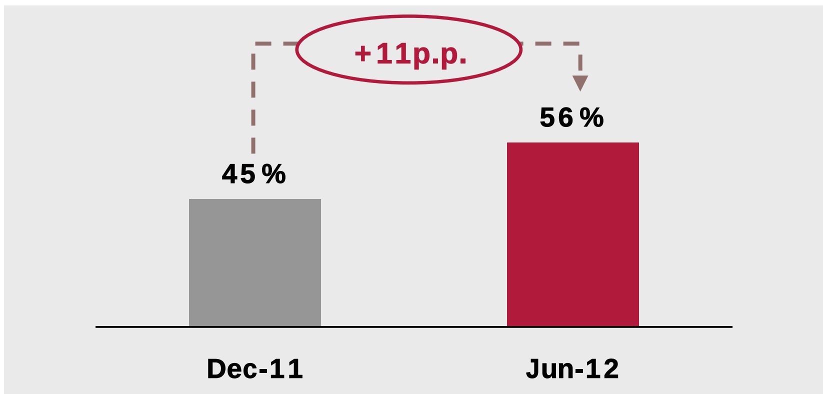
NPLs + Write offs Coverage



RE Assets Coverage



NPAs Coverage (1)



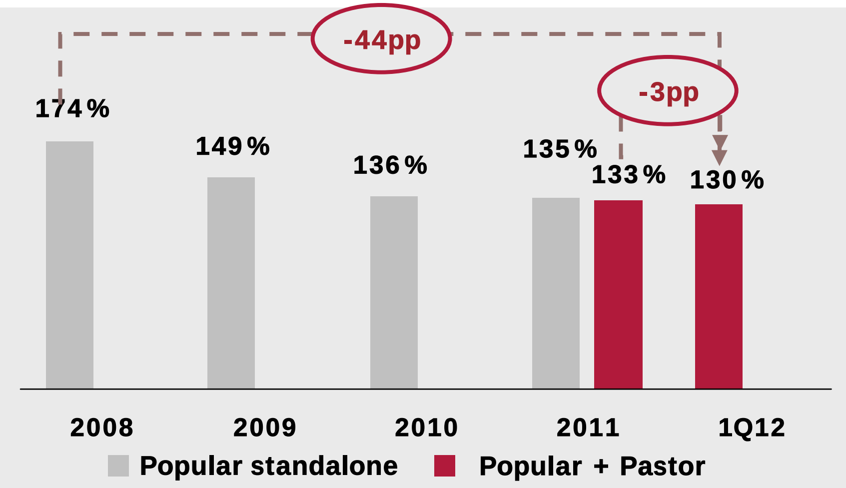
(1) NPAs: NPLs + RE assets + Written-offs

N.B: Coverage without considering the value of collateral

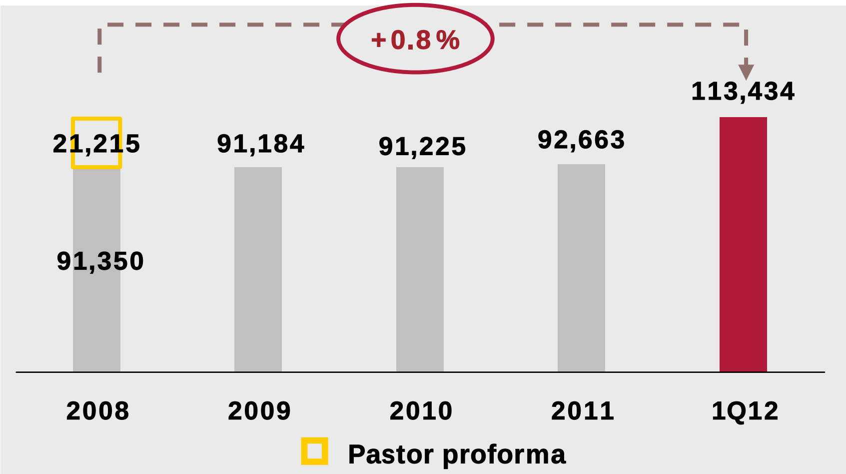
Agenda

In 4 years we have reduced our wholesale dependence by €19 Bn without deleveraging

Loan/Deposits Ratio (%)

