

FINANCIAL RESULTS 2010

February, 4th 2011

The logo for Banco Popular, featuring a stylized 'B' icon to the left of the text 'BANCO POPULAR'.

BANCO
POPULAR

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1. Summary remarks 2010

2. Financial highlights

3. Revenues and operating performance

4. Business drivers

5. Risk management

6. Liquidity and balancing assets and liabilities

7. Financial Strength

8. Closing remarks and outlook

9. Annex



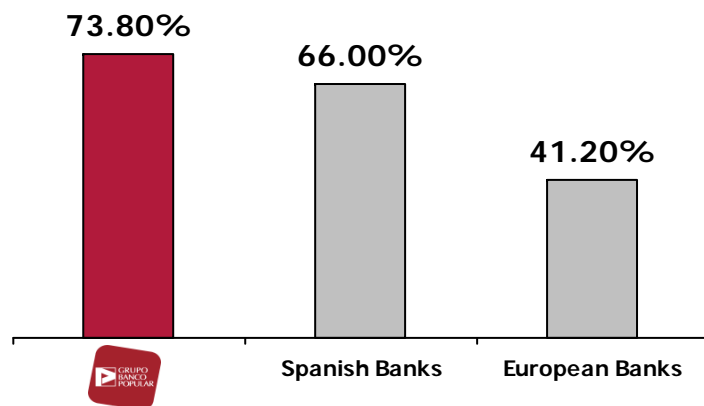
Summary remarks

- €590m net profit...after absorbing i.a. new BofS provisioning rules (€276m) and lower trading gains (€211m).
- Performance in line with our guidance: lower NII offset by lower Credit Provisions.
- A record €1,834m provisions devoted to Credit & Real Estate.
- NPL trends look stable and within the guidance. Our bad debt ratio at 5.27% remains manageable and below the industry.
- Core capital up to 9.43%. Retail deposits up. Liquidity position improved significantly and wholesale funding reliance further reduced.
- **Popular strengths remain intact throughout the crisis ...**

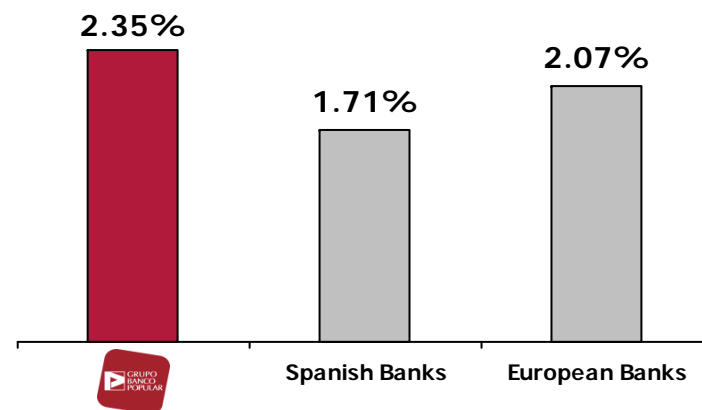


... Popular strengths remain intact throughout this crisis

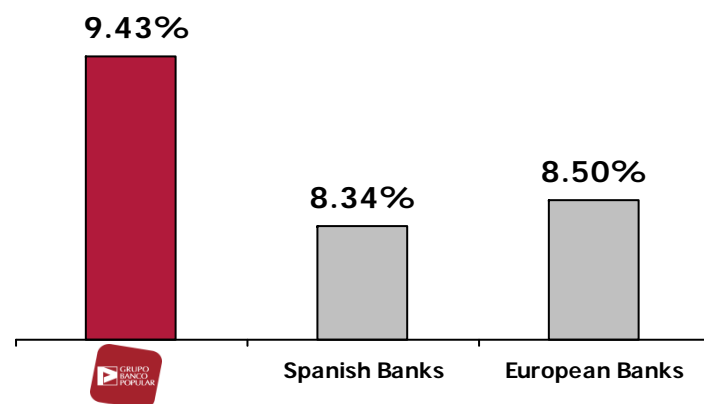
✓ A pure commercial and retail bank⁽¹⁾



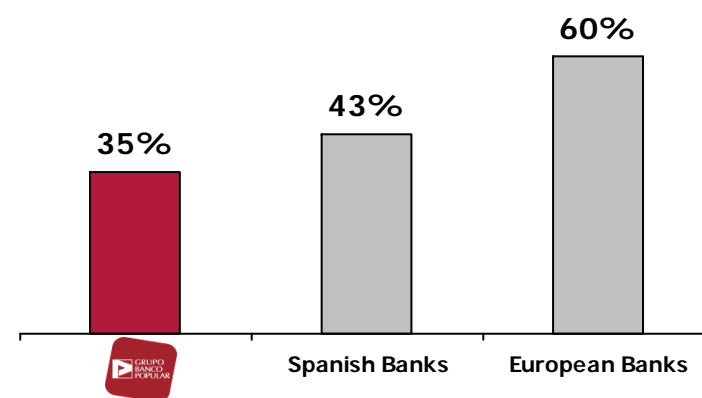
✓ With a privileged Pre-Provision Margin⁽²⁾



✓ With a leading Core Capital position



✓ And the best efficiency in Europe



(1) Loans/Total assets

(2) Pre-provisioning profit/average gross loans

Source: Quarterly reports as of Dec-10; Spanish Banks: Santander Spain, BBVA Iberia, Banesto, Sabadell and Bankinter.

European Banks: Credit Suisse Research as of November 2010

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Financial Highlights

<i>(€, million)</i>	To Dec-10	To Dec-09	Change (€m)	Change (%)
Net interest income	2,452	2,823	-371	-13.1%
Fees and commissions	747	763	-16	-2.2%
Trading income	145	356	-211	-59.2%
Other income	118	112	+6	+5.2%
Gross operating income	3,462	4,054	-592	-14.6%
Expenses	1,313	1,292	+21	+1.6%
Pre-provisioning profit	2,149	2,762	-613	-22.2%
Provisioning expense (net) and provisions for loans and investments	1,232	1,739	-507	-29.2%
Extraordinary items , net	-84	50	-134	-
Profit before tax	833	1,073	-240	-22.4%
Net profit	590	766	-176	-23.0%
Non-performing ratio	5.27%	4.81%	-	46 b.p.
Efficiency ratio	35.16%	29.31%	-	+5.85 p.p.
Loans to deposits ratio	150%	168%	-	-18 p.p.
Core Capital	9.43%	8.57%	-	+86 b.p.



