1st Quarter 2012 Results

Madrid, April 27th 2012

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Agenda

1. 1Q12 Results operating performance

    1.1 P&L main drivers

    1.2 Risk management and Royal Decree Law 2/2102 update

    1.3 Liquidity & funding policy

2. Banco Pastor update

3. Capital position & EBA

4. Conclusions and outlook – Q&A

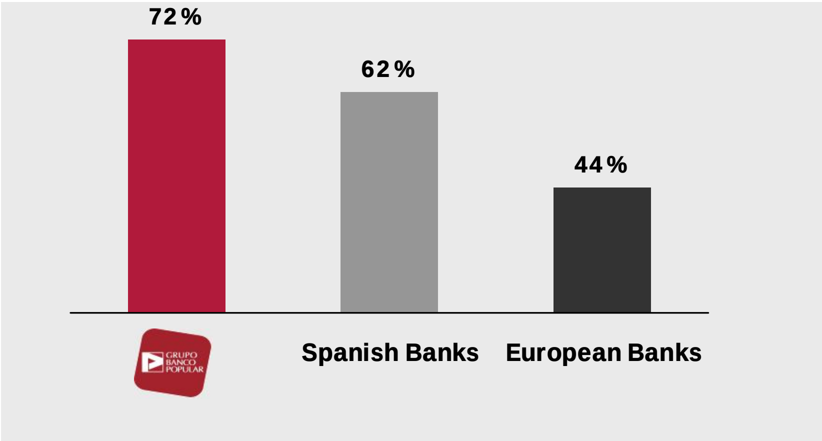
We have started the year with a *very* strong and *very* encouraging operating performance

Key-messages 1Q12

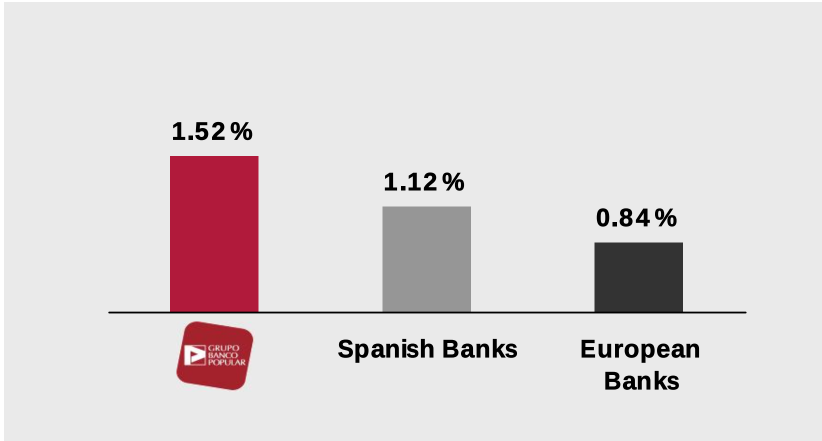
Solid revenues	• Net Interest Income +31% QoQ and +34% YoY (+25% Popular standalone). Total Recurrent Revenues +20%. Pre-Provisioning Profit up by 20% to €539m
Efficiency and Pastor integration	• Efficiency ratio improves to 39%, 36% Popular standalone • Expect synergies of the Pastor integration to be above the initial estimates. Pastor will have a strong contribution from year 1
Strong reinforcement in coverage	• Credit coverage increased 15 p.p. to 50% and RE coverage increased 10 p.p. to 42% • We have already absorbed 60% of the new Royal Decree Law 02/2012 in 1Q12
A sound liquidity position	• We have reduced our wholesale funding reliance over the last 3 years by 50% (from €38 bn to €19 bn Popular standalone). Loan to deposits ratio of the combined Group improves to 125% with €13bn+ liquidity buffer.

To set the scene: in spite of the crisis our strengths remain in good shape compared to Spanish and European peers

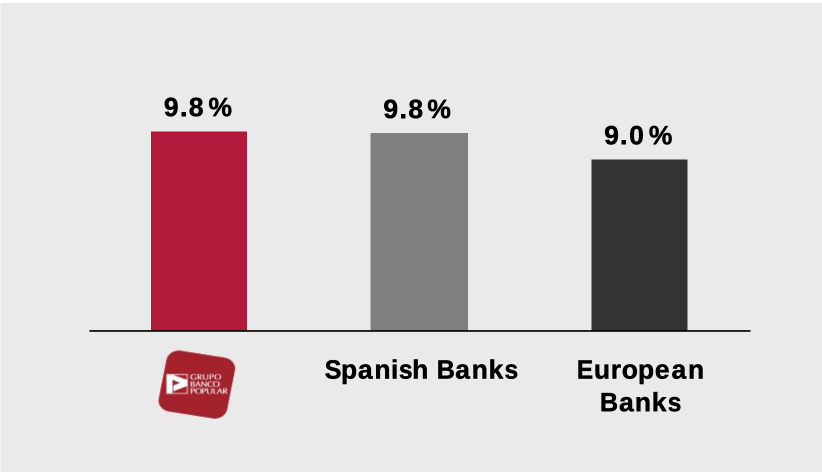
✓ **A pure retail and commercial bank: loan to assets**



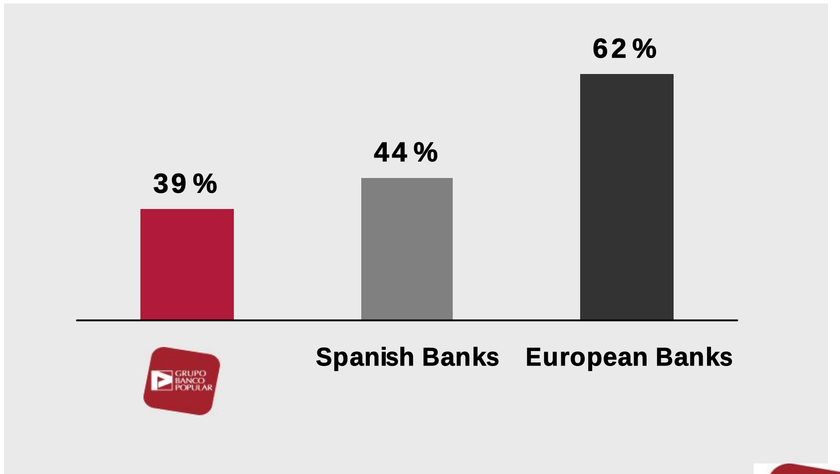
✓ **A privileged operating margin [1]**



✓ **A strong core capital [2]**



✓ **The most efficient bank: C/I ratio**

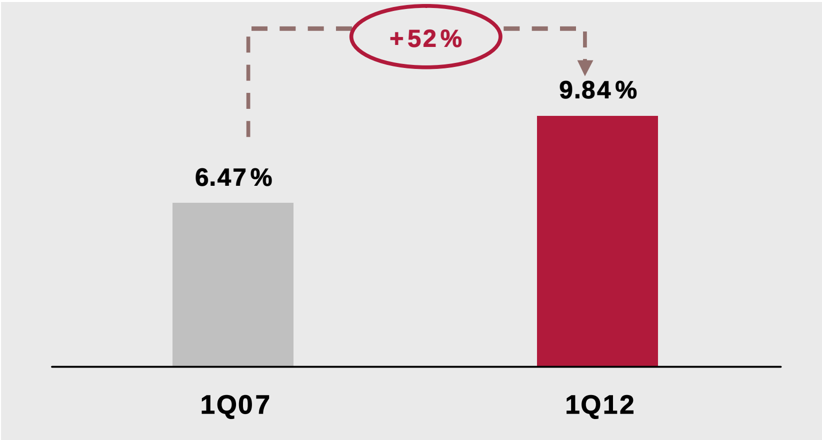


(1) Pre-provision profit/ ATAs
(2) Core capital under local regulation, which includes MCNs and local deductions
Source: Quarterly reports as of 1Q12; Spanish Banks: Caixabank, Sabadell, Bankia, Banesto and Bankinter
European Banks, KBW European Banks & Credit Suisse Banks valuation

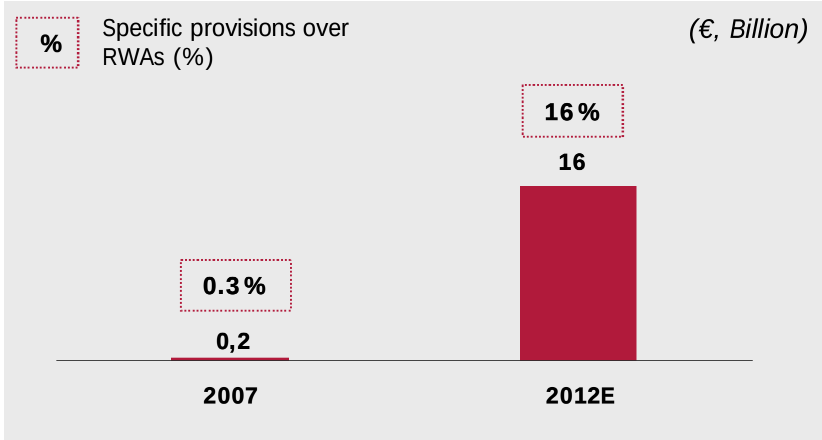
BANCO POPULAR

...and our priorities remains focused throughout the crisis...

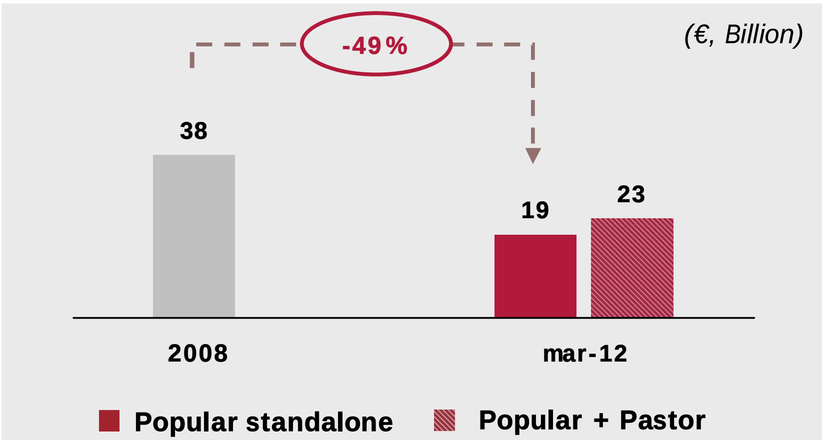
✓ Solvency: Core capital*



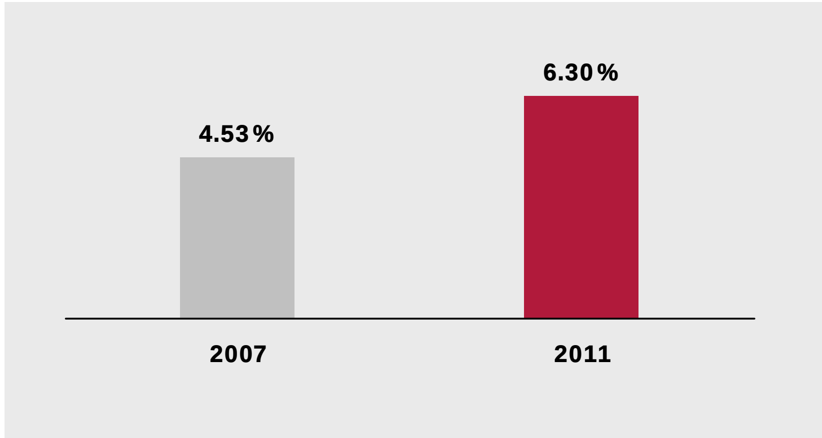
✓ Reinforce credit & RE provisions (specific charges)



✓ Reduce wholesale funding reliance



✓ Gain quality market share(1)



* *Core Capital definition under local criteria*

(1) *Business market share: credits and deposits. Source: T7 form. Data December 2011*