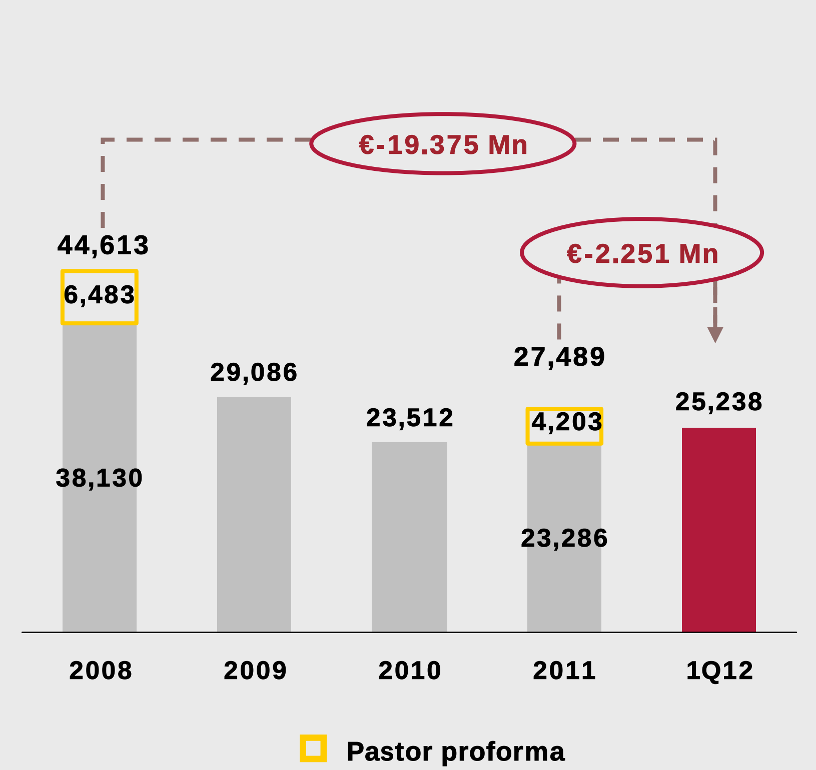


Net credit ex-repos evolution



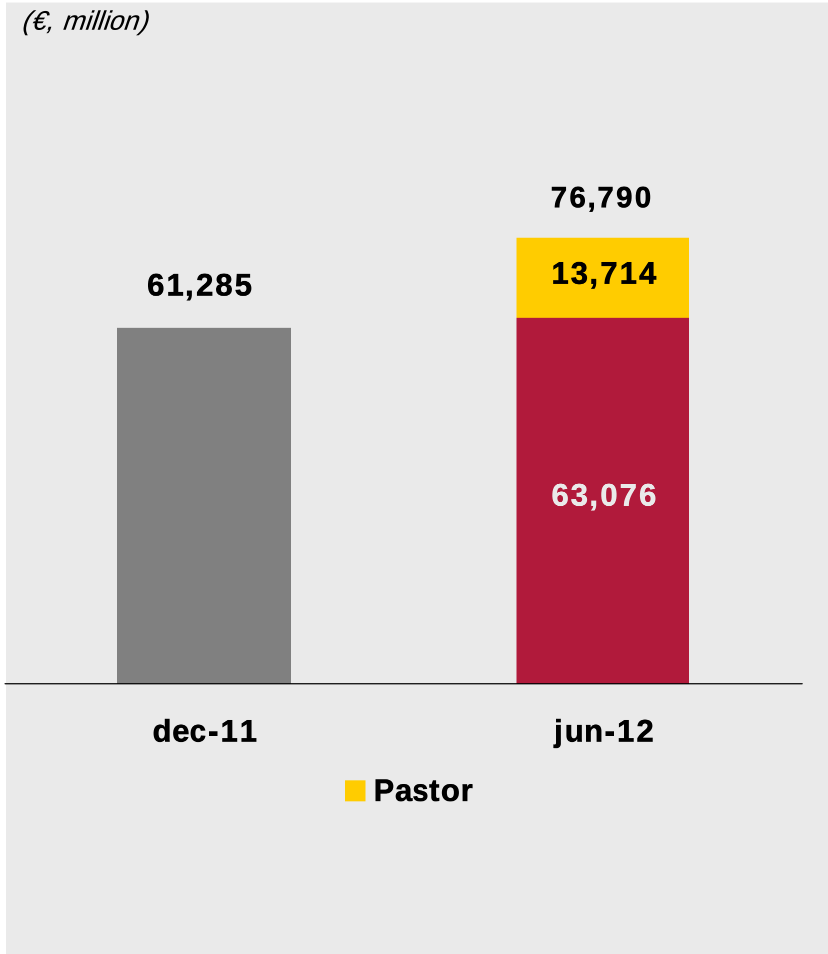
Commercial gap evolution

(€, millones)



Retail funds doing well in 1H12. After a spectacular start of the year, in 2Q12 we have managed tactically our margins