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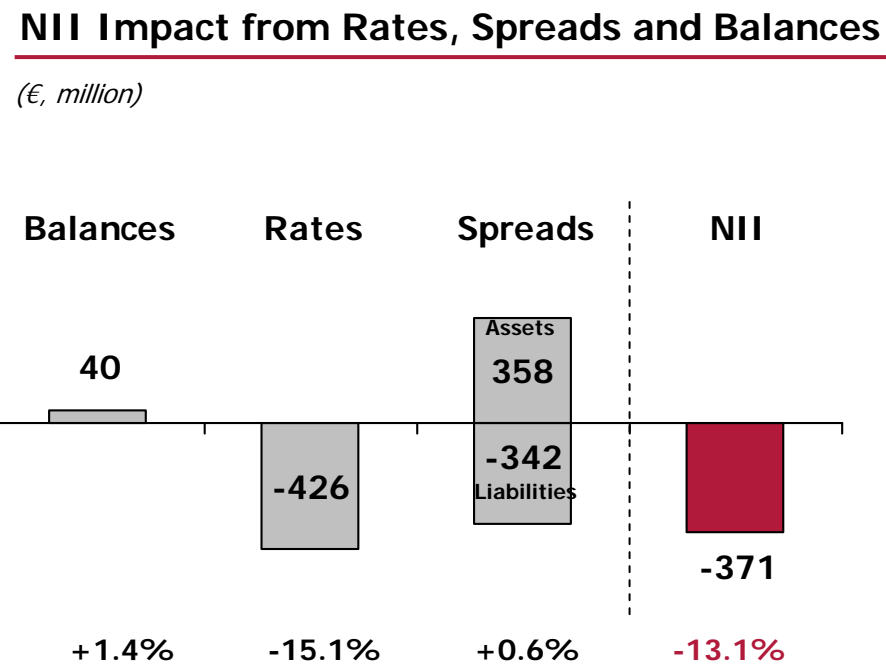
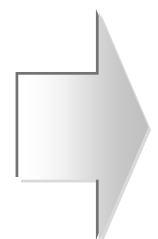
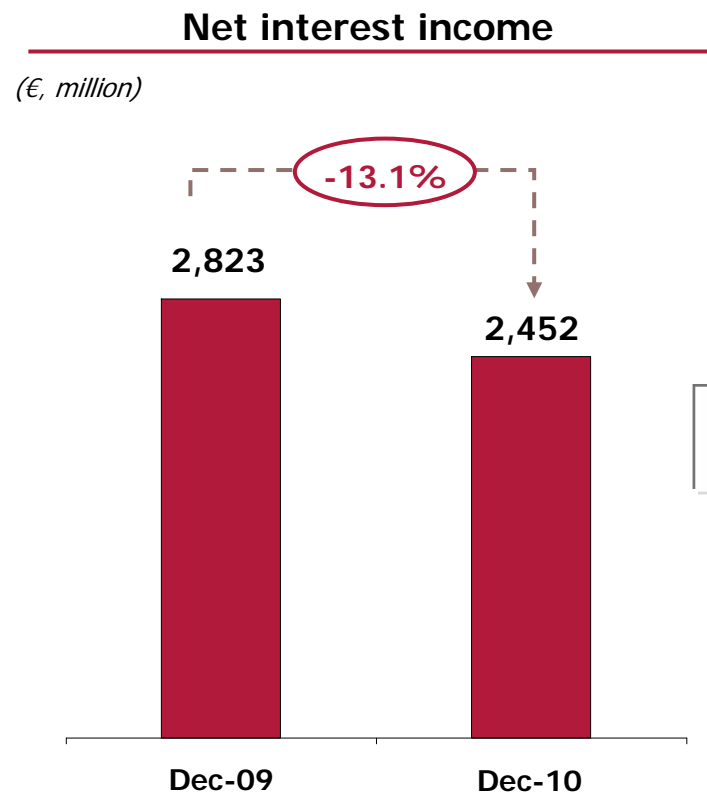
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The NII fall should be put in the context of the declining interest rates (Euribor* 1.33% in 2010 vs 3.18% in 2009) and the assets & liabilities repricing mismatch.

Higher funding costs offset by higher spreads on loans

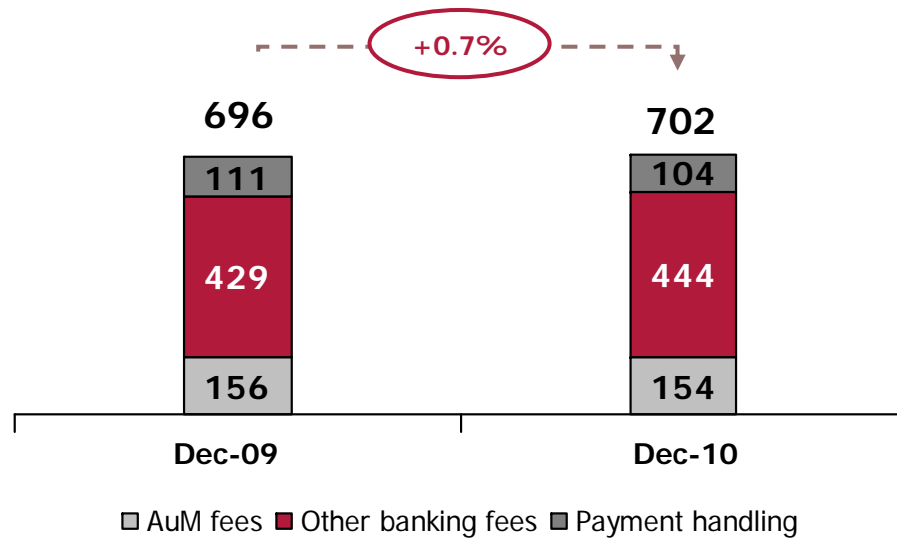


(* Average monthly Euribor 12 months during 2009: 3.18%;
Average monthly Euribor 12 months during 2010: 1.33%

Fee income still under pressure at €747m (2% down YoY). However, recurrent banking fees are showing encouraging growth

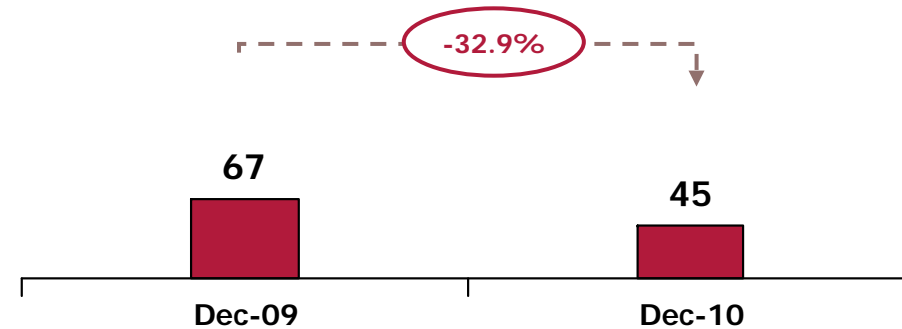
Banking fees and others

(€, million)



Fees doubtful loans

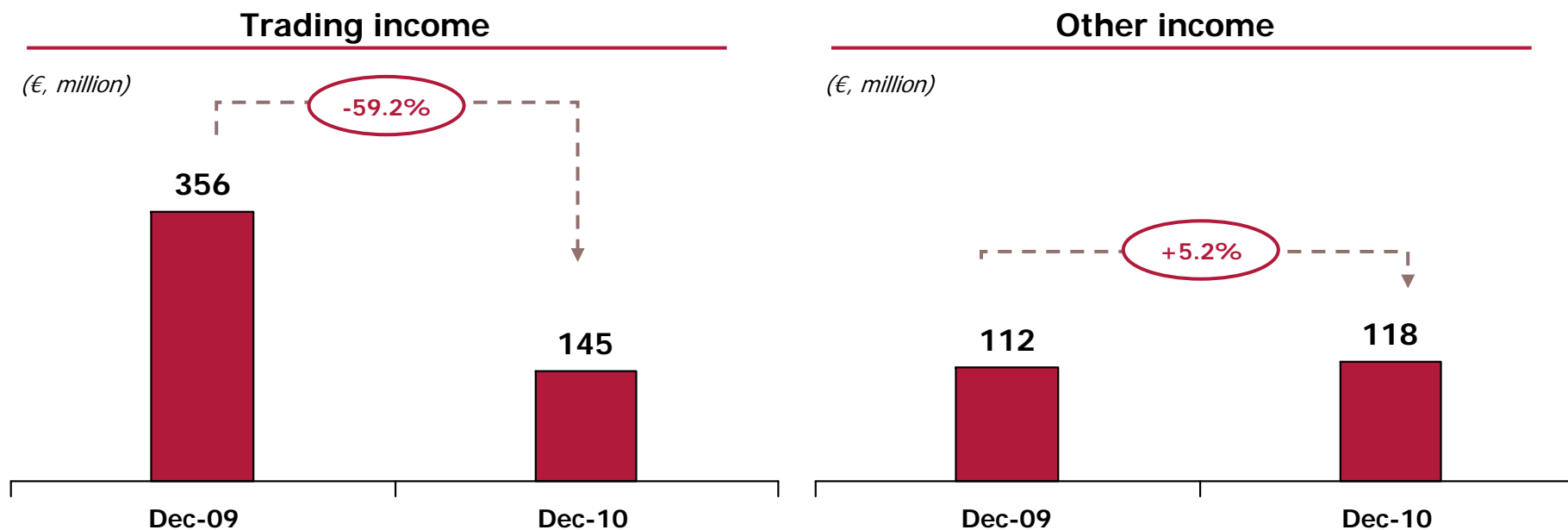
(€, million)