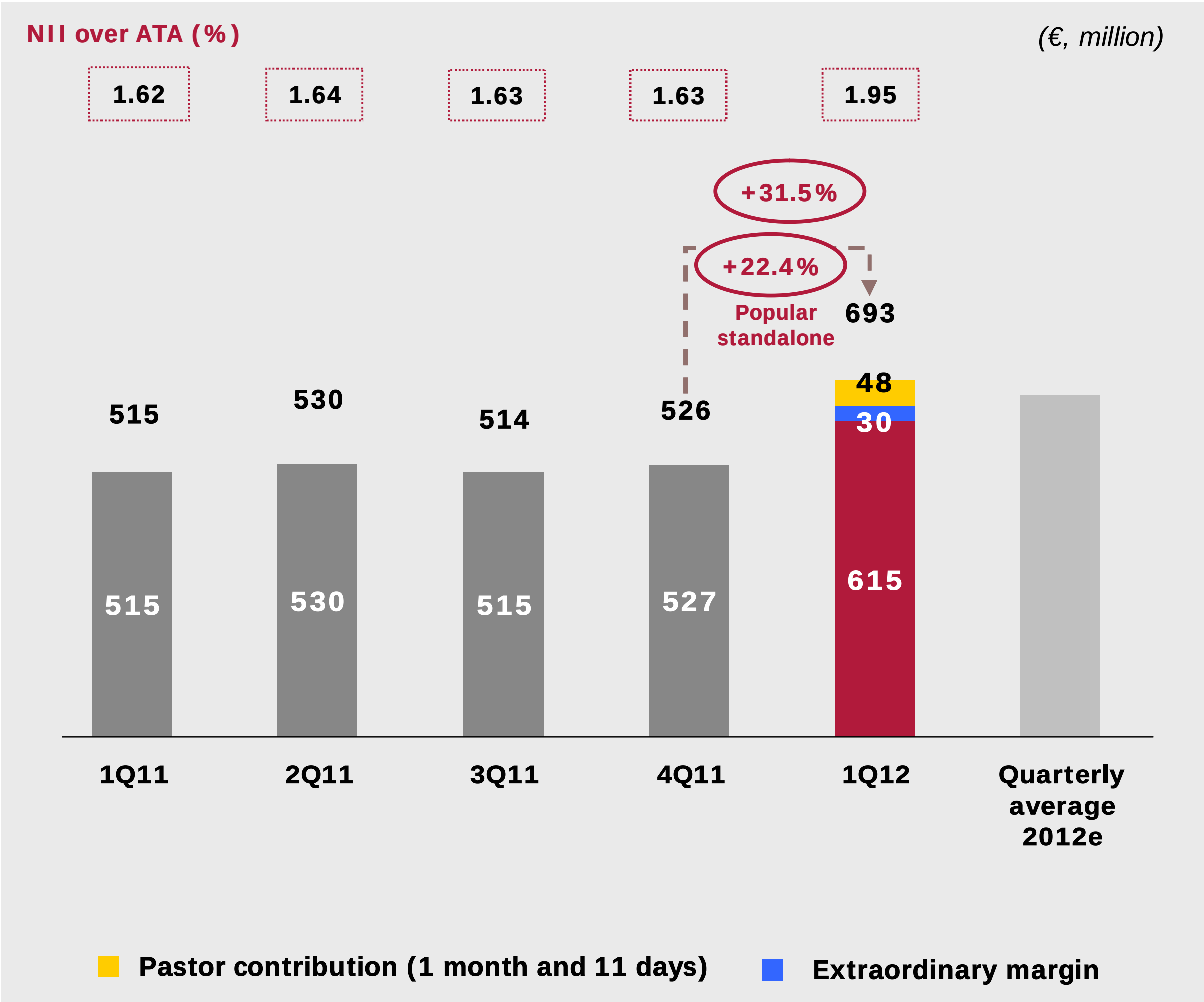
Financial Highlights 1Q12

(€, Million)	1Q-12	4Q-11	1Q-11	Change YoY (€m)	Change YoY (%)
Net interest income	**693**	**527**	**516**	**177**	**+34.3%**
Fees and commissions	186	170	172	14	8.1%
Trading and other income	56	48	88	-32	-36.3%
Gross operating income	**935**	**746**	**776**	**159**	**+20.5%**
Total Operating Costs	-397	-366	-326	-71	21.8%
Pre-provisioning profit	**539**	**381**	**450**	**89**	**19.8%**
Provisions for loans and investments (ordinary & accelerated)	-310	-185	-409	99	-24.2%
Net of Provisions for real estate (ordinary & accelerated), goodwill and extraordinary gains	-89	-120	+71	-160	>
PBT	**140**	**76**	**112**	**28**	**+24.8%**
Net profit	**100**	**76**	**186**	**-86**	**-46.2%**
Non-performing ratio	**6.35%**	**5.99%**	**5.44%**		**+ 91 b.p.**
Efficiency ratio	**39.08 %**	**45.3 %**	**38.37%**		**+71 b.p.**
Loans to deposits ratio	**125 %**	**135 %**	**135%**		**-10 p.p.**
Core Capital (local rules)	**9.84 %**	**10.04%**	**9.93%**		**-9 b.p.**

Note: 'Trading and other income' includes FGD fees

Strong increase in Net Interest Income. We expect it to be sustainable throughout the year

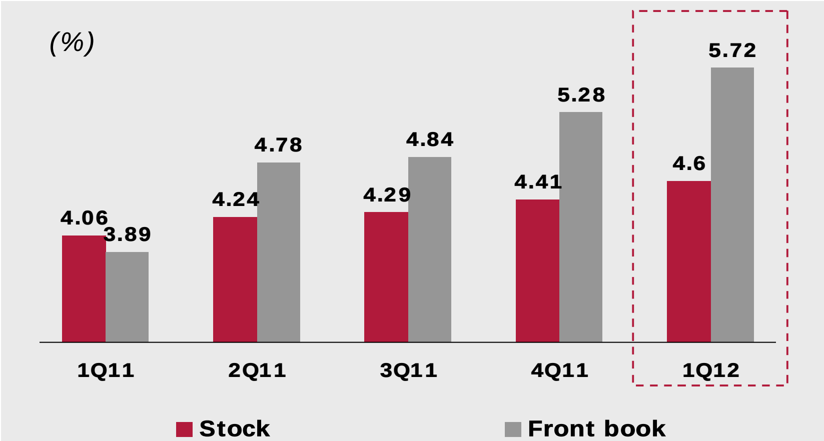
Net interest income evolution



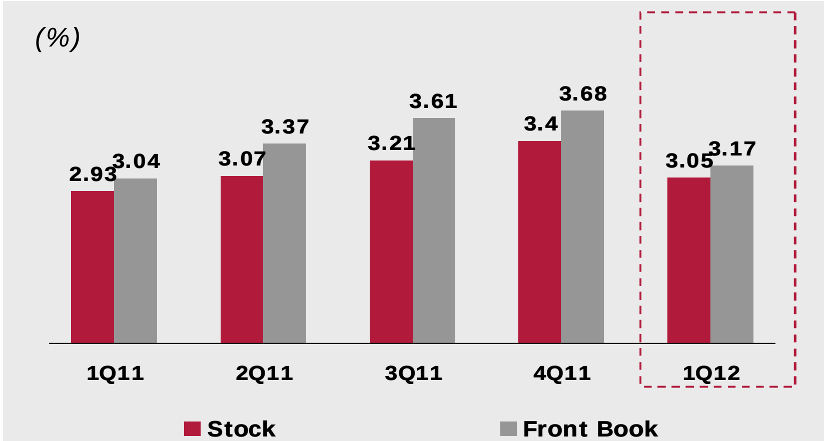
Note: The contribution of Pastor correspond to 1 month and 11 days

The improvement in loan yields combined with the funding cost moderation explains the sharp increase in our net interest income

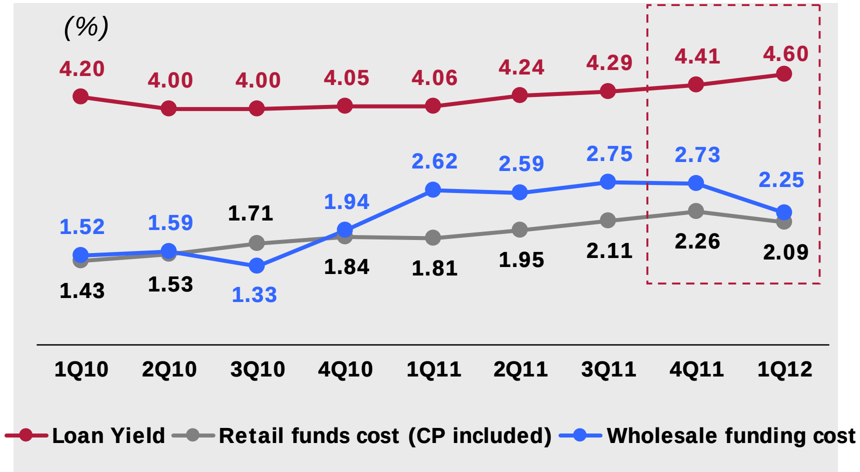
Loans Yields: frontbook vs. stock



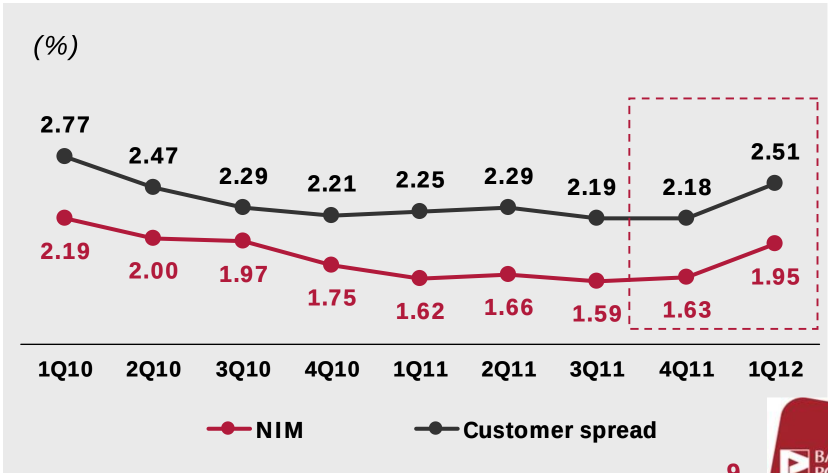
Time deposit costs: frontbook vs. stock



Yields & costs evolution



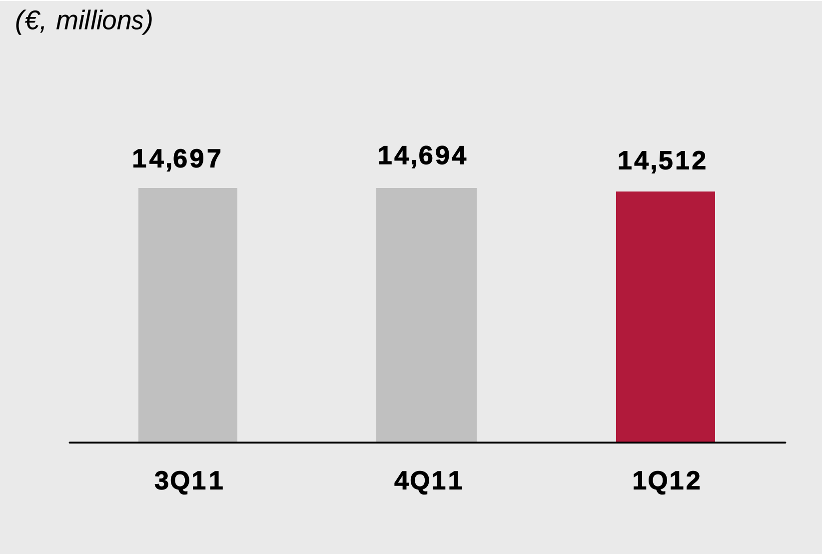
NIM & Customer spread evolution



Note: Data for Popular and Pastor

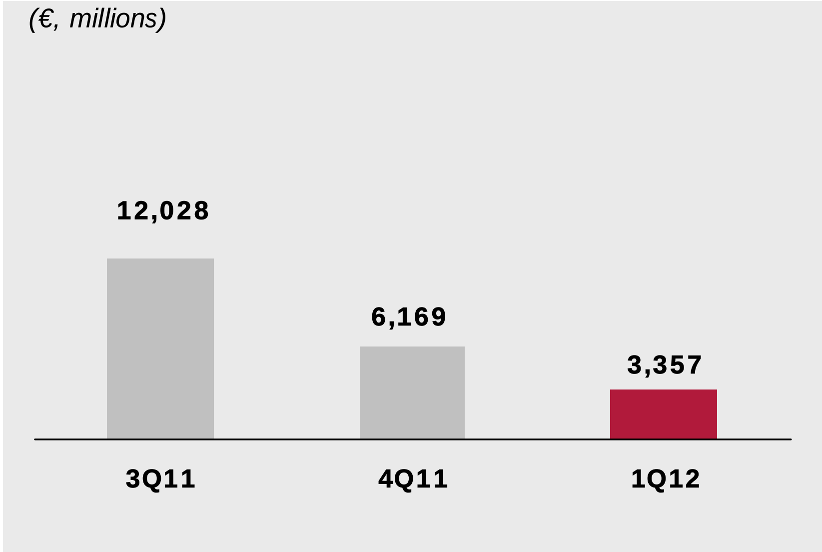
This strong NII improvement did not come from new, ad-hoc, carry trade. We have used LTRO funds mainly to replace clearing houses