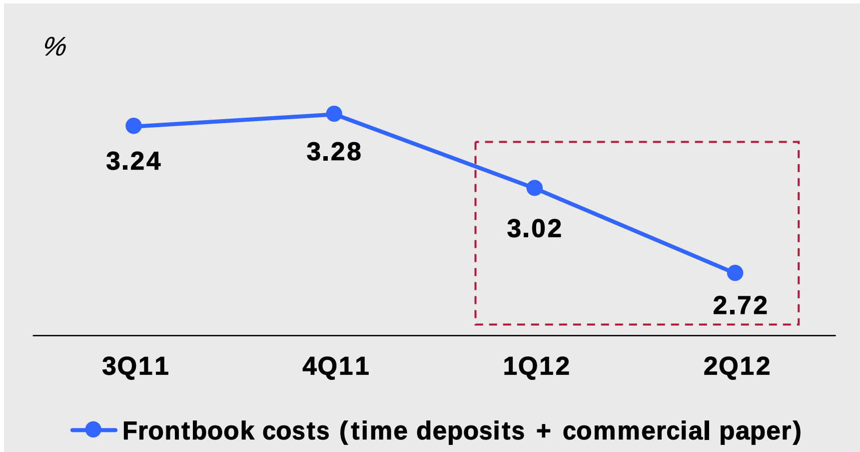
Retail Funds ex-repos



Main trends of retail funds during 2Q12

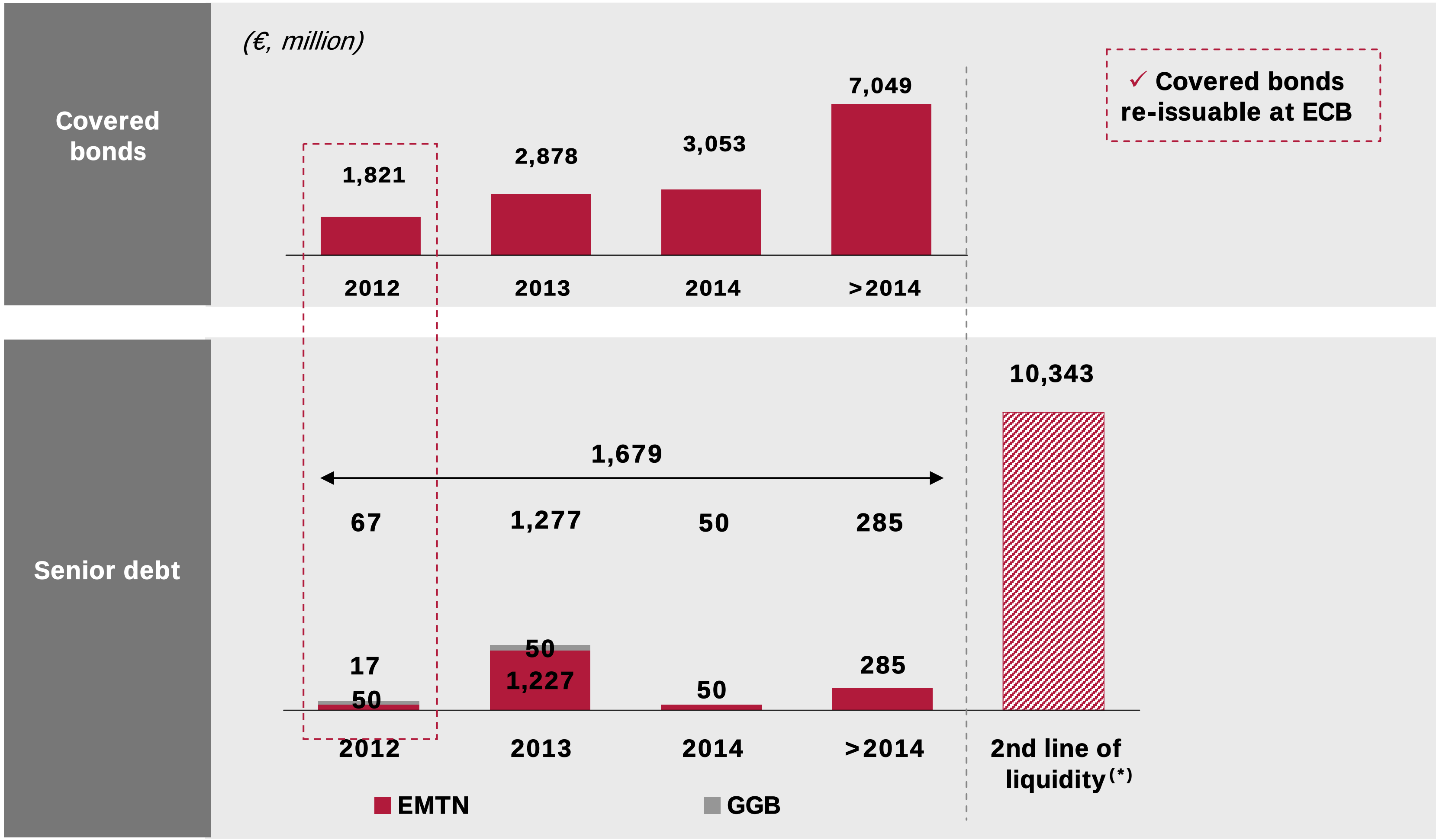
- Slight increase in retail deposits
- More volatility in deposits from multinational companies and institutions
- Tactical margin management after the strong start of the year