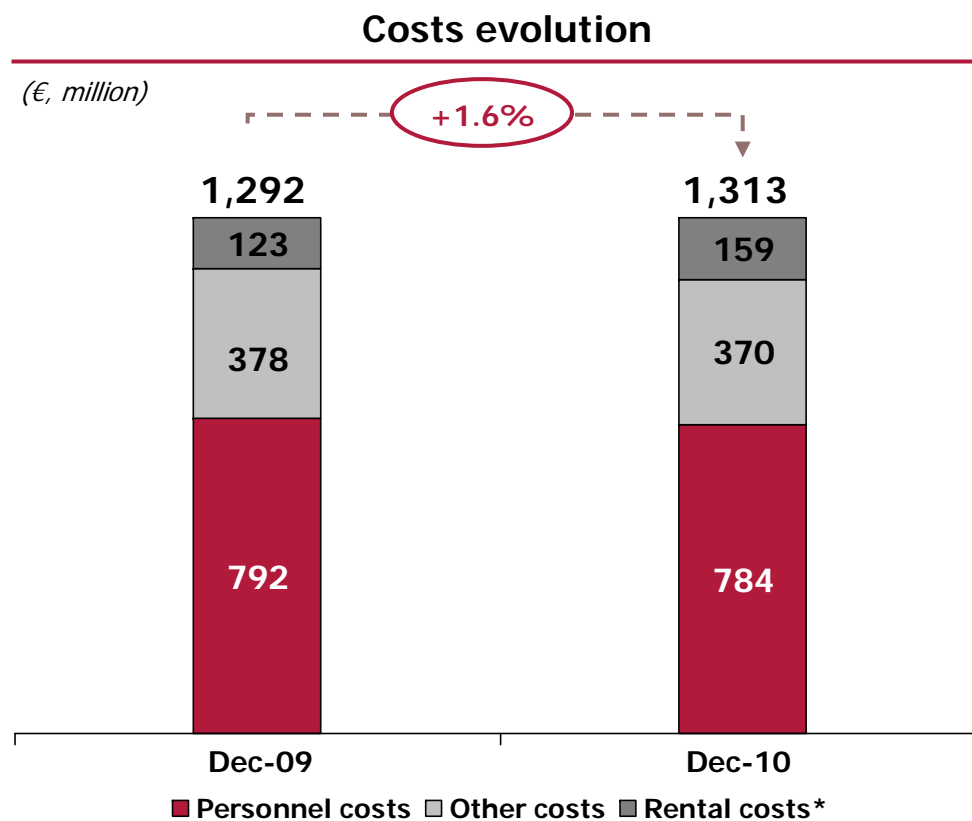
Fees income: €747m (€763 m in 2009)



2010 Trading income, as expected, has been lower (fewer buy-backs) but other recurrent revenues (insurance, exchange differences, etc) again up by 5.2%



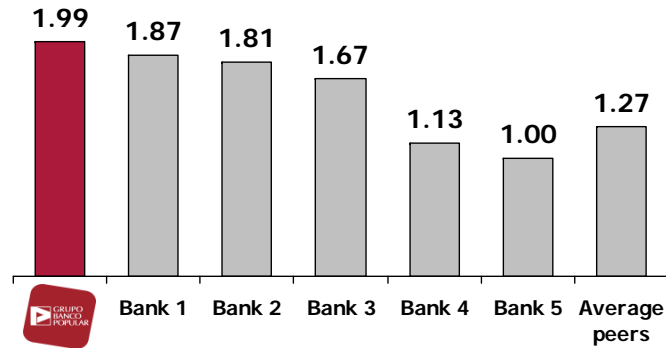
Costs remain under control: excluding sale and lease back, costs 1.3% down



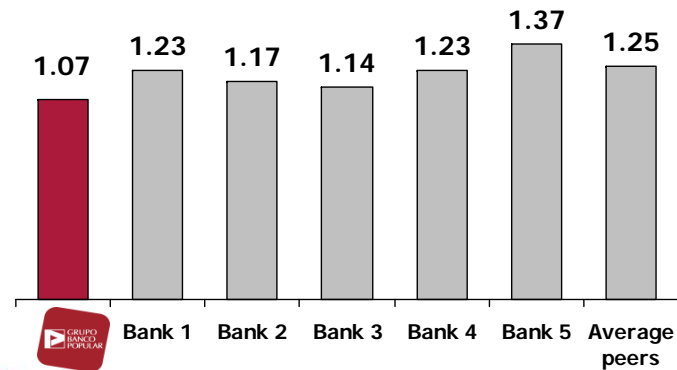
* Includes: Rents and Common services, Maintenance of premises and equipment and VAT not deductible, related to sale and lease back

We keep the highest efficiency levels based not only on the highest revenues but also on an outstanding cost culture

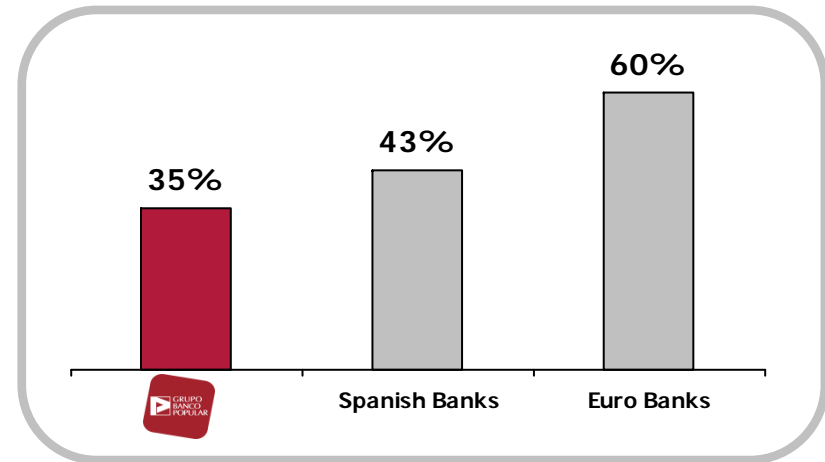
NIM over ATAs (%)



Cost over ATAs (%)



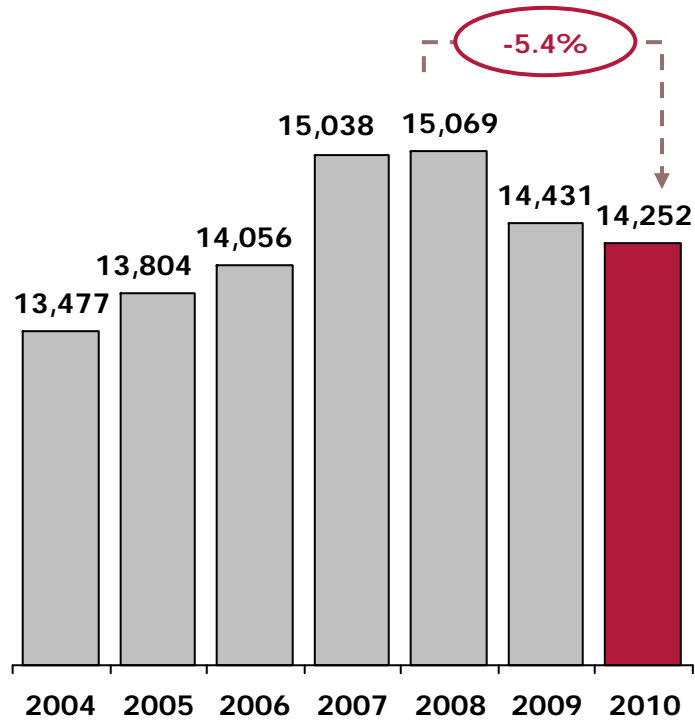
Efficiency levels vs. peers



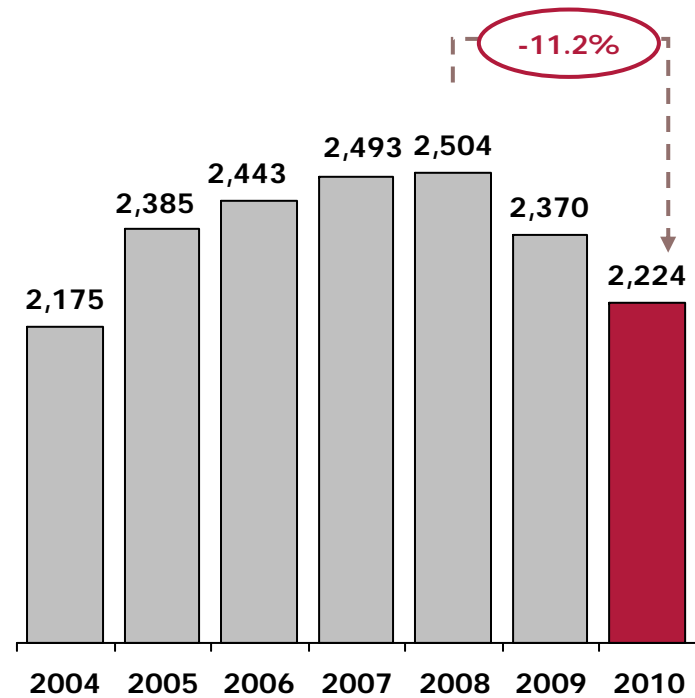
Source: Quarterly reports
Peers: BBVA Iberia, Santander España, Sabadell, Bankinter, La Caixa

We started the restructuring of our retail network two years ago, showing the path ...