ALCO portfolio evolution



Note: Popular ex Pastor

Net funding clearing Houses



Note: Popular ex Pastor

LTRO

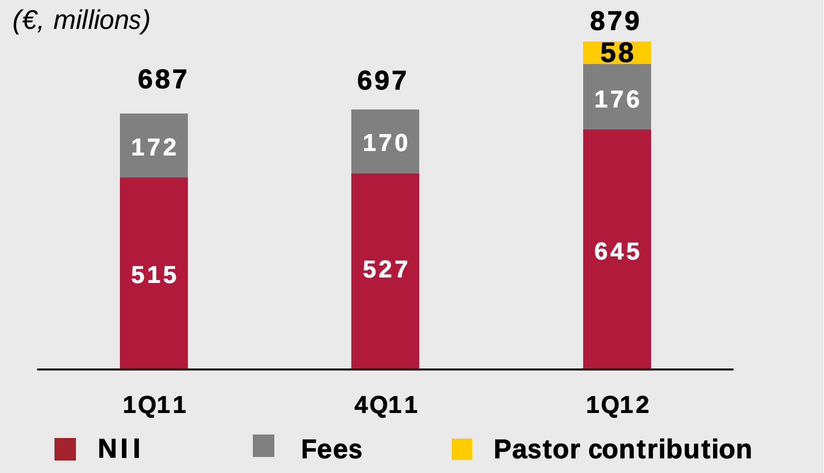
- €14.5 Bn gross POP (12.5 Bn€ net)
- €17.2 Bn POP + PAS (15.2 Bn€ net)

Average cost of funding

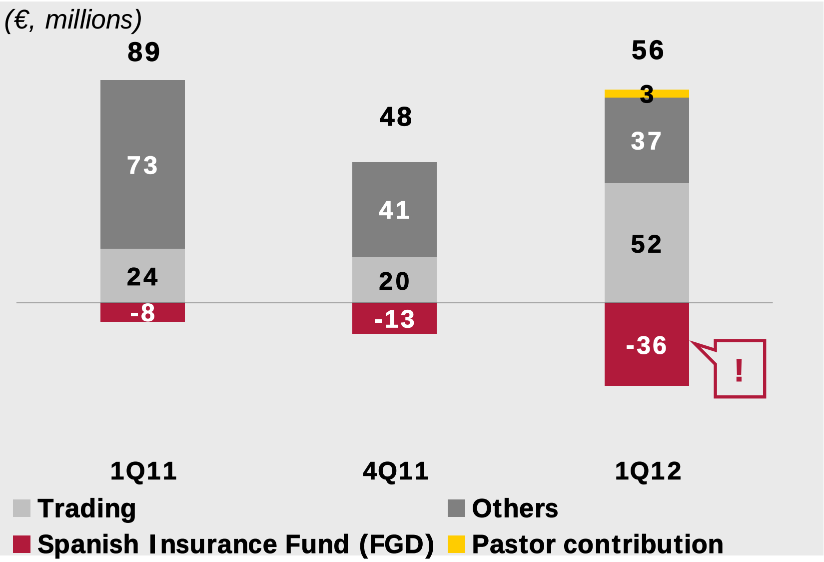
- Clearing houses 1Q12: <1.0%
- LTRO: 1.0%

All in all very strong recurrent revenues. Total revenues up 17% like-for-like QoQ, despite the higher fees charged by the FGD

Basic Revenues

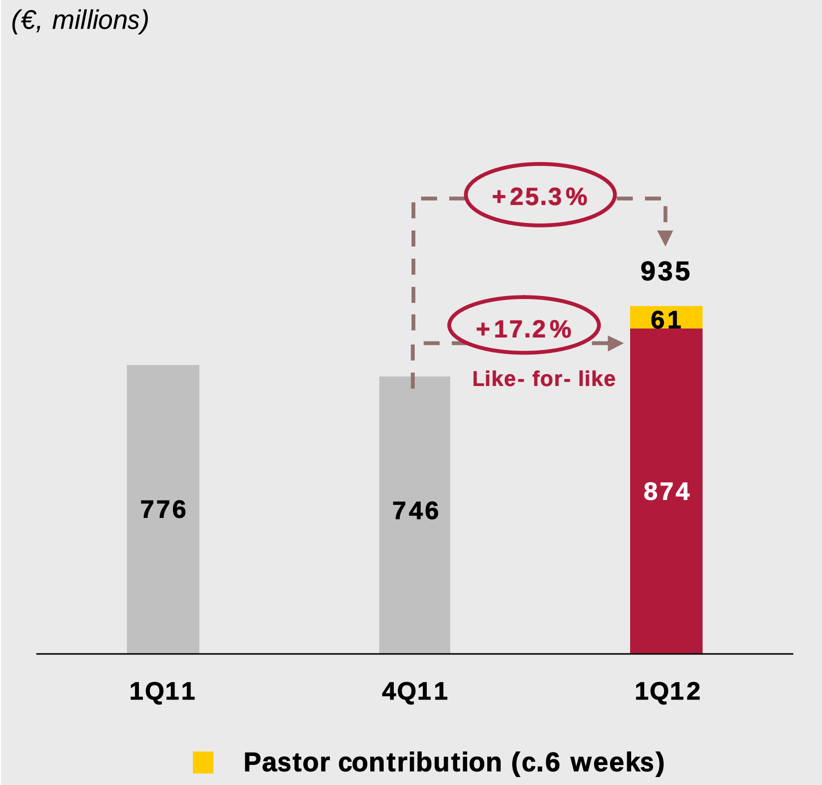


Trading & other



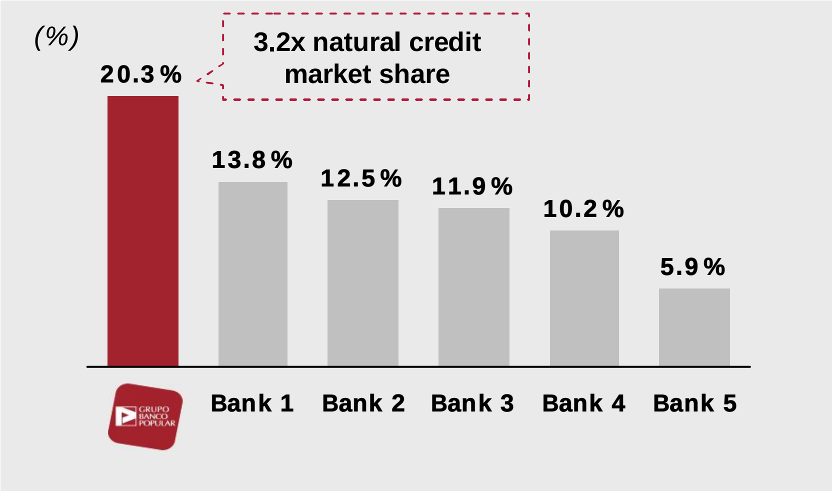
Note: The contribution of Pastor correspond to 1 month and 11 days

Total Revenues



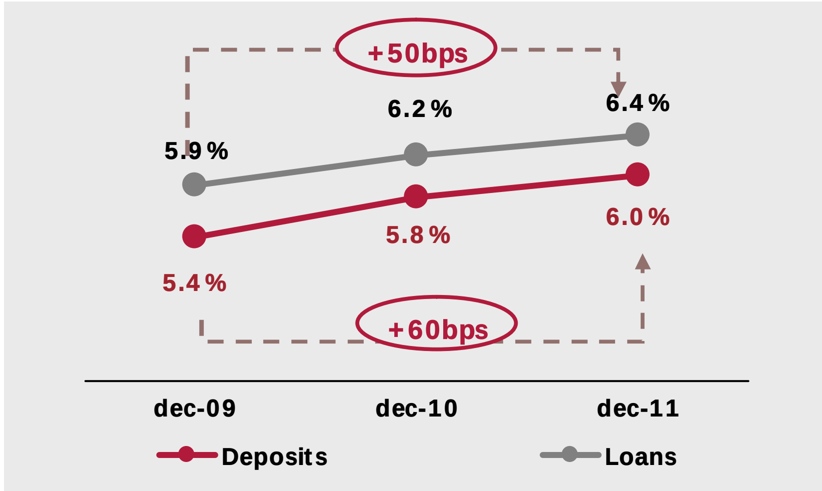
This strong operating performance has been possible thanks to the extraordinary commercial performance of our bank...

ICO's market share March 2012



Source: Santander, Bankia, BBVA, Sabadell and La Caixa

Loans and Deposits market share evolution

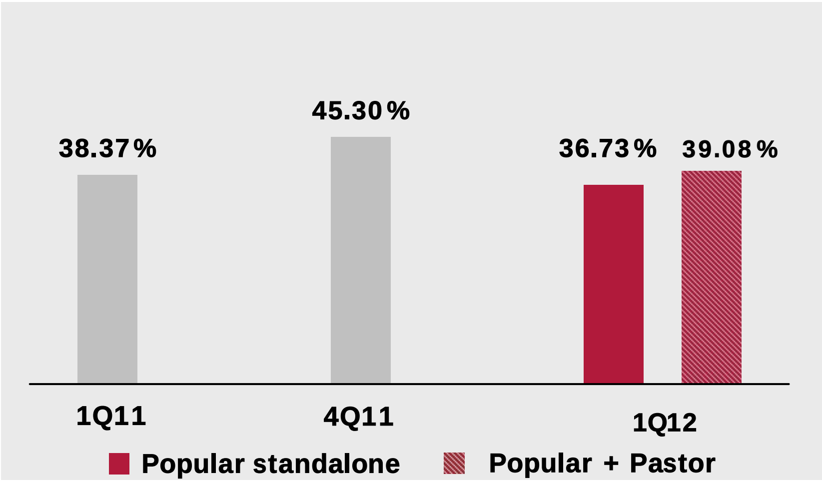


Note: Combined market share Popular + Pastor Other resident sectors

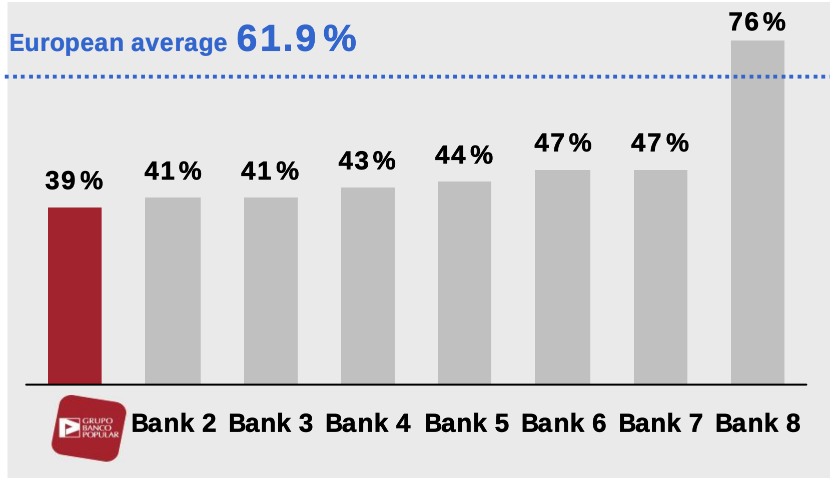
Customers base increase	• 47,723 new individuals • 17,672 new SMEs
International Business	• Exports : +141 bps. Increase of market share YoY. Imports: +18 bps. Increase of market share YoY
Retail Deposits up	• 3,2bn New Deposits since Dec-11

Higher revenues and Pastor cost synergies will allow us to improve our efficiency further