Frontbook costs



We enjoy a solid liquidity position

Popular + Pastor medium and long term maturities and the 2nd line of liquidity



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

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Main highlights from the new business plan approved in June 2012 by Bank of Spain

1. In 2012-13 Banco Popular will cover all the provisions requirements of the two new Royal Decrees to cover the Real Estate risks: €3.2 Bn of specific provisions and €4.4 Bn of generic provisions

2. Popular will carry out an asset divestment plan that will derive in lower capital consumption and significant capital gains

3. Popular incorporates provisions of <u>€11 Bn</u> in its plans (RE and others, included generics that we expect just a partial use in 2012 and 2013)

4. Popular expects, in spite of the massive provisions, to generate profits in 2012 and 2013, and significantly higher in 2014 as a consequence of the accelerated and generic provisions

5. We maintain our €700 Mn capital increase announced on the back of the Pastor acquisition and postponed. It will be carried out before June 2013

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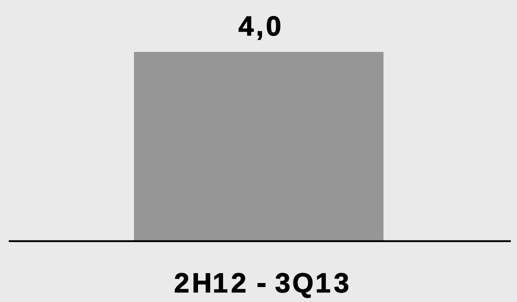
Business Plan update. Pre-Provision Profit performing better than expected

2012-14 P&L forecast update

(€ billion except Net Income)	1H12	1H12 x 2	2012E	2013E	2014E(*)
Net interest income	**1.4**	**2.8**	**2.8**	**2.8**	**2.9**
Total revenues	2.0	4.0	4.0	3.9	4.0
Pre-provision profit	**1.2**	**2.4**	**2.3**	**2.3**	**2.4**
Net Income (€ Million)	**176**	**352**	**325-360**	**580-654**	**1,400**

RDL pending P&L provisions (generic & specific)

(€, billion)



Identified capital gains

Total c.€2.0-2.3Bn

- **Joint venture credit cards and consumer credit businesses**
- **Branch network sales**
- **Sale of Life & Pensions Insurance business in Portugal**
- **Non accelerated asset sales and others**

Note: Internal update of the Business Plan after 2Q12 closing
(*) 2014 includes €0.8Bn of fresh countercyclical provisions