Staff evolution



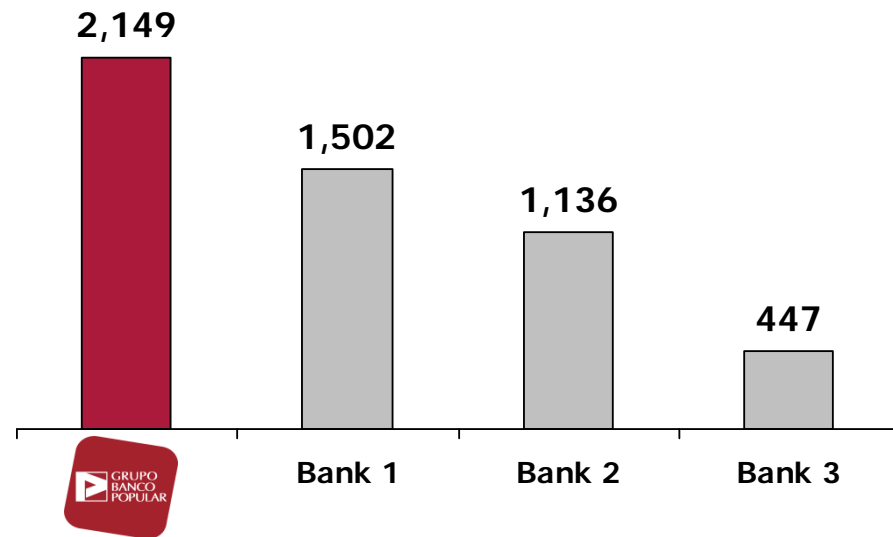
Branches evolution



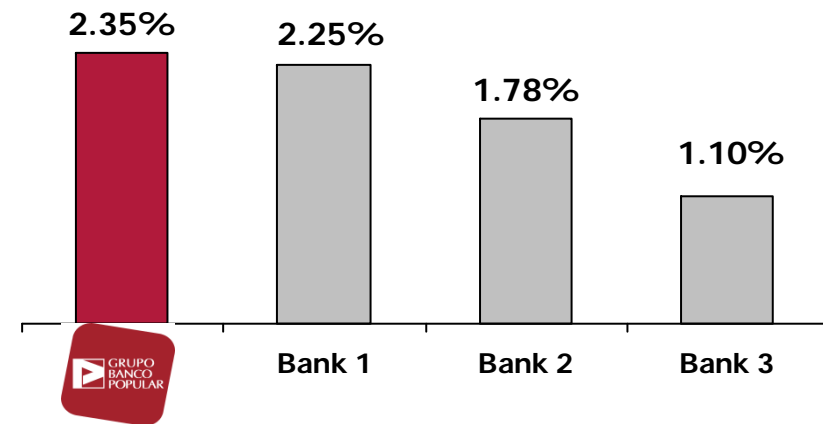
In relative & absolute terms, the €2.15bn Pre-provision profit stands well above other domestic players

Pre-provisioning profit (2010)

(€, million)



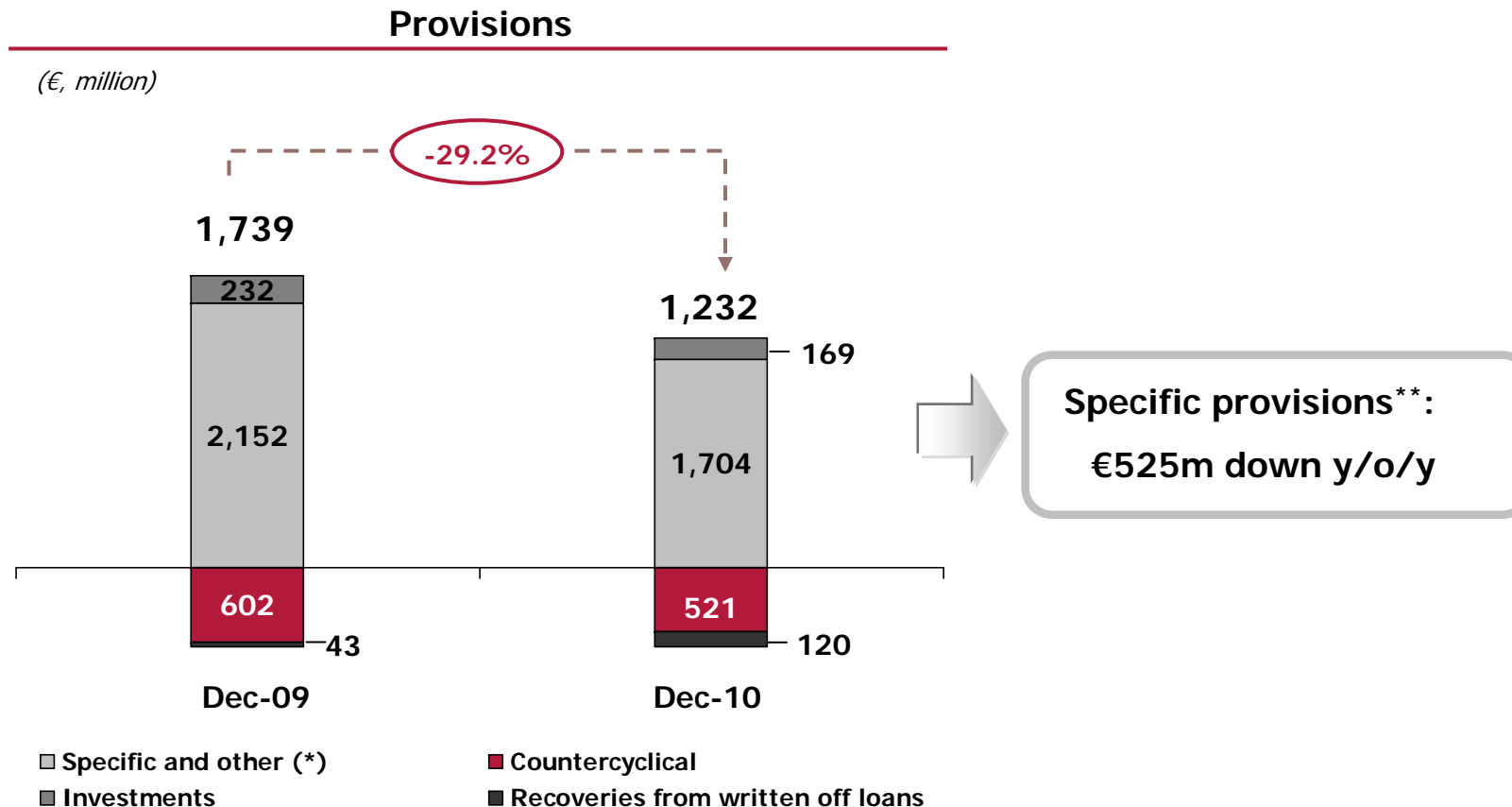
Pre-provisioning profit/ Average Gross loans (2010)



Source: Quarterly reports and analysts reports.
Note: Comparable banks include Banesto, Sabadell and Bankinter.

The credit provisions charge, as advised and planned for 2010, was lower (€525m down y/o/y).