Efficiency Ratio

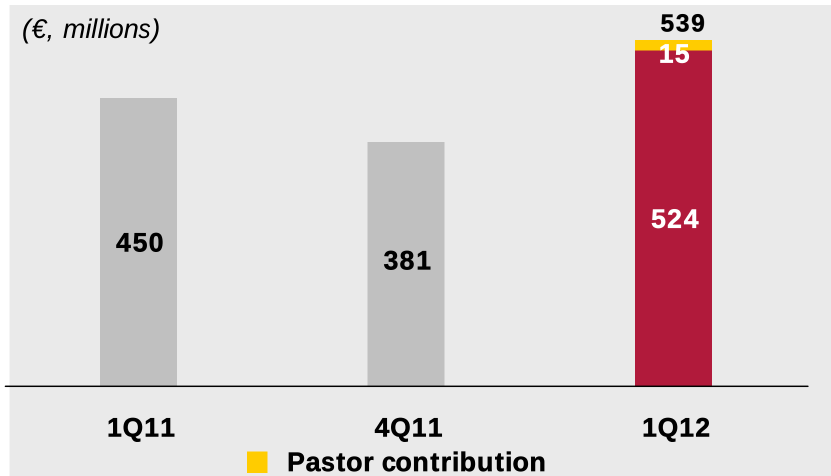


Efficiency ratio comparison among peers



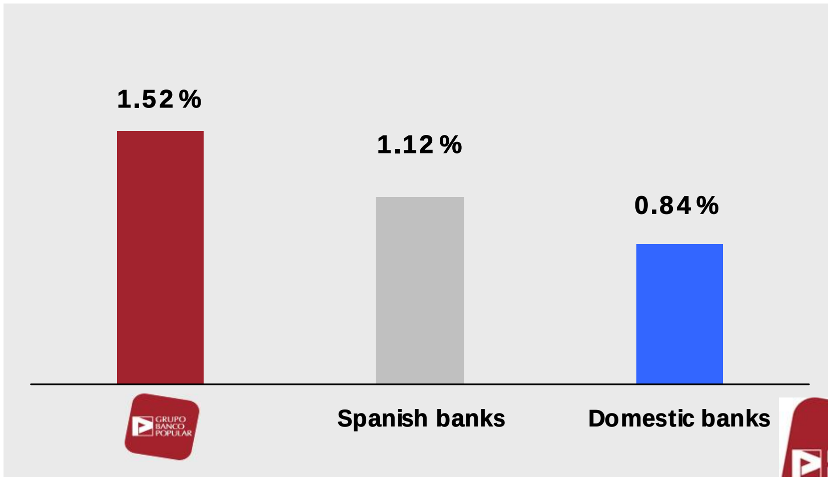
Peer group: Sabadell, Banesto, Santander Spain, BBVA Spain, Caixa, Bankinter and Cívica (last available data)

Pre-provision profit



Note: The contribution of Pastor correspond to 1 month and 11 days

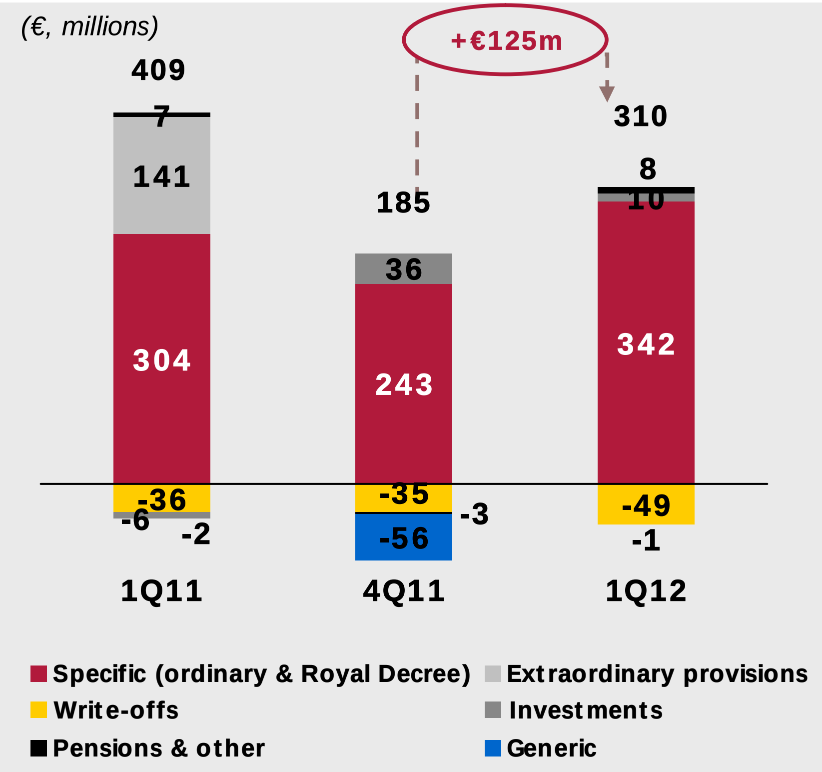
Pre-provision margin over ATAs comparison



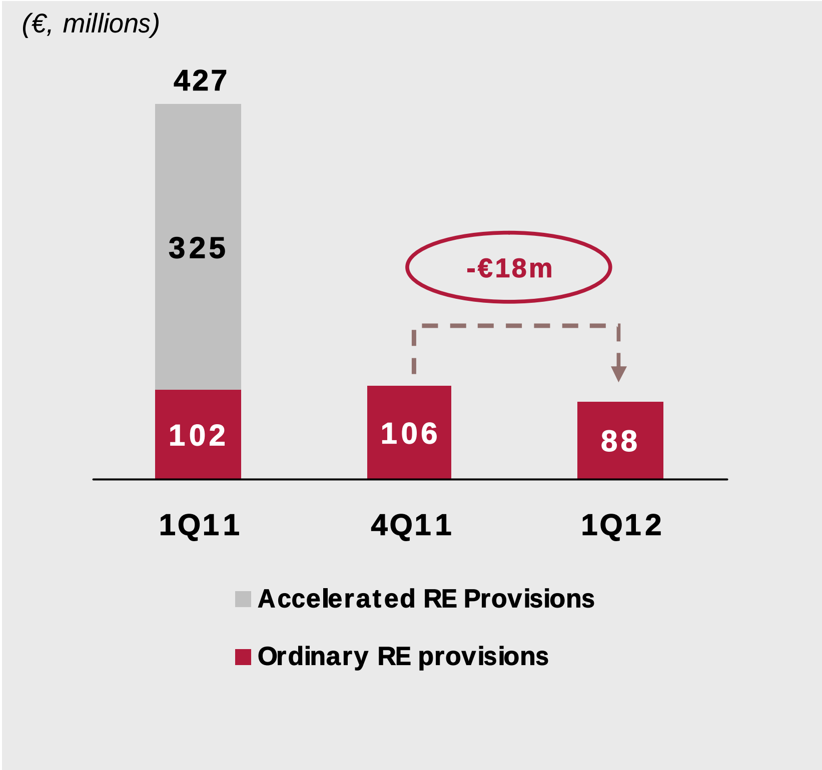
Source: Quaterly Resports and analysts reports.

The pre-provision profit and our solvency allowed us to make an important provisioning effort towards the RDL 2/2012. We have booked €398m in 1Q12 (P&L) and €2.4bn against equity (FVA)

Provisions for loans and investments



Real estate provisions

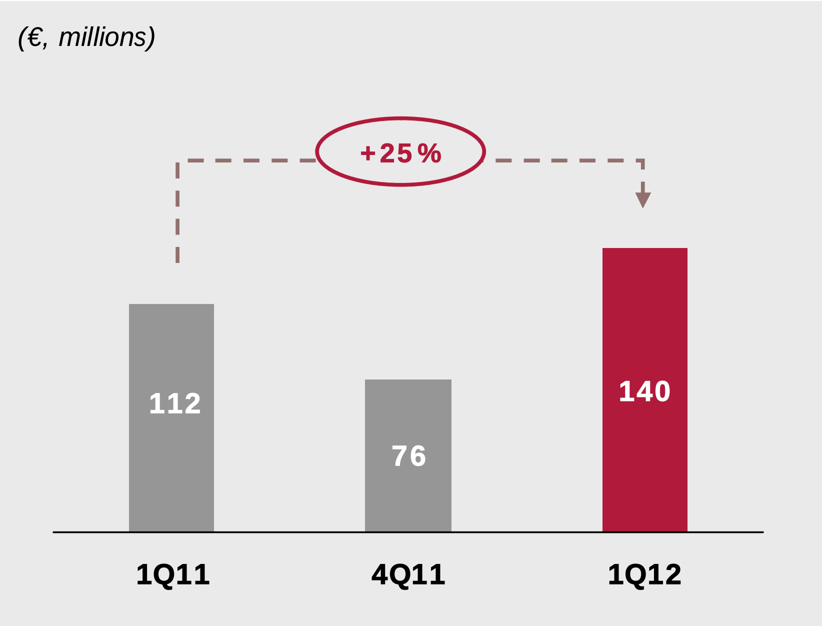


On top, we have booked €2.4 Bn of fair value adjustments. We have already complied with c.60% of the new Royal Decree extraordinary provisions for Popular & Pastor

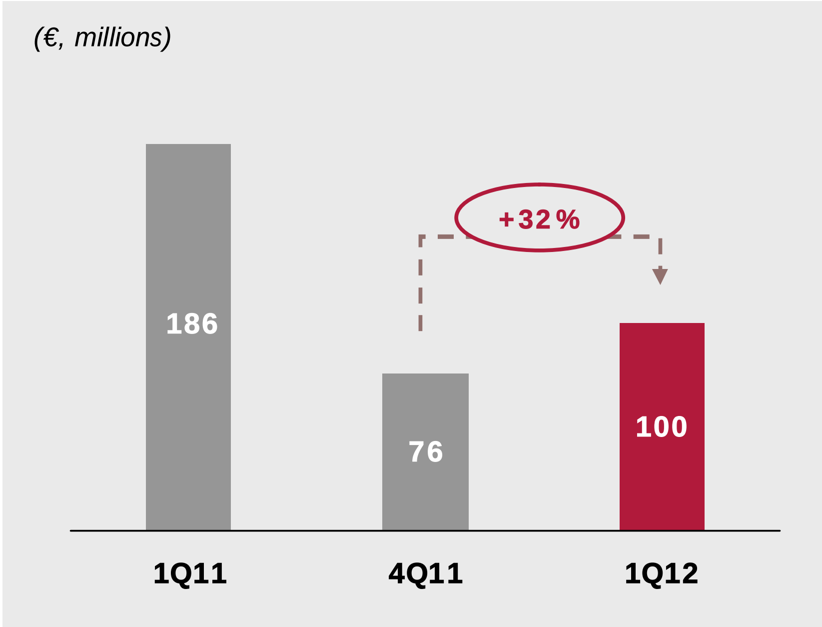
Note: The contribution of Pastor correspond to 1 month and 11 days

Following all the provisioning charges we have posted €140m of PBT and €100m of Net profits in 1Q 2012

Profit before taxes (PBT)



Net profit evolution

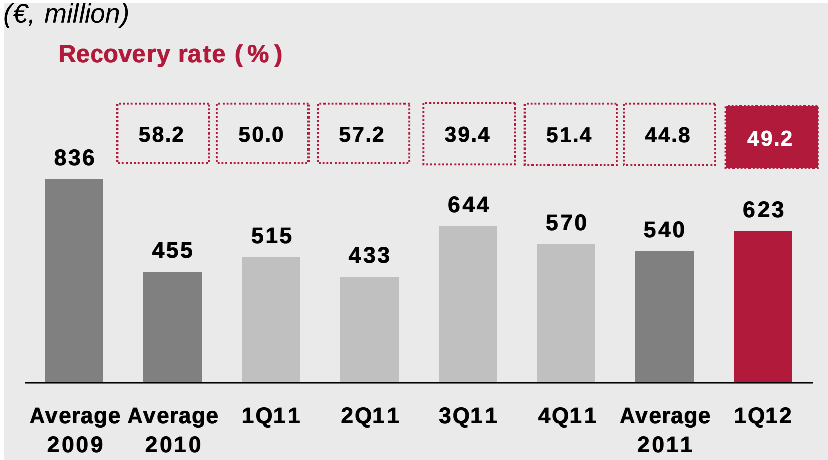


Note: The contribution of Pastor correspond to 1 month and 11 days

Agenda

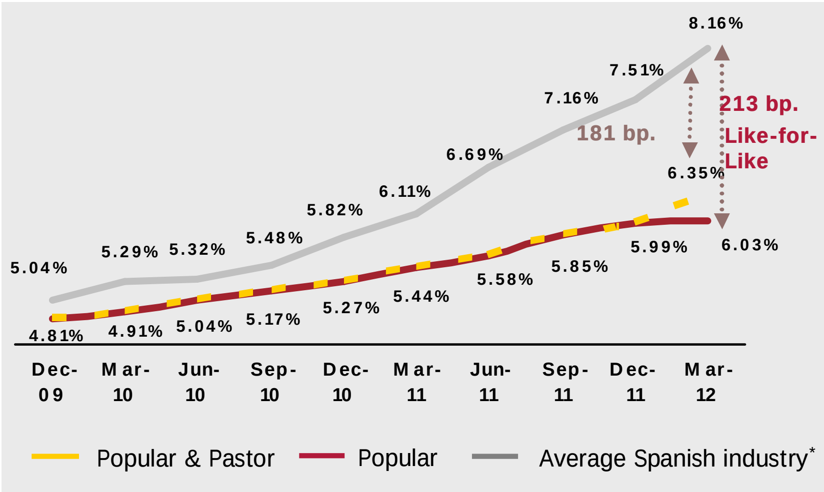
Still in a tough economic environment but net entries remain stable. In the current cycle it is of the essence to have a strong capacity to clean up