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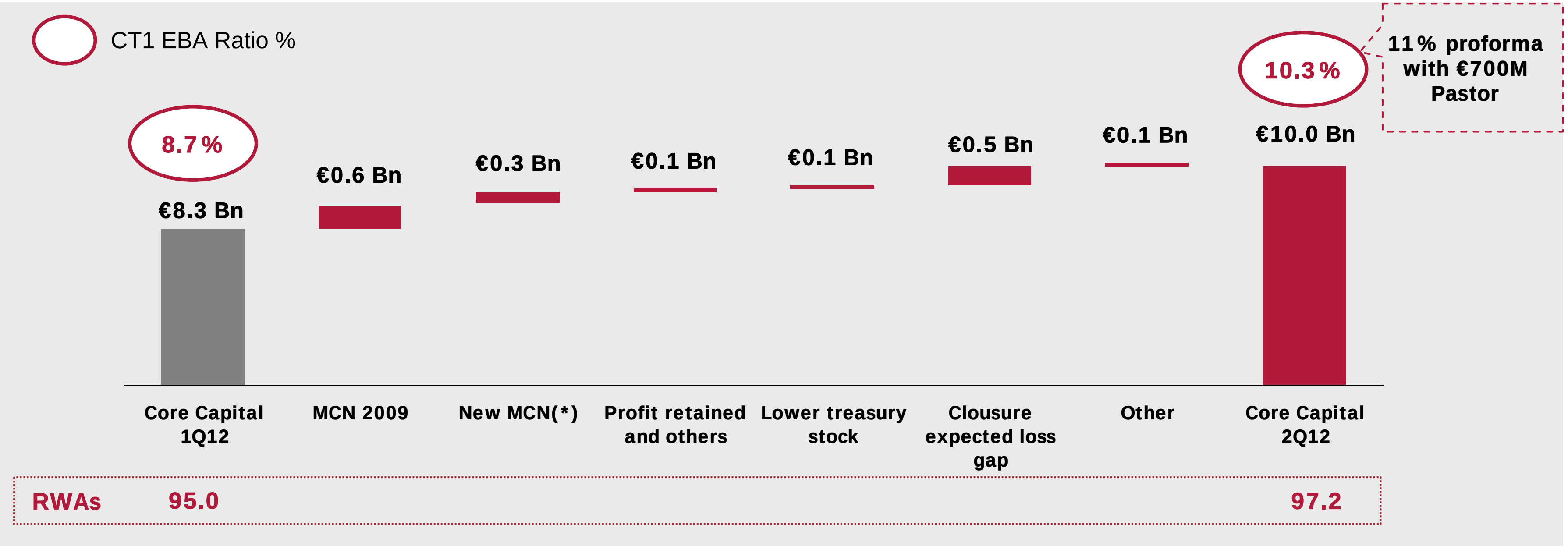
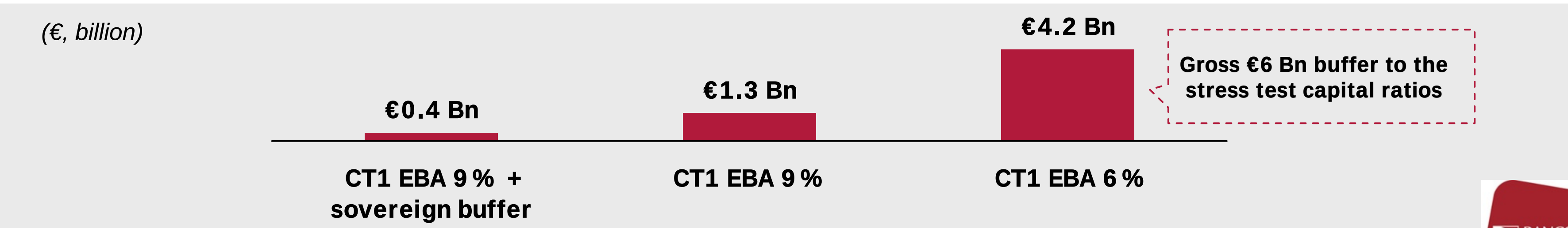
We complied with EBA requirements. Indeed, still without executing the €700M capital increase announced in the Pastor merger process we can count on an important capital buffer

Quaterly reconciliation of Core Capital EBA (€, billion)



(*) Including the exchange of wholesale preferent shares and new MCN private issuance

Capital excess CT1 EBA under different scenarios



Regarding the forthcoming stress tests, we do not expect additional capital needs to the ones already included in our business plan. We have a very strong starting position, bearing in mind all the capital already put in place together with the strengths of our superior business model

Starting position of Banco Popular

1 Executed and set off capital measures

- Measures implemented since December (net of €2.4 Bn FVA due to the merger of Pastor): + €2bn
- RWAs reduction achieved (Pastor proforma): - €10Bn
- Improvement of the pre-provision profit: +37% YoY 1H12
- Capital gains: +c. €2Bn *estimated before June 2013*
- Postponed Pastor capital increase: €0.7Bn *before June 2013*