We released less countercyclical provisions this year



(*) Net of Country Risk

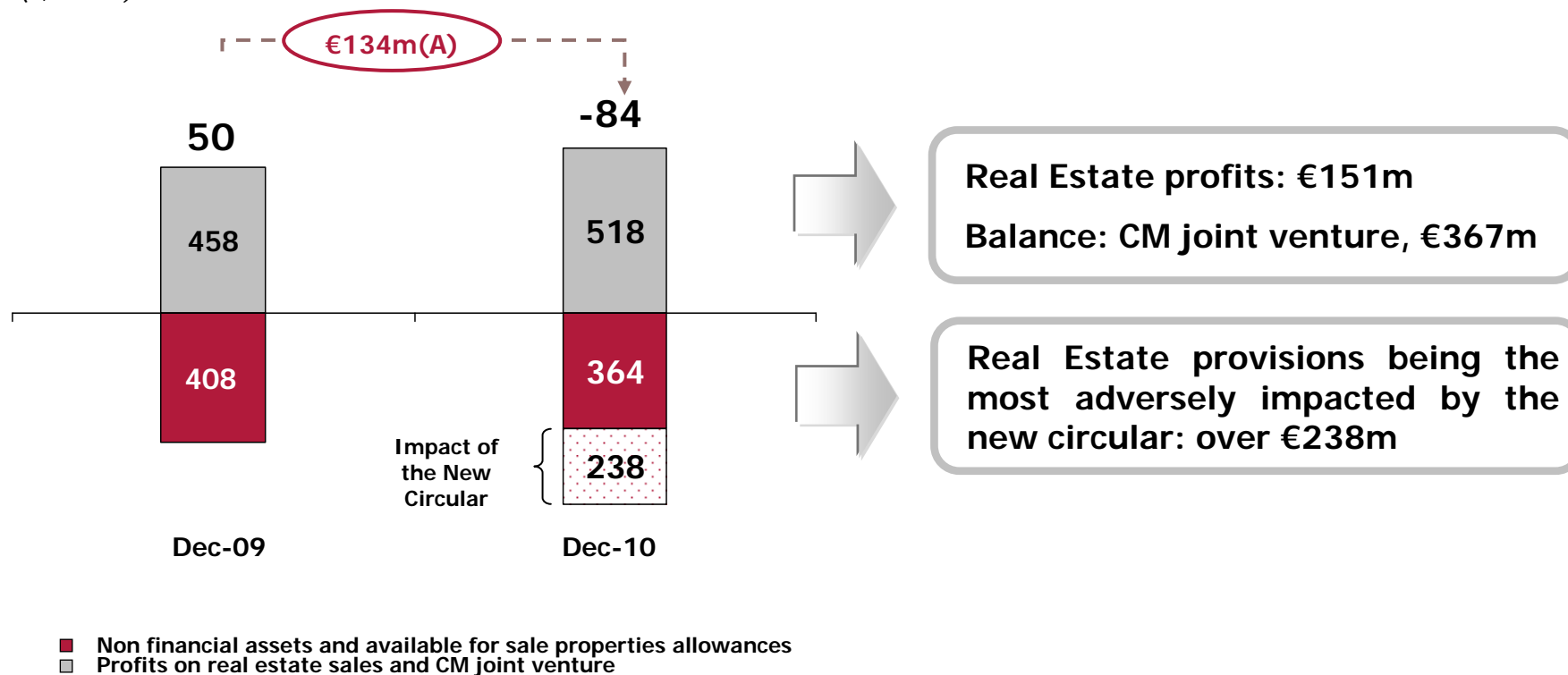
(**) Net of recoveries of written-off loans

On extraordinary items, we keep compensating “exceptional” Real Estate provisions with “exceptional” capital gains and profits from other assets.

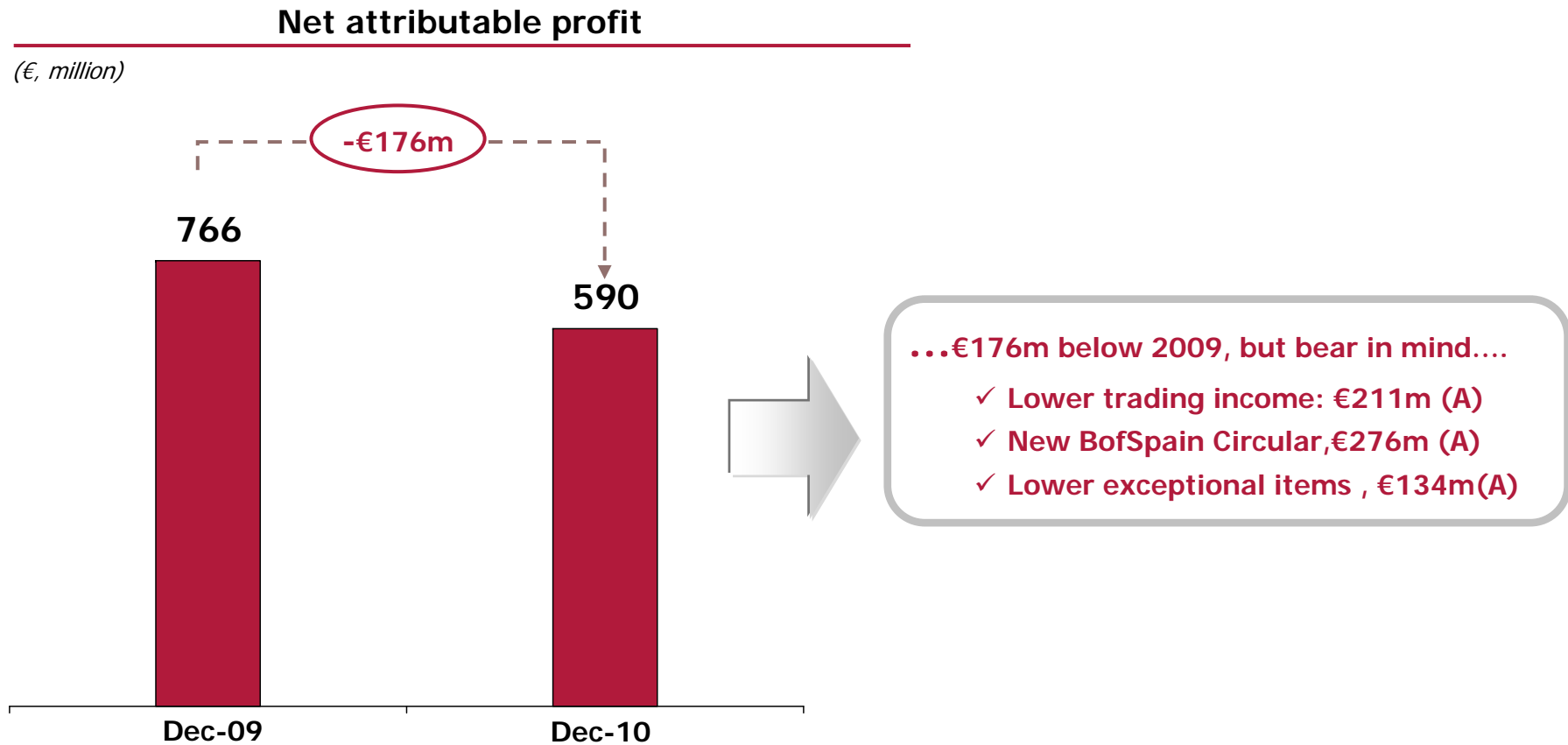
Overall, we obtained €134m less contribution from extraordinary items in 2010 vs 2009

Extraordinary items

(€, million)



All in all and, after still very demanding provisioning charges, our Net Profit stands up well at €590m



(A): Adverse. Gross figures.

P&L Recap.