Evolution of net entries of NPLs



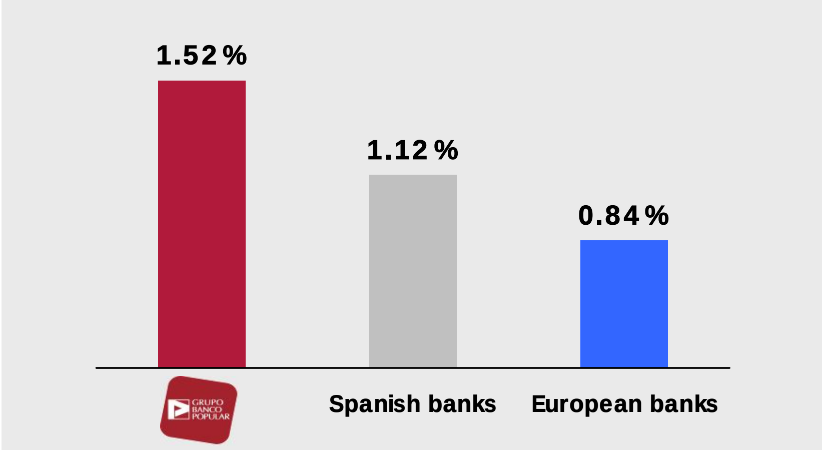
Note: Pastor excluded

NPL ratio evolution



(*) Average banks, saving banks and credit unions as of February 2012 (latest available data).

2011 Pre-provision margin (1)



(1) Pre-provision profit/ ATAs Popular

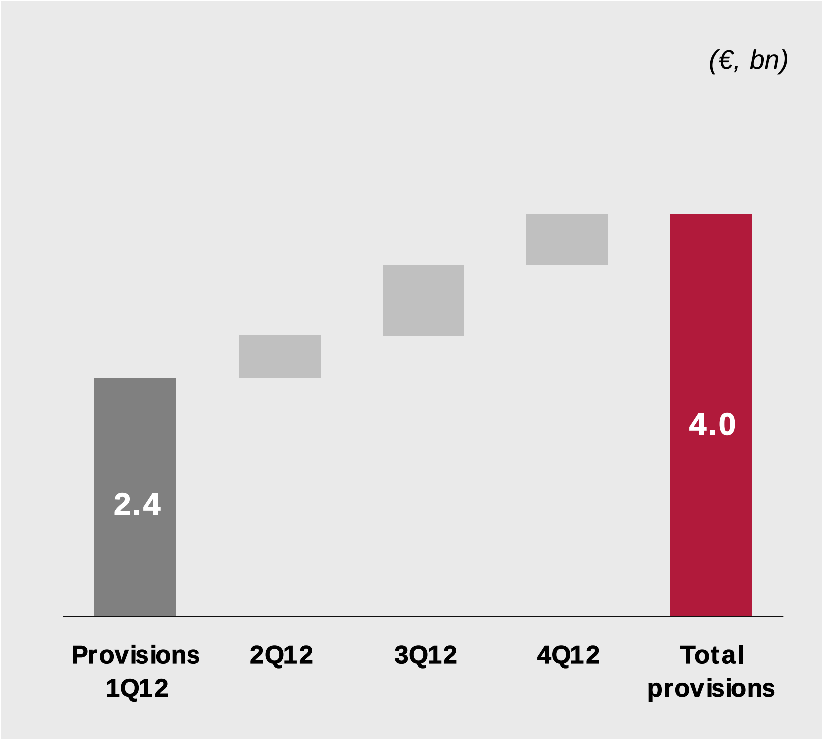
Source: Quarterly reports as of 1Q12; Spanish Banks: Caixabank, Sabadell, Bankia, Banesto and Bankinter

European Banks, KBW European Banks & Credit Suisse Banks valuation

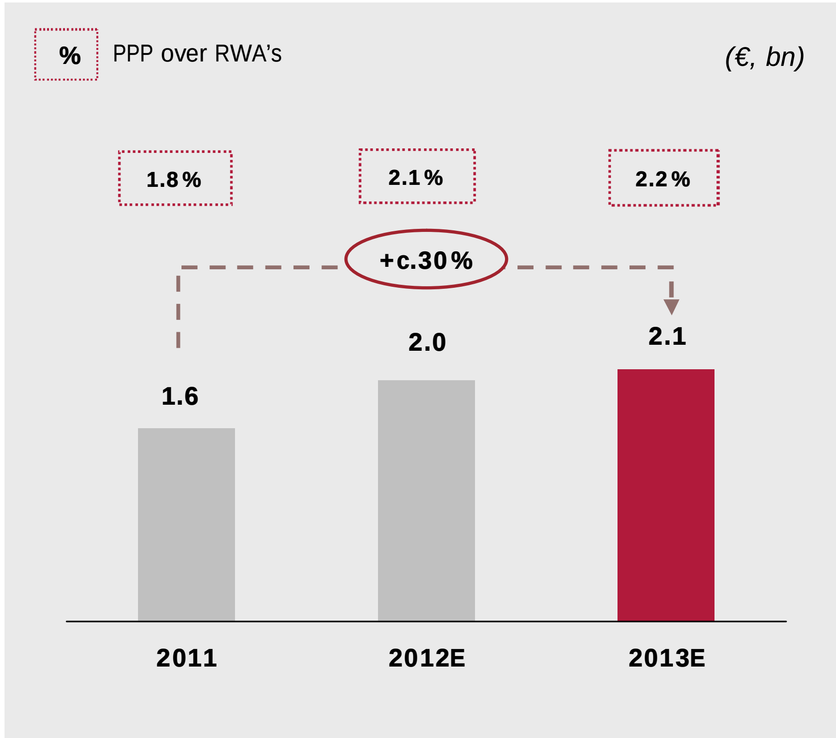
Note: The contribution of Pastor correspond to 1 month and 11 days

We have covered already the new Royal Decree by c.60% in 1Q12. We will comply with the total requirements within one year (waiving the option to do it in two years)

Provisions to book during the year



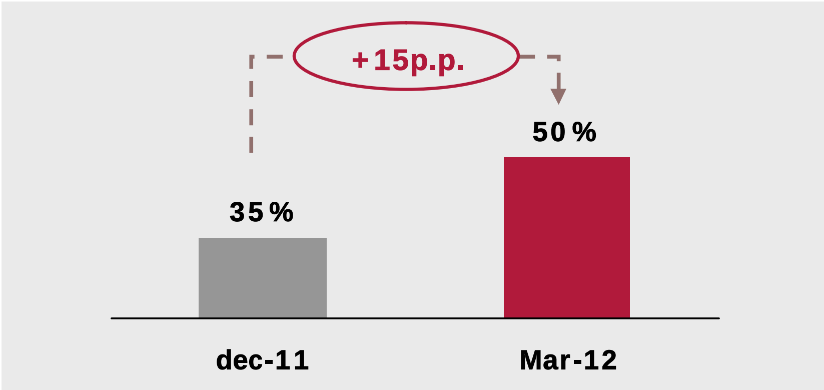
Pre-Provision Profit



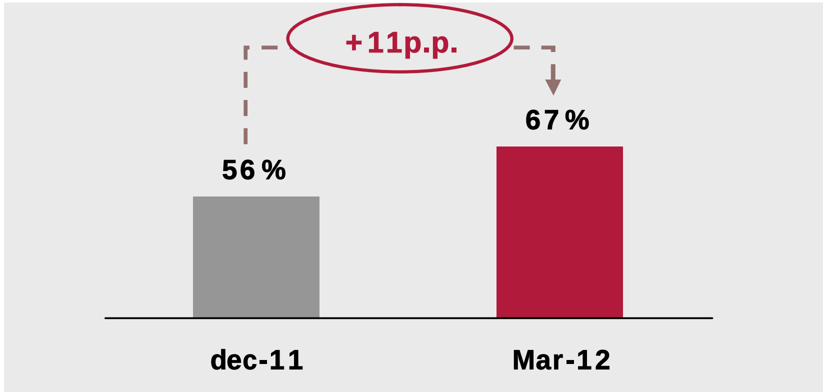
Note: Total requirements are €2.9bn for Banco Popular and €1.1bn for Banco Pastor

The strong provisioning effort following the RDL favours a sharp increase in the NPAs coverage, thus facilitating a quicker exit

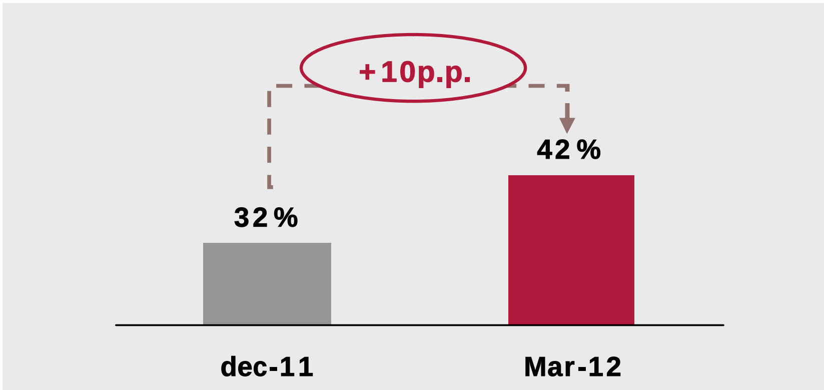
NPLs Coverage



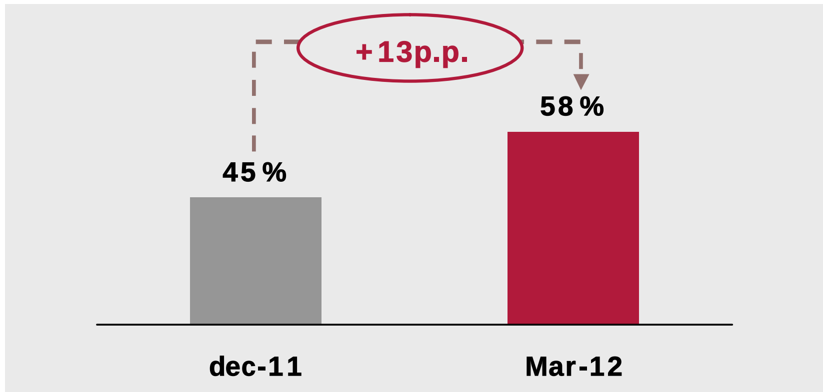
NPLs + Write offs Coverage



RE Assets Coverage



NPAs Coverage (1)