2 Better credit quality than the industry

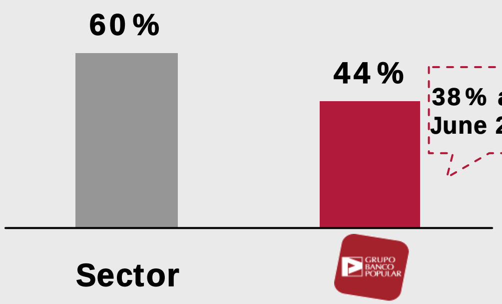
NPL ratio (Dec 2011)	**Sector**	**POP**
RE developer	28.9%	20.4%
Retail mortgages	3.3%	4.6%
Corporates	4.2%	3.0%
SMEs	7.7%	6.3%
Public works	9.8%	8.6%
Other private individuals	5.7%	3.3%

with collaterals 64%

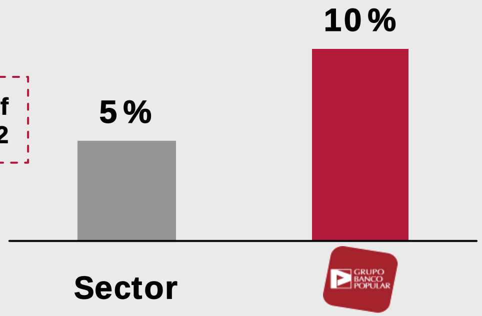
with collaterals 74%

3 Best in-class in recurrent earnings, provisions already made and capital strength

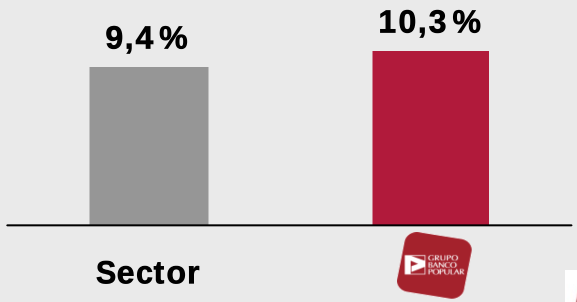
Efficiency ratio Dec 2011



Provisions over credit risk 2008-2011 (*)



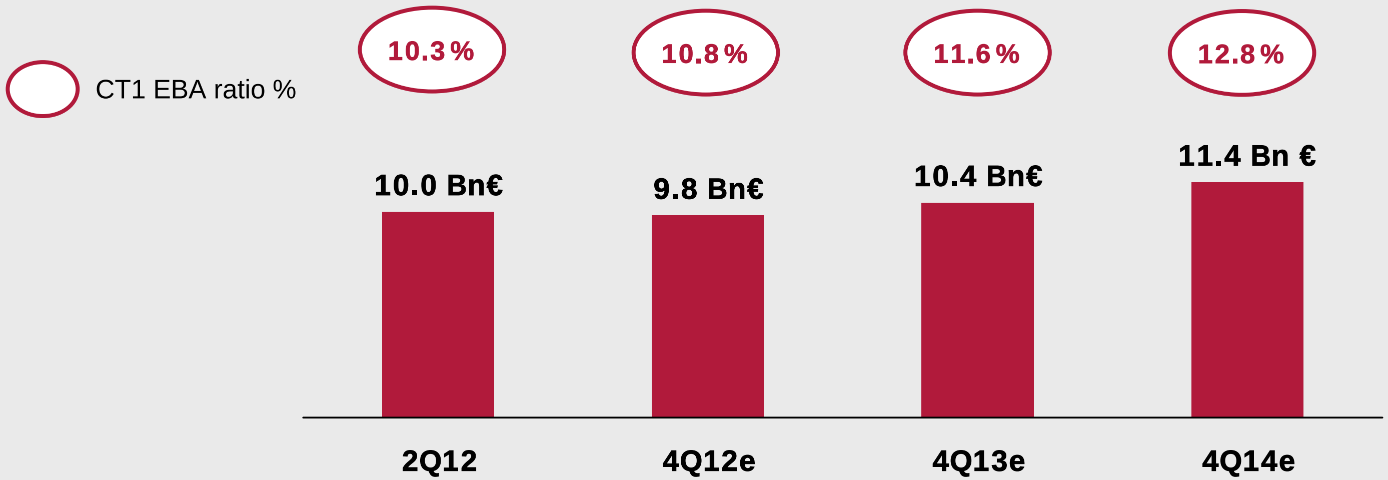
Core Tier 1 EBA (**)



Note: Figures for Popular and Pastor as of Dec 2011.
(*) Credit risk = credits + real estate. Valuation adjustments of the Pastor acquisition are included.
(**) Core capital figures for the sector based on Oliver Wyman estimates as of Dec 2011 and for Popular as of Jun 2012.