<i>(€, million)</i>	To Dec-10	To Dec-09	Change (€m)	Change (%)
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Net profit	590	766	-176	-23.0%



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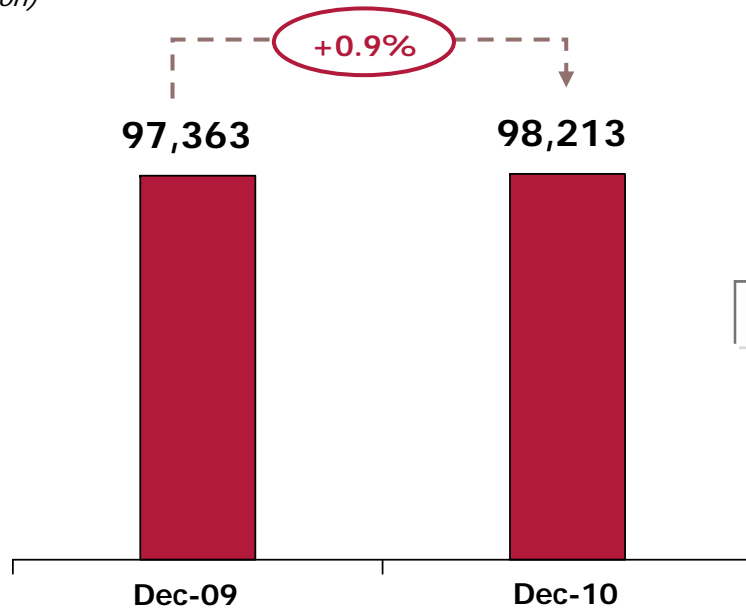
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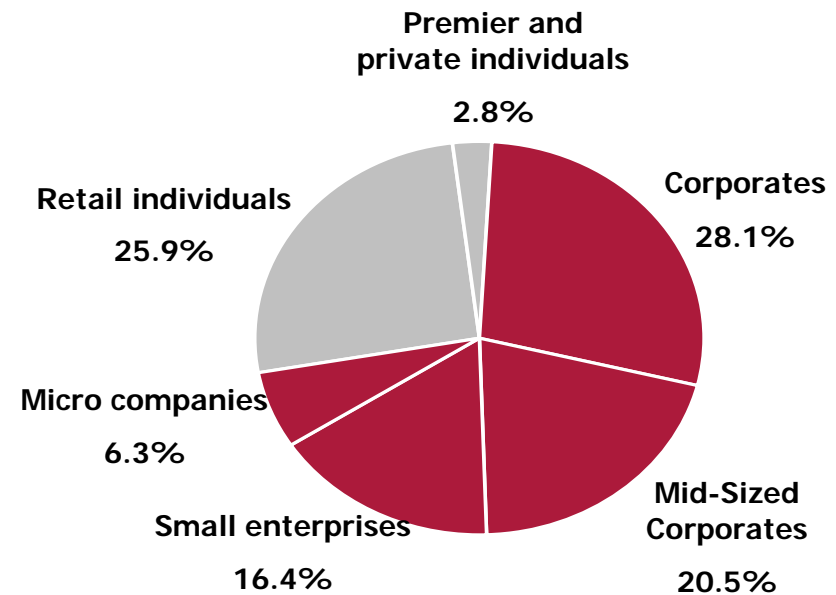
Despite a sluggish demand our loan book grew by 0.9%. We keep capturing quality market share and enjoying a strong business mix

Loans evolution: another market share gain (+4 b.p)

(€, million)



Loans breakdown by sector



We have increased especially in SMEs:

54,000 new SMEs in 2010

And International Business:

+12% y/o/y Gross income

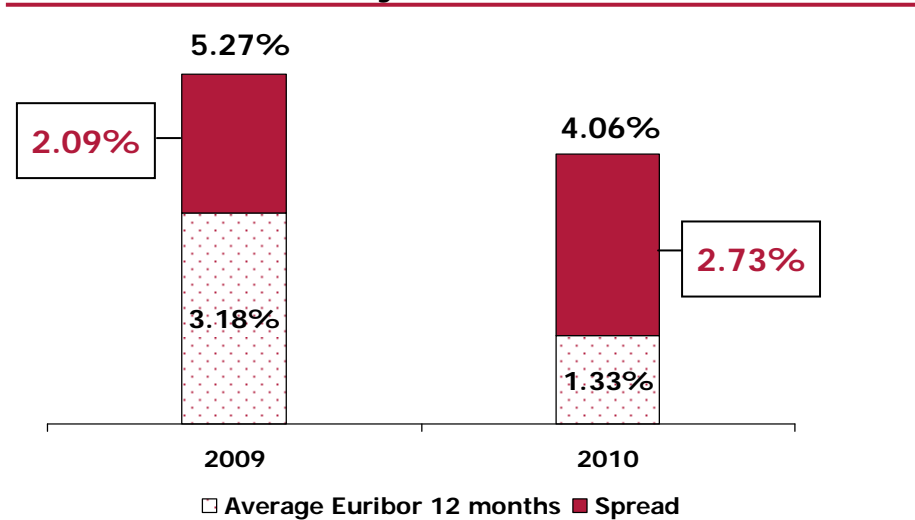
+88 b.p. documentary credit market share (10% as of 2010)



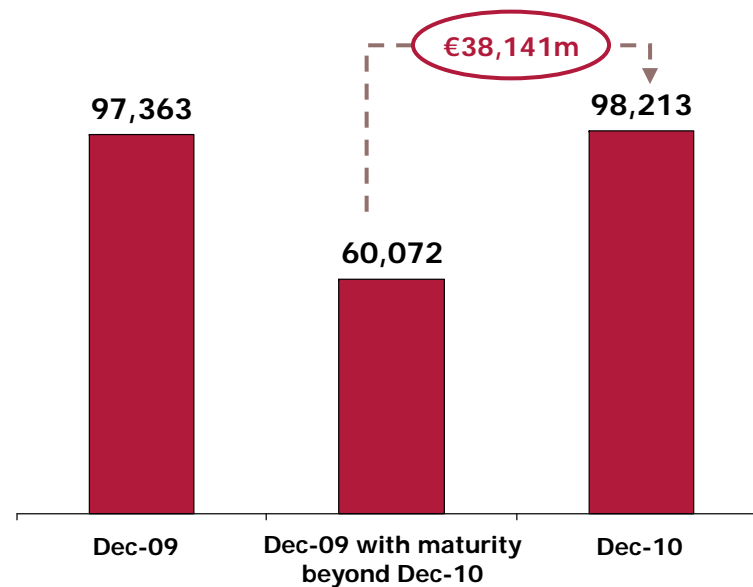
(1) Deposit market share of resident sectors Banks and Saving Banks w/o repo transactions. Data as of November 2010. It includes the JV with Crédit Mutuel.

We are actively managing spreads and “transferring” the higher funding cost (wholesale and retail) to loans

Ability: Loans Yields



Capacity: Low duration of lending book

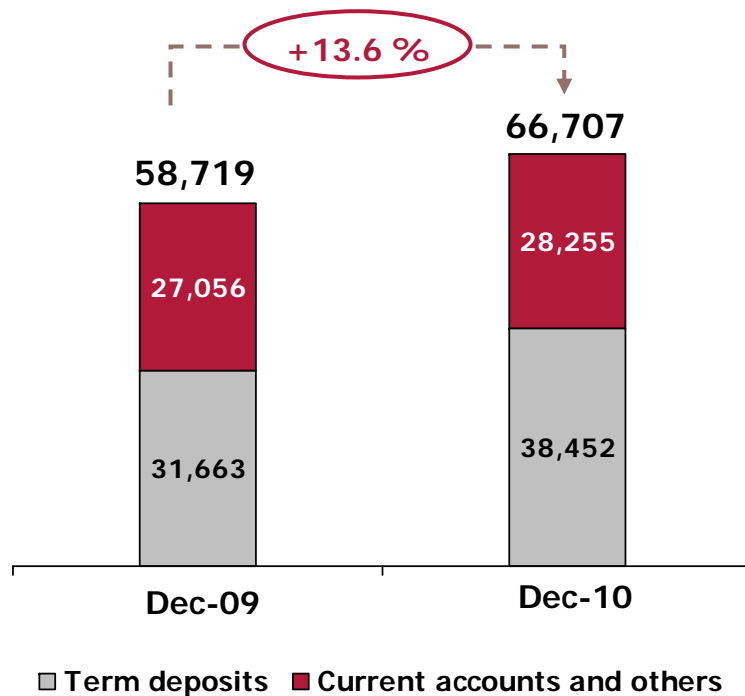


On retail deposits, we have achieved again an outstanding growth: 13.6% growth y/o/y.