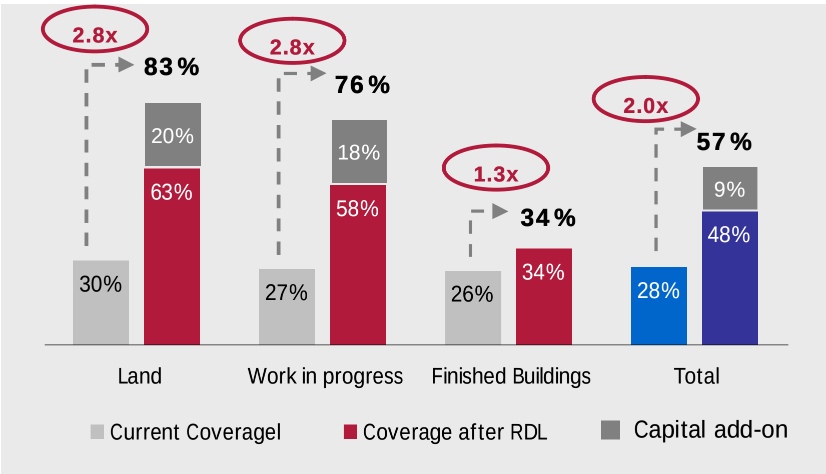


(1) NPAs: NPLs + RE assets + Written-offs

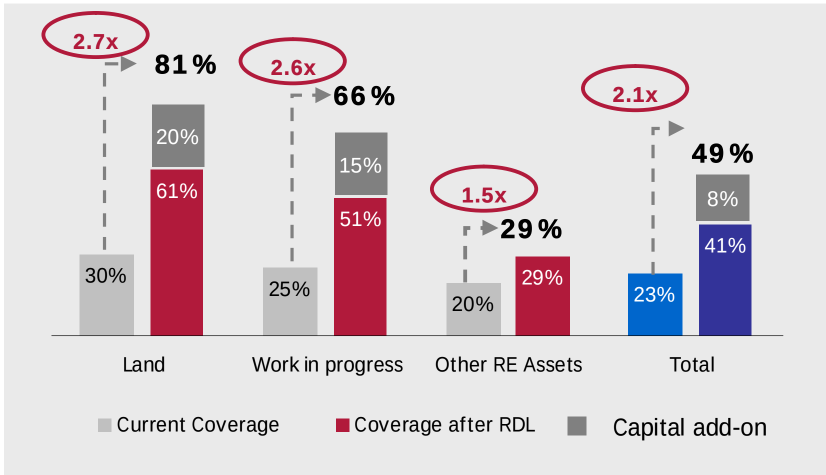
N.B: Coverage without considering the value of collateral

By type of RE asset the new coverage is more noticeable… even without taking into account any collateral value….again, an exit will be easier

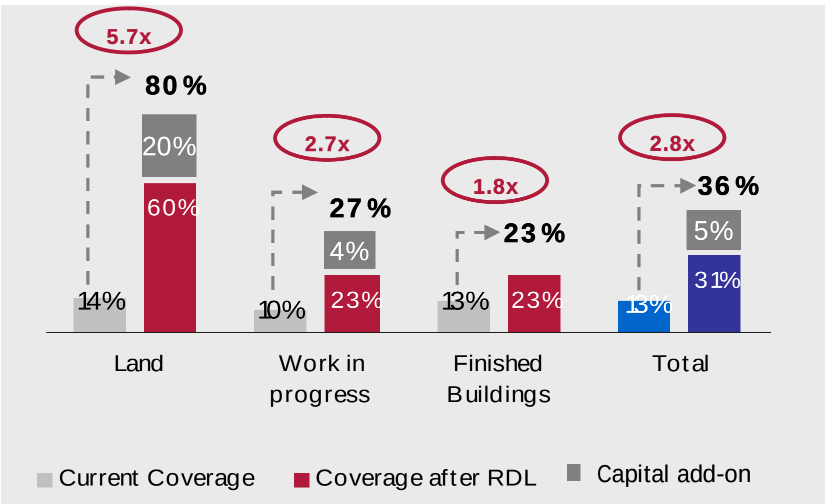
Foreclosed Coverage (dec-12e)



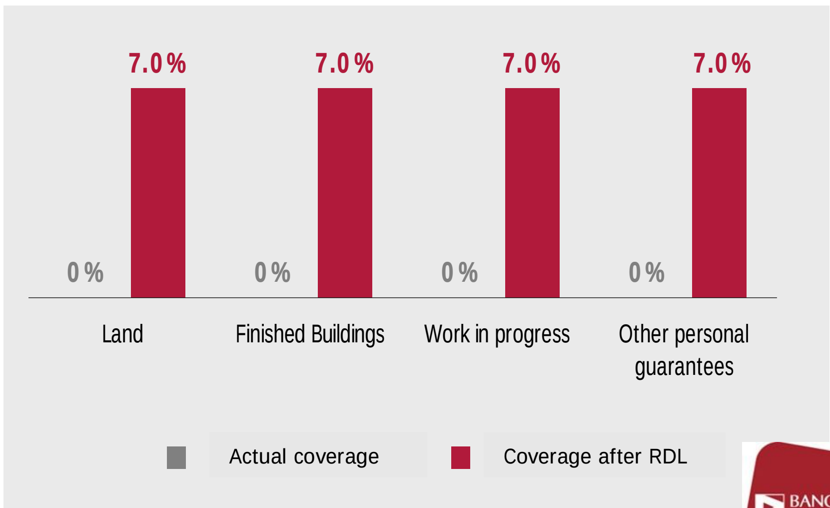
RE NPL's Coverage (dec-12e)



RE Substandard Coverage (dec-12e)



RE Performing Portfolio coverage (dec-12e)

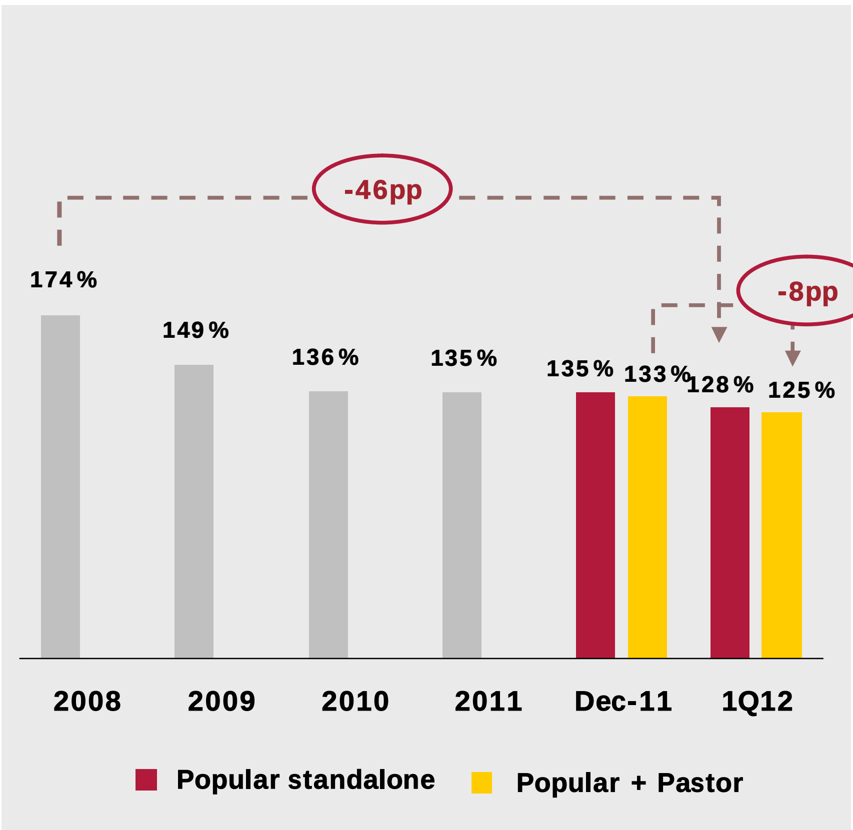


Note: Data for Popular and Pastor

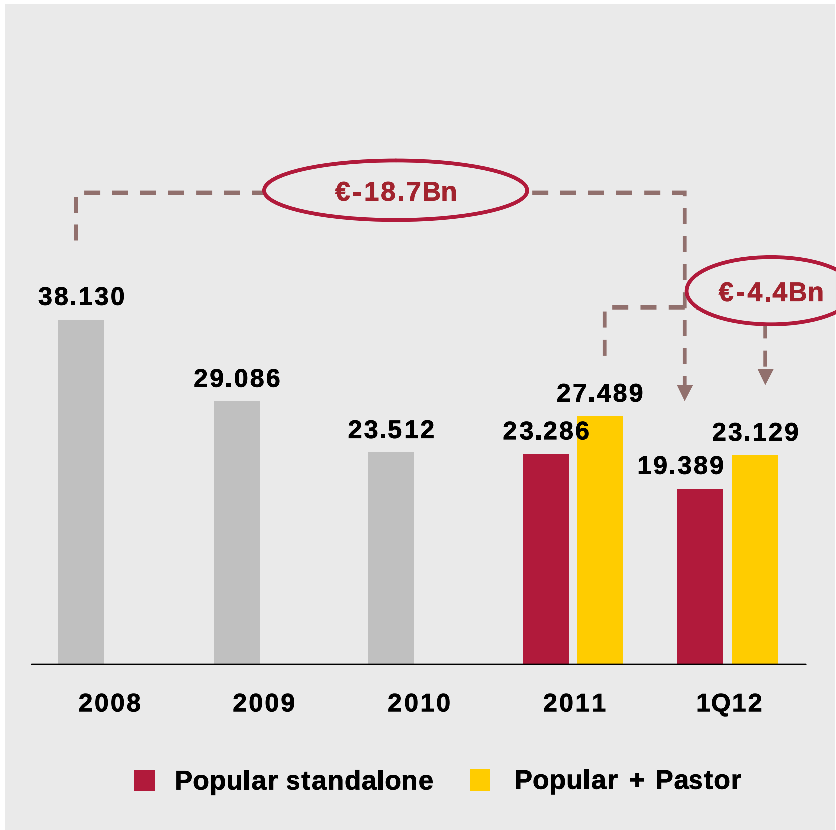
Agenda

Since 2008 we have reduced €18bn (c.50%!) our wholesale dependance, while maintaining a sound second line of liquidity. In 1Q12 our full year goals have been beaten

Loans/Deposits Ratio (%)

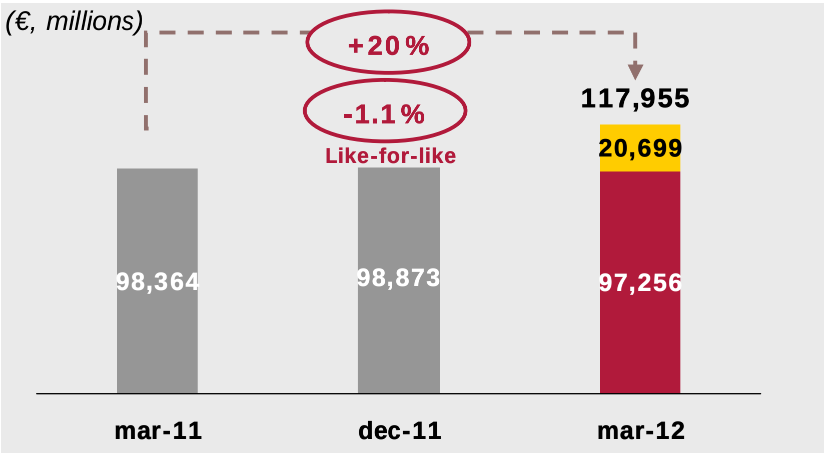


Wholesale dependance

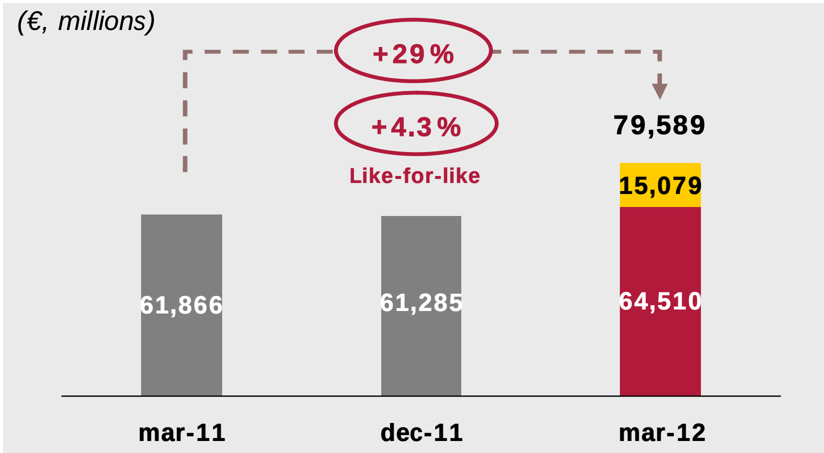


This remarkable improvement of our commercial gap has been achieved over the last 4 years by gathering deposits as opposed to reducing loans

Gross Loans Evolution



Retail Funds



Pastor contribution

€ 5,710 Mn Pre-funded in 1Q12

- **€4,360m commercial gap improvement (1)**
- **€750m senior debt issue**
- **€600m covered bonds issue**