To give an idea of the capital strength and in spite of the provisioning clean-up we will have a solid capital base and an extremely good position to face stress tests

Core Capital EBA estimations



	2Q12	4Q12e	4Q13e	4Q14e
RWAs (Bn €)	97.2	90.5	89.4	89.4
Stock of provisions (Bn €)	9.3	13.7	15.6	16.6

Capital excess above 6% CT1 stressed threshold: €8.7Bn gross buffer to build-up provisions in a stress test scenario

Capacity to face €24.8 Bn of provisions by the end of 2014, compliant with the minimum capital requirements under a stress scenario (6%)

Nota: Figures for Popular and Pastor

Agenda

A best-in-class first half of the year, beating targets in a very demanding scenario

Key highlights 1H12

Best-in-class recurrent revenues	• Net interest income +37% YoY. Pre-provision profit up to €1,2Bn, (+37% YoY) in 1H12
Efficiency and Pastor integration	• Efficiency ratio improves even further: 38.5% in 1H12 • Synergies of the Pastor integration above initial expectations (already reached 70% of the 2012 target)
Strong provisioning reinforcement. EBA targets already beaten. Liquidity on track	• NPAs coverage to 56% (+11pp YTD) • Core Tier 1 EBA: 10.3% • Further improvement of the commercial gap by €2.2 Bn YTD. Loan to deposit ratio at 130%
Business Plan approved by BoS. Extraordinary position to face the Stress Tests	• Business Plan approved by BoS. 2H12 results, ahead of plan • Our solid capital base, our exceptional capacity to generate revenues and the clean-up to date, key to face Stress Test scenarios

Outlook 2012/2013/2014

Challenging environment	• The macro, micro and regulatory environment is still "very very" challenging
Operating resiliencies and pre-provision profit at >€2 Bn	• Solid earnings and synergies generation (average pre-provision profit €2.3Bn p.a. together with assets disposals) will allow us to face an extraordinary clean-up, while remaining profitable. By 2014 exceptional net profits are expected due to the accelerated clean-up booked in 2012 and 2013
Strong coverage increase	• Set aside provisions for NPLs and real estate, will allow us to divest those assets gradually & profitably
Excellent competitive position	• Capital: we do not expect higher capital increases apart from the €700m postponed Pastor issue • As a reminder, capital, cost and income efficiency, together with a sound liquidity position, are crucial to manage any stress situation