We keep gaining healthy market share

Client deposit evolution: another market share gain (+52 b.p)⁽¹⁾

(€, million)



342,000 new customers
Retail & well diversified : **46%** of term deposits <€100,000
€6,148m reduction of the commercial gap y/o/y

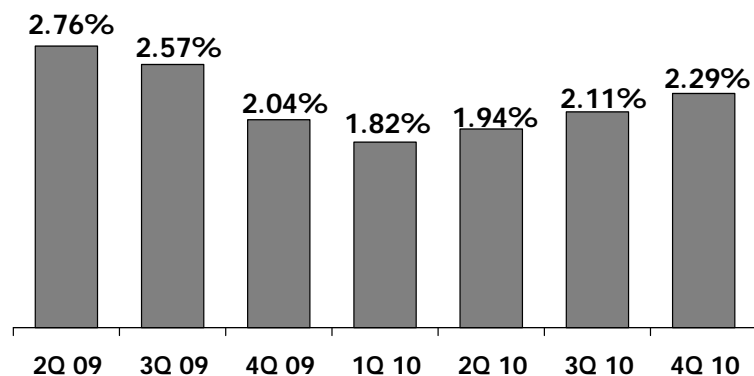


N.B: Average growth of Spanish industry as of November 2010: 2.3%.

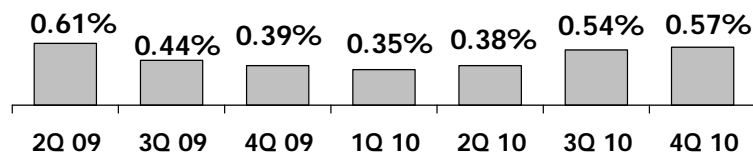
(1) Credit market share of resident sectors. Banks and Saving Banks w/o repo transactions . Data as of November 2010

The retail deposit costs remains reasonable given the current sovereign debt crisis and the competitive landscape

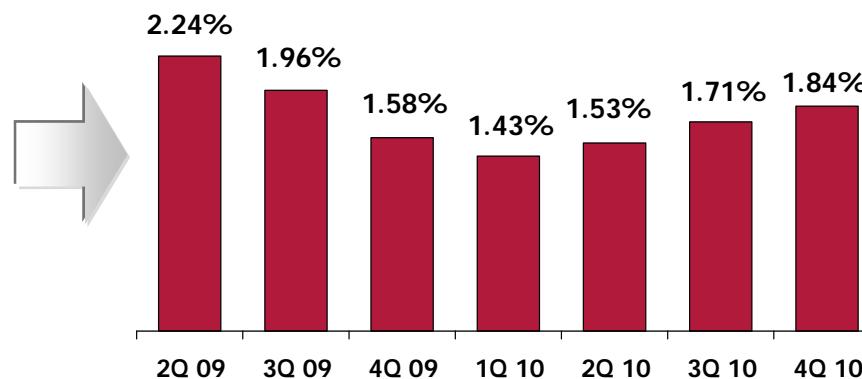
Retail interest cost : Term deposits⁽¹⁾



Retail interest cost : Current accounts



Average weighted cost



⁽¹⁾ Excluding Clearing Houses repos

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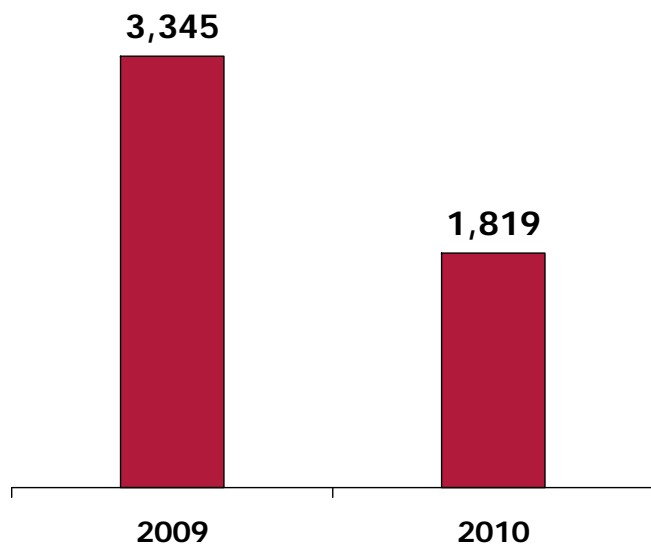


Net entries stabilize at lower levels.

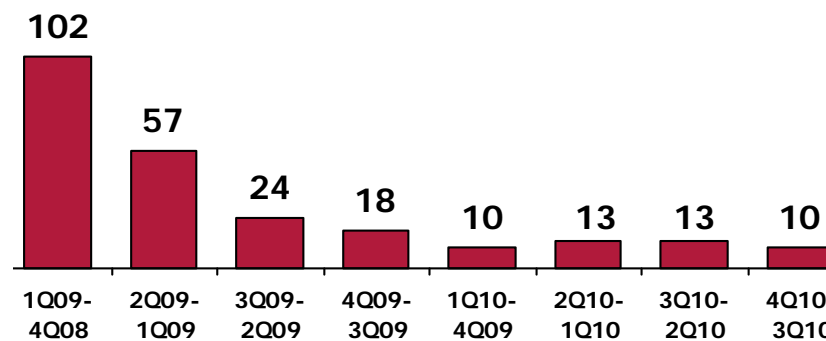
Entries 46% down y/o/y... while 75% of net entries carry a 1st class mortgage collateral

Evolution of net entries of NPLs

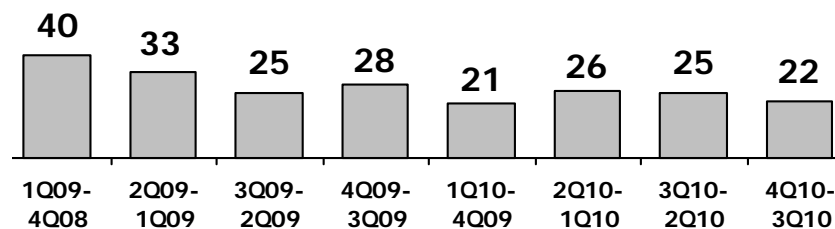
(€, million)



Popular NPL ratio quarterly growth (b.p)



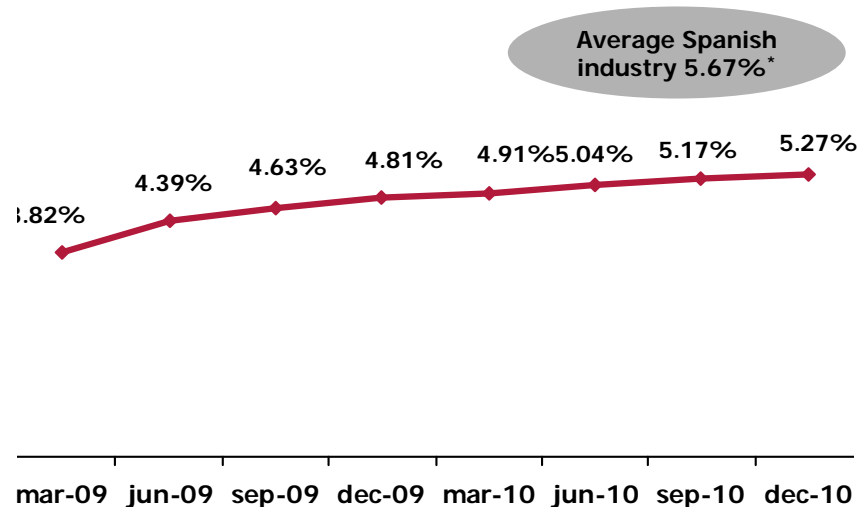
Peer's average NPL ratio quarterly growth (b.p.)*



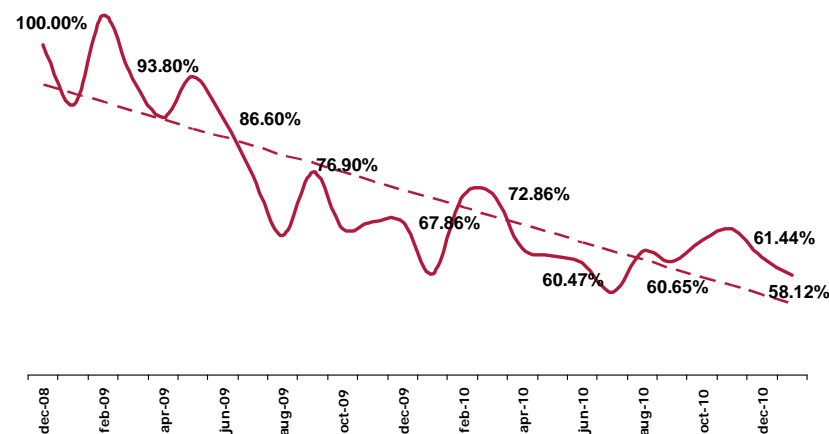
(* Average peers: Banesto, Sabadell and Bankinter.