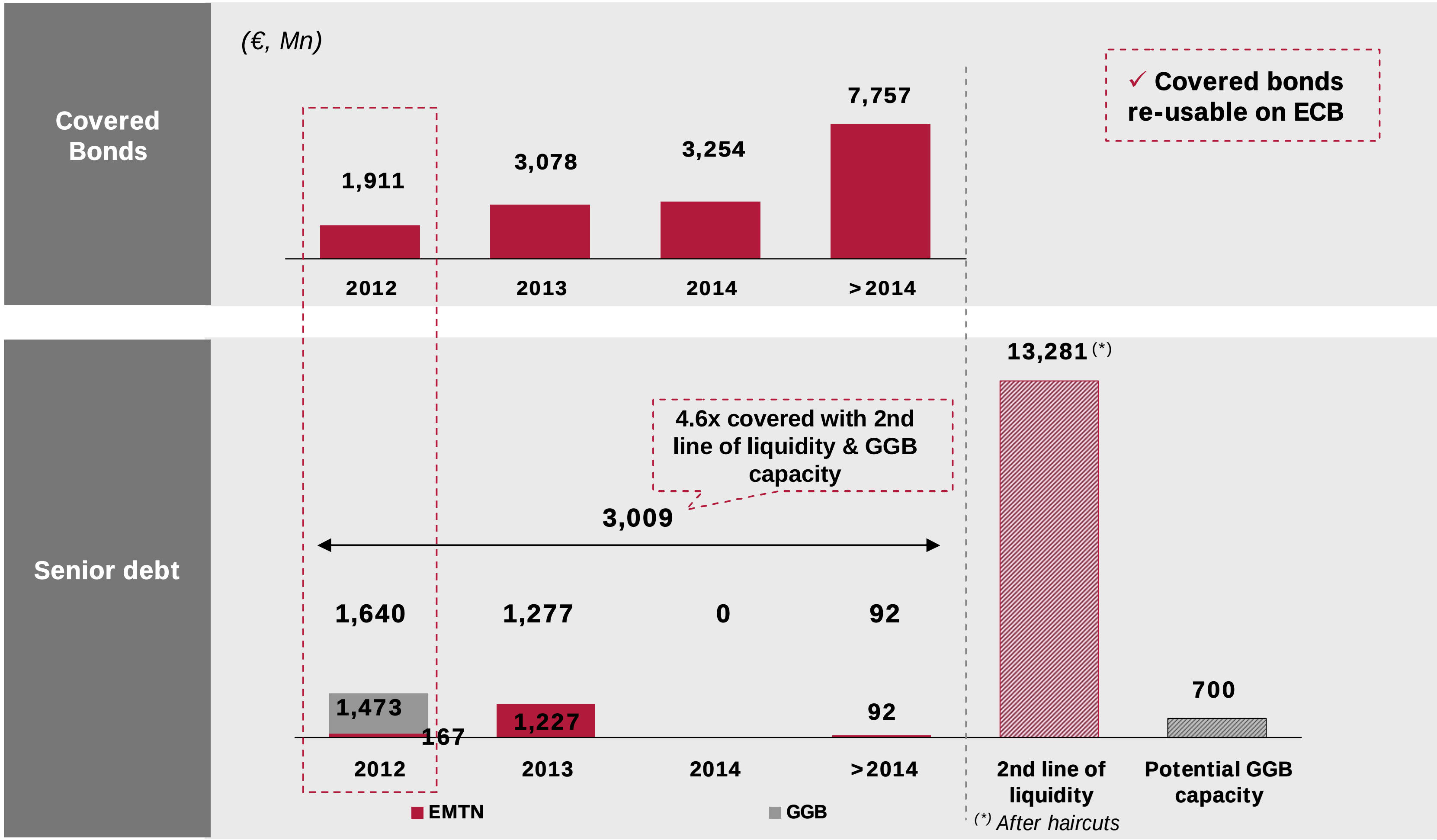
77 % of the maturities in 2012, already pre-funded in 1Q12

[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) + commercial paper + Preferred shares

ICO Credit lines: credit lines to SMEs prefunded by State

And we hold a comfortable liquidity buffer (€13.3bn) which covers 4.6x our senior maturities…

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



Data as of March 2012 including Banco Pastor

Agenda

1. 1Q12 Results operating performance

    1.1 P&L main drivers

    1.2 Risk management and Royal Decree Law 2/2102 update

    1.3 Liquidity & funding policy

2. Banco Pastor update

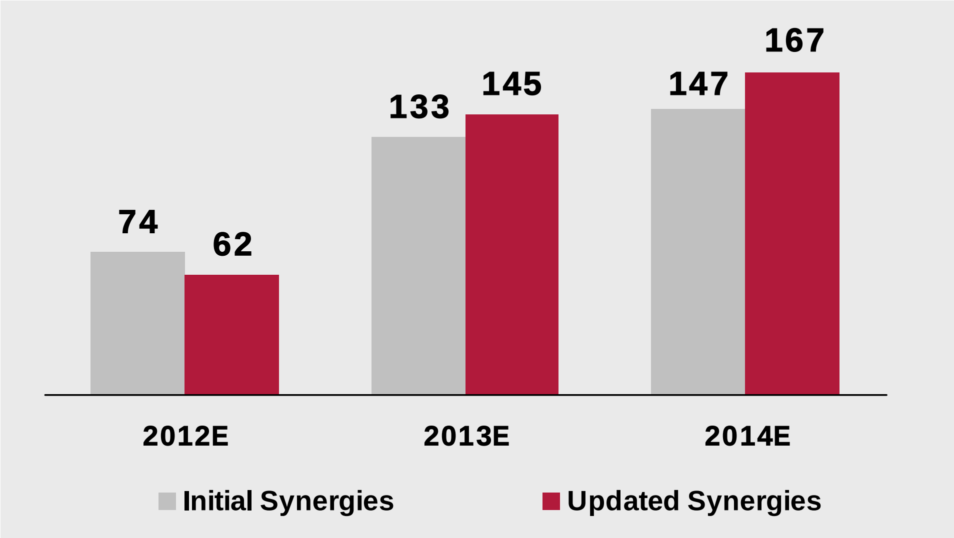
3. Capital position & EBA

4. Conclusions and outlook – Q&A

Synergies and restructuring costs following Pastor acquisition, better than initially planned

Popular initially estimated significant synergies to spring from the acquisition, which represented approximately 70% of the value of the transaction

Annual Synergies (€Mn)



NPV of Synergies up +19% to €947mn from €799mn

Synergies revised up: +14% over initial estimates

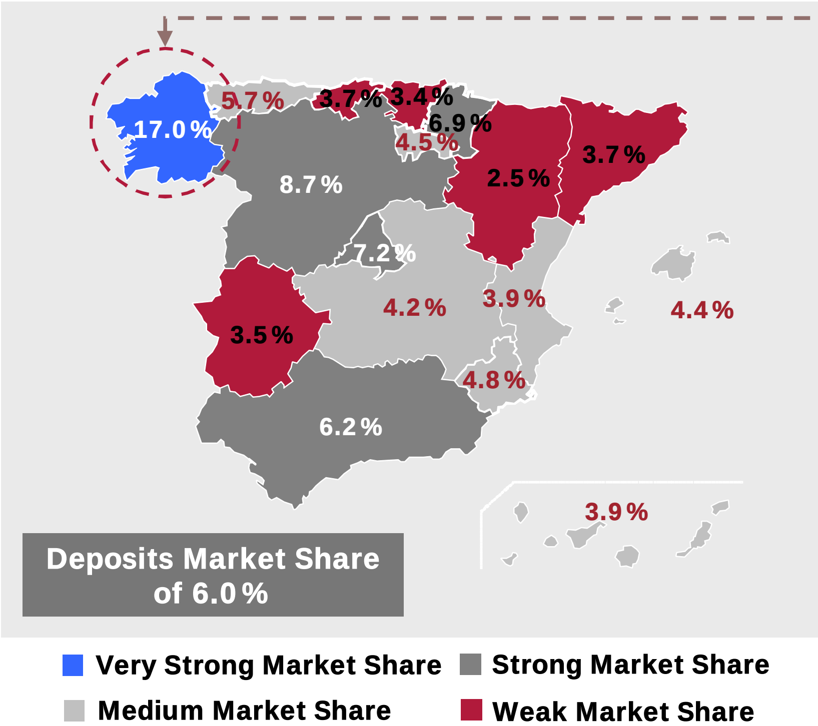
Restructuring costs: revised down 34% over initial estimates

Means a positive net synergies contribution of € 49.5 Mn in 2012 !

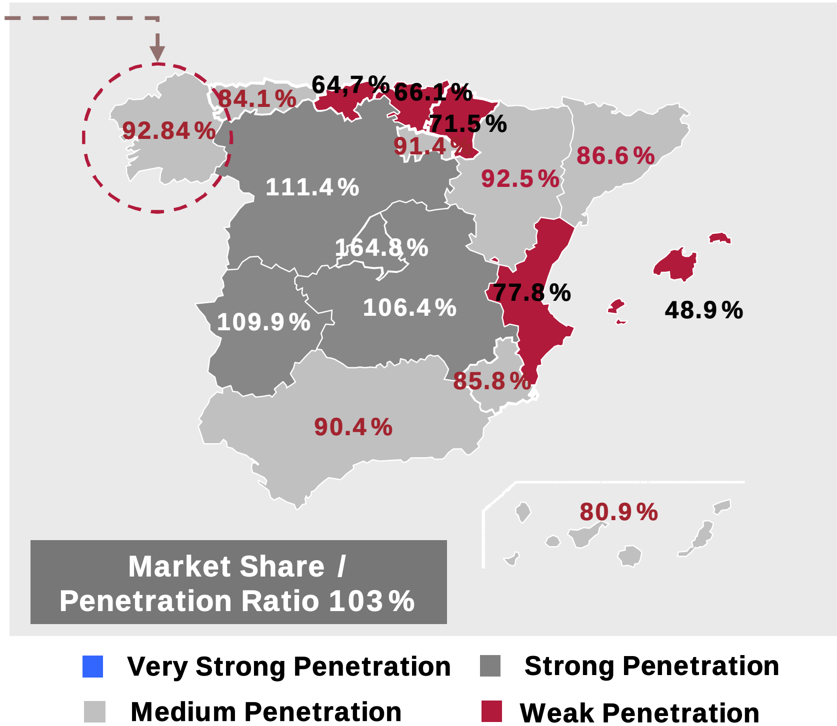
Note: Data for Popular & Pastor

Pastor adds an excellent franchise in its home market and a wide room for growth in a market which is restructuring: excellent to capture market share

Deposits Market Share by Region (Pop + Pas)



Market Share / Penetration(1) by Region (Pop + Pas)