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Thank you

Happy to take any questions

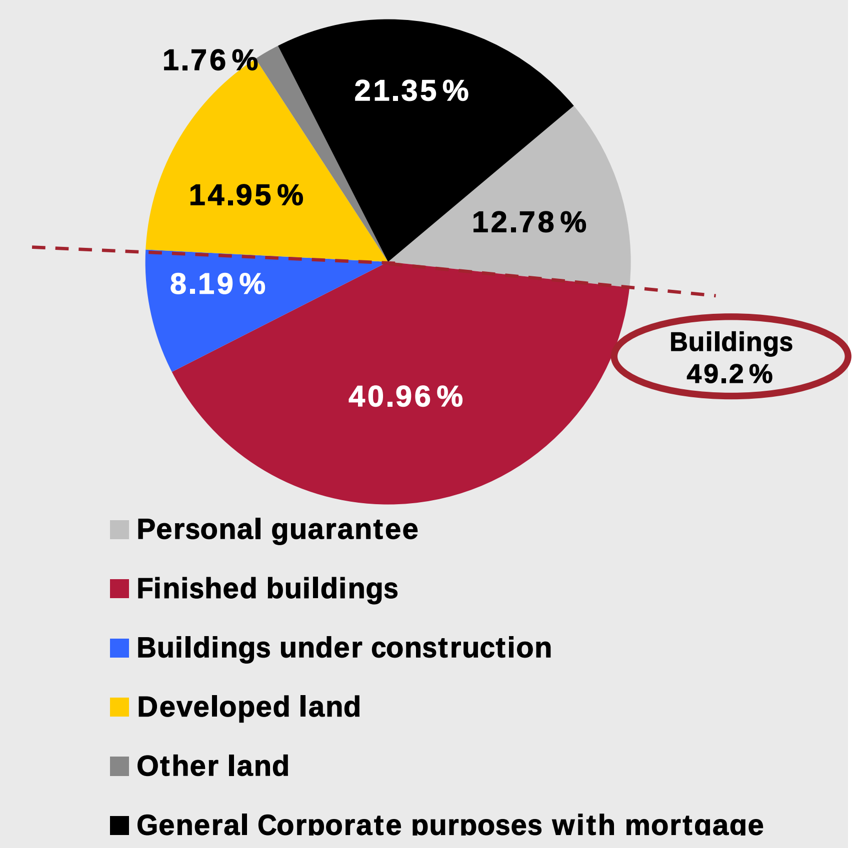
Appendix

Credit Exposure

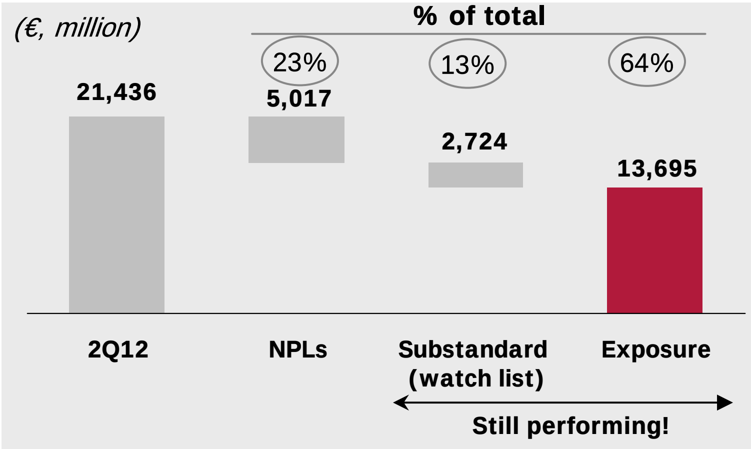
(€, million)	**1S12**
Lending to construction & RE purposes	21,436
Public works	2,116
Corporates	14,243
SMEs	29,364
Individuals with mortgage collateral	28,710
Individuals with other collaterals	171
Individuals rest	3,541
Total Spain	**99,582**
Rest (repos, public administration, non Spain)	20,340
Total gross loans	**119,922**

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

Lending to construction and RE: breakdown by type



Total exposure to RE lending



Coverage of RE lending

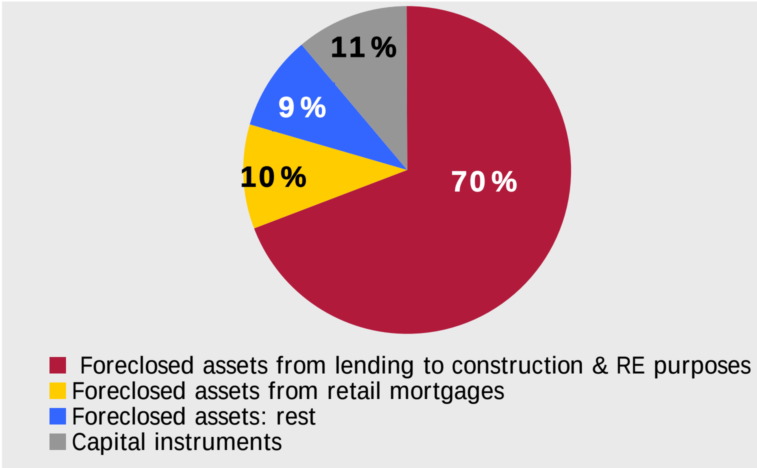
(€, million)	4Q11 Pro-forma	2Q12
Specific + Generic	1,525	3,160
Write-offs	978	1,123
Total	**2,503**	**4,283**
NPLs & Substandard coverage	**30 %**	**48 %**

BoS Transparency exercise: Real Estate assets held in Spain. During these 6 months, we have increased strongly our coverage

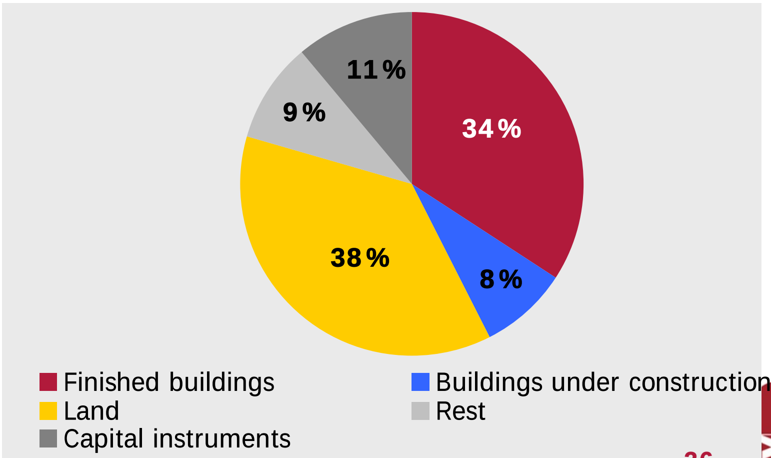
Foreclosed assets: detail & coverage

(€, million)	4Q11 Pro-forma	2Q12
Foreclosed assets (net amount)	5,685	5,623
Capital instruments (net amount)	416	340
Provisions	2,883	3,912
Coverage	**32%**	**40%**

Foreclosed assets: split by origin



Foreclosed assets: split by type of collateral



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