1,826 net clients gained since acquisition

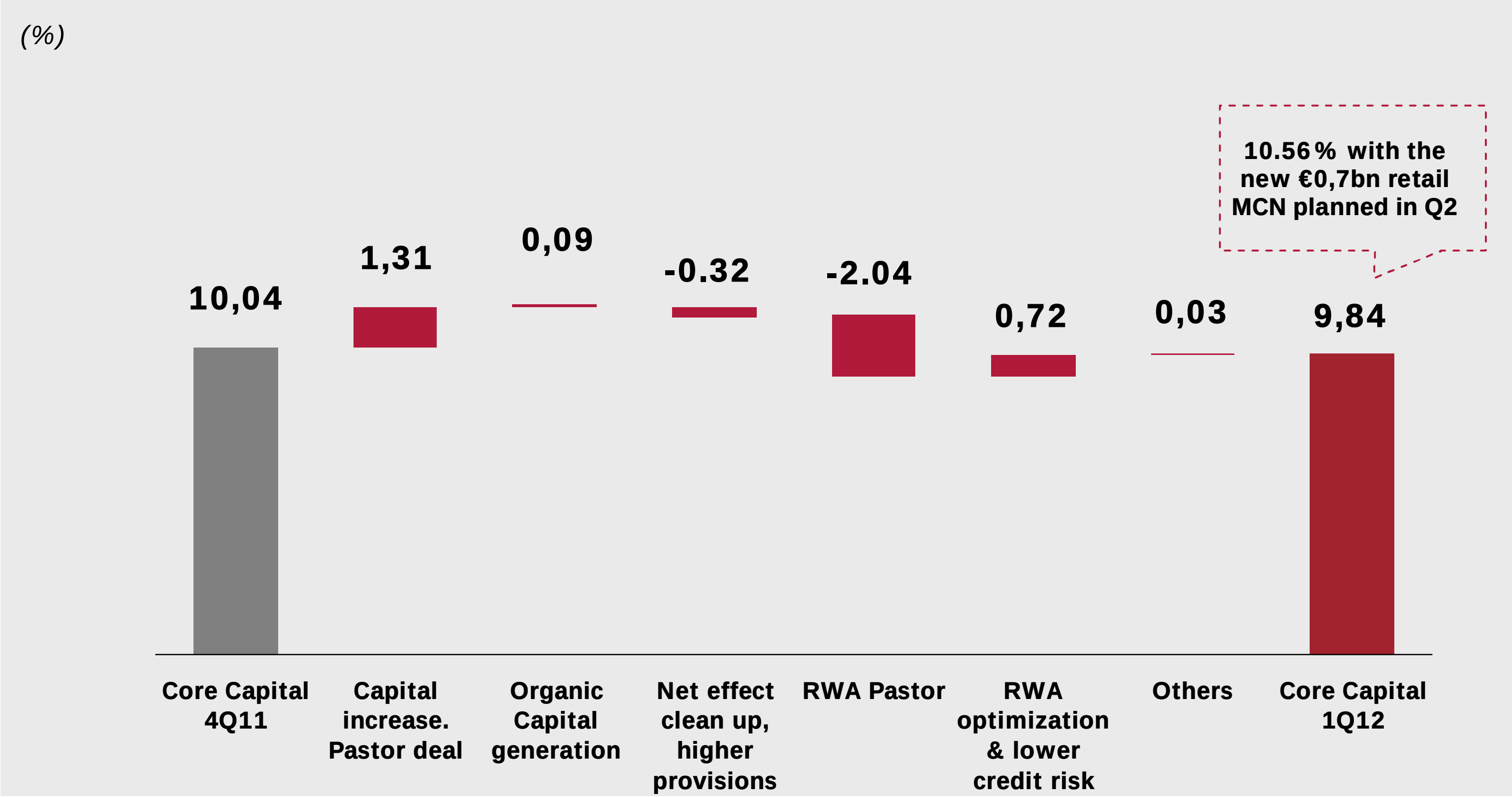
17% market share in Galicia but with a penetration under the franchise potential

[1]*Penetration calculated as deposit market share over branch market share*

Agenda

Despite the large clean-up in the quarter, the core capital ratio remains stable. And it will improve further once all the capital measures announced are accomplished

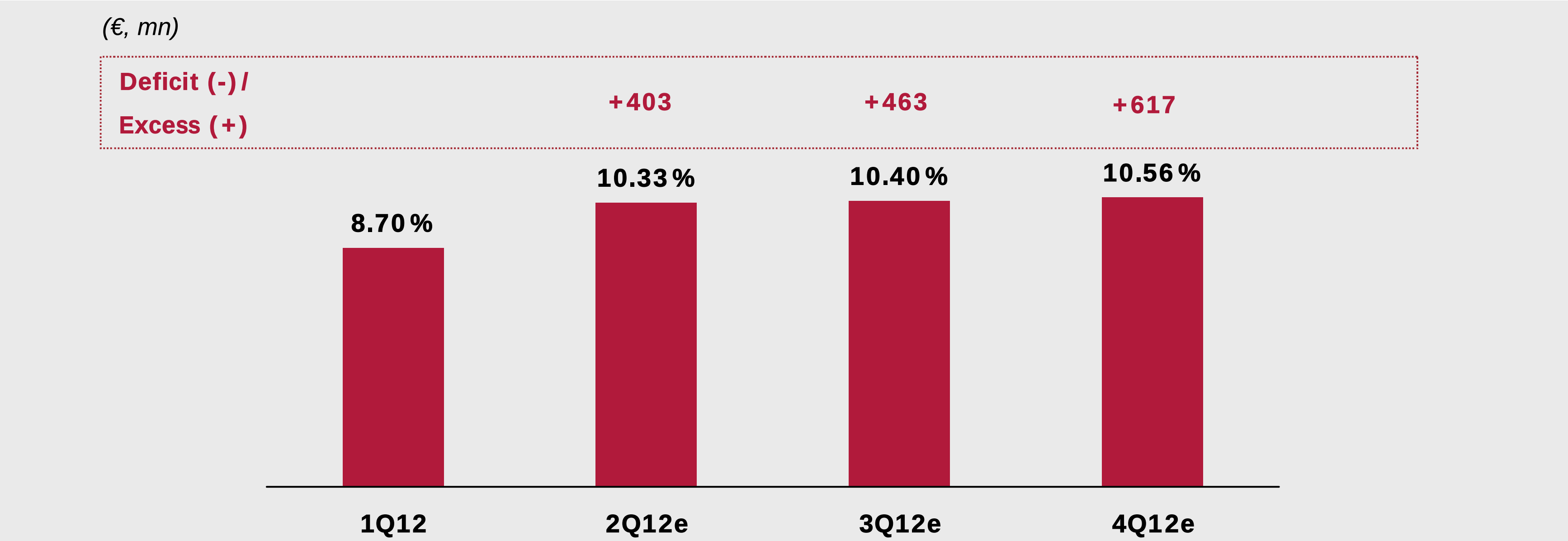
Core Capital Reconciliation QoQ



Note: Total requirements are €2.9bn for Banco Popular and €1.1bn for Banco Pastor

On EBA targets, we will fill the gap to the new EBA Capital requirements and we will hold a significant excess capital...

EBA Core Capital estimates



- Exchange of preferred shares for MCNs-€1.1bn. DONE, ALREADY INCLUDED IN 1Q12
- Conversion of existing MCNs for equity. €0.5bn DONE, INCLUDED PRO-FORMA IN 1Q12
- Exchange of an existing MCN for new MCN (EBA compliant)- €0.7bn. LAUNCHED
- New issue of an MCN. UP TO €0.7Bn IN PROCESS, DUE JUNE

Note: Data for Popular and Pastor

Agenda

1. 1Q12 Results operating performance

   1.1 P&L main drivers

   1.2 Risk management and Royal Decree Law 2/2102 update

   1.3 Liquidity & funding policy

2. Banco Pastor update

3. Capital position & EBA

4. Conclusions and outlook – Q&A

We have started the year with a very strong operating performance

Key-messages 1Q12

Solid revenues	• Net interest income+31% QoQ and +34% YoY (+25% Popular standalone). Total Recurrent Revenues +20%. Pre-Provisioning Profit up by 20% to €539m
Efficiency and Pastor integration	• Efficiency ratio improves to 39%, 36% Popular standalone • Expect synergies of the Pastor integration to be above the initial estimates. Pastor will have a strong contribution from year 1
Strong reinforcement in coverage	• Credit coverage increased 15 p.p. to 50% and RE coverage increased 10 p.p. to 42% • We have already absorbed 60% of the new Royal Decree Law 02/2012 in 1Q12
A sound liquidity position	• We have reduced our wholesale funding reliance over the last 3 years by 50% (from €38 bn to €19 bn Popular standalone). Loan to deposits ratio of the combined Group improves to 125% with €13bn+ liquidity buffer.

Outlook 2012/2013

Complex environment	• Macro, Micro and Regulatory environment will still be complicated
Strength and recurrence of PPP €2 Bn	• Our strong capacity to generate revenues and synergies (PPP est. €2 Bn) plus one-offs would allow us to face all the extraordinary provisions of the Royal Decree Law and still post profits in 2012 (c. €300 Mn). Net profit in 2013 should increase significantly thanks to the accelerated 2012 clean-up
Strong coverage increase	• Provisions booked in NPL's and RE Assets will allow us to gradually dispose these assets in a profitable manner
Excellent competitive position	• Our efficiency in costs and revenues, a good liquidity position and a high level of capital will allow us to take advantage of all the opportunities that a restructuring market offers

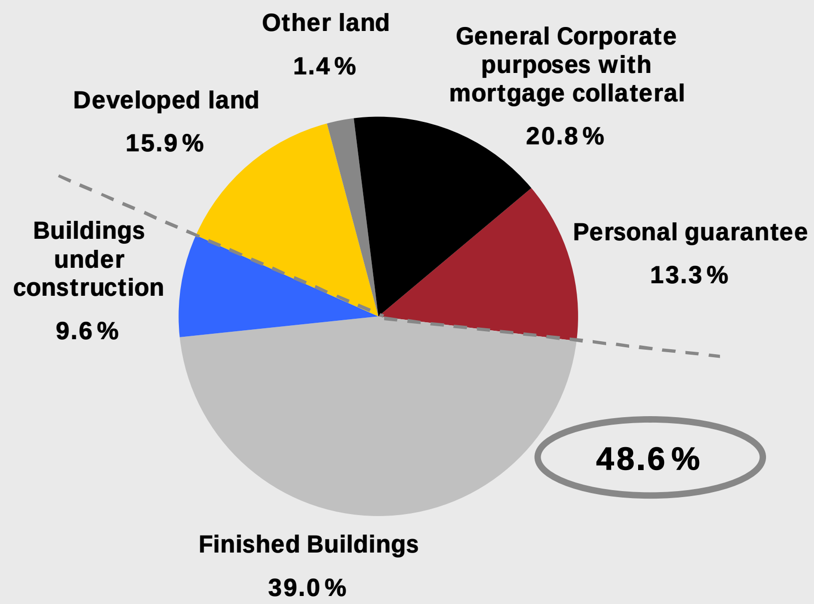
THANK-YOU.

HAPPY TO TAKE QUESTIONS

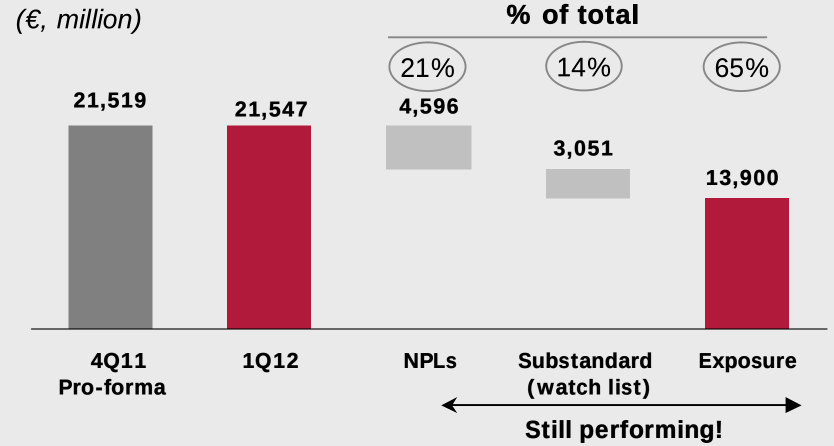
Appendix

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)

P&L provisions & write-offs	4Q11 Pro-forma	1Q12
Specific	1,387	2,327
Generic	138	635
Write-offs	978	1,067
Total	**2,503**	**4,029**
NPLs & Substandard coverage	**33%**	**53%**

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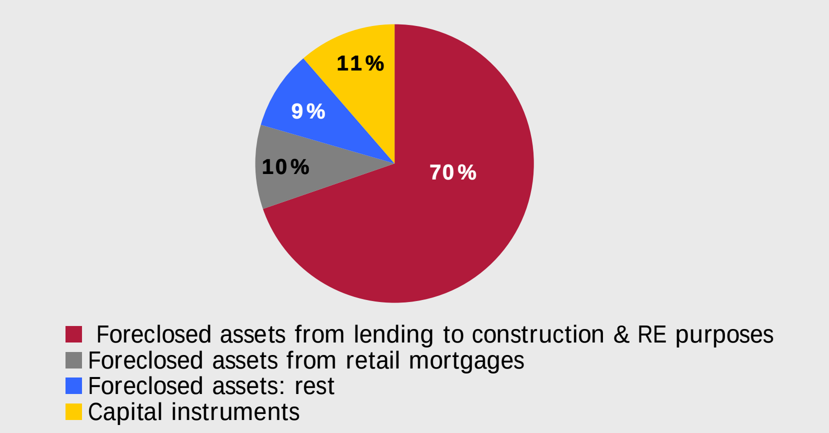
BoS Transparency exercise: Real Estate assets held in Spain. We have increased strongly our coverage

Real Estate assets: detail & coverage

(€, million)

RE assets	4Q11 Pro-forma	1Q12
Foreclosed assets (net amount)	5,685	5,078
Capital instruments (net amount)	416	347
Provisions	2,883	3,985
Coverage	**32%**	**42%**

Real Estate assets: split by origin



Real Estate assets: split by type of collateral