NPL ratio remains below the industry and within/below guidance. Early indicators again follows the right trend

NPL ratio evolution



Banco Popular's late/missed payment (30-90 days past dues) index evolution⁽¹⁾



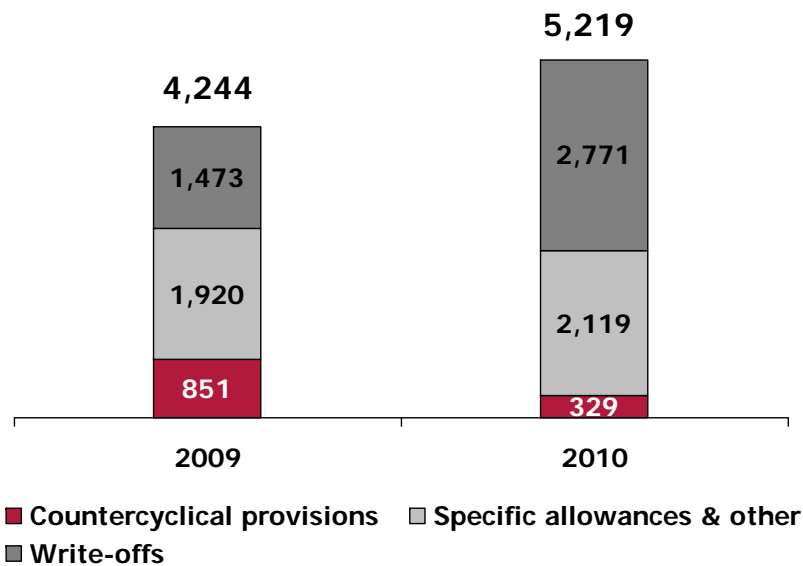
(*) Average of banks and saving banks as of November 2010. Other resident sectors. Source: Bank of Spain.

⁽¹⁾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.

Our coverage stands as of Dec-10 at 95.7% over the total stock of current NPLs and NPLs recently written-off

Provision Stock

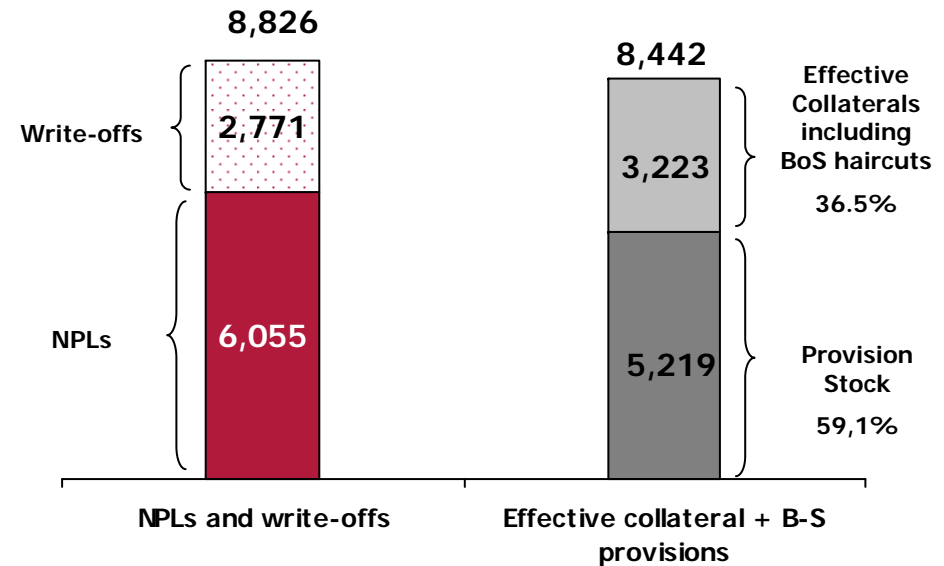
(€, million)



Coverage analysis

(€, million)

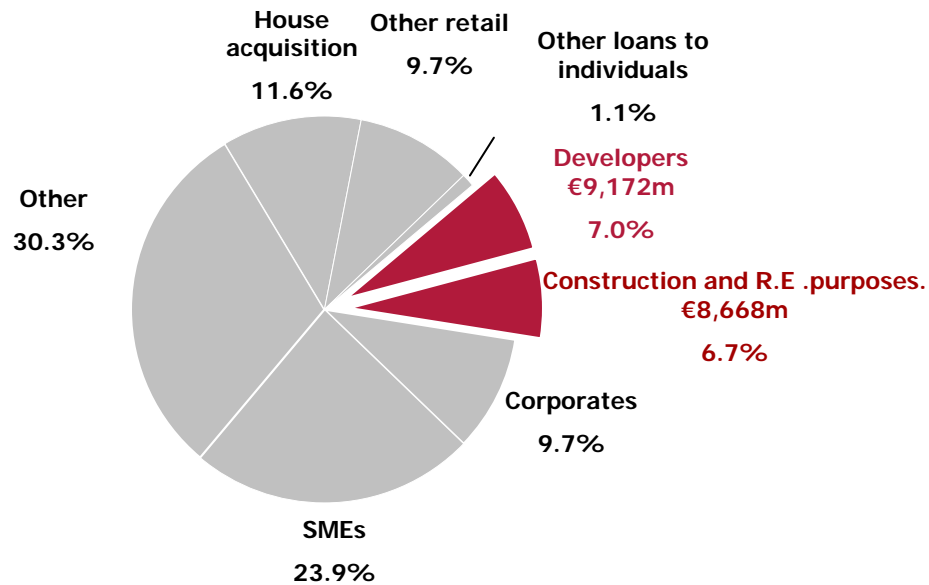
Coverage: 95.7%



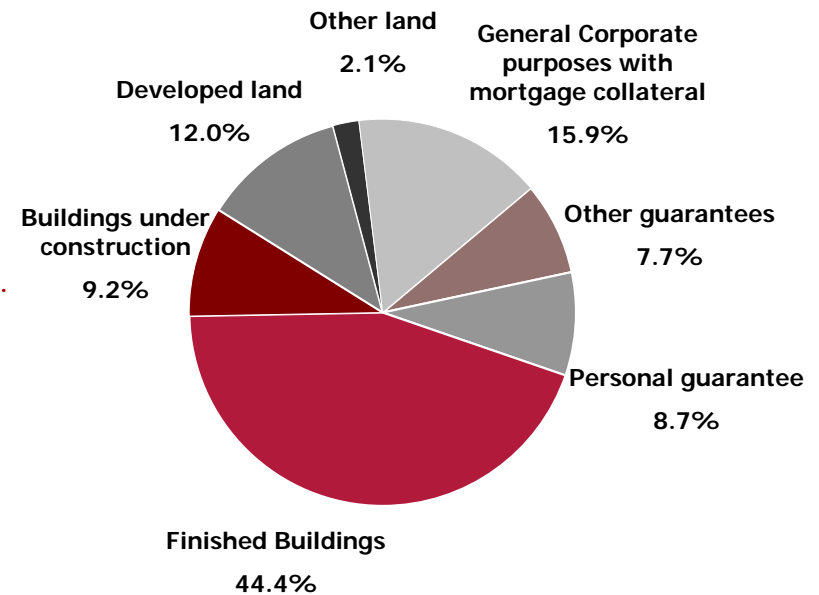
We follow a conservative write-off policy: We write-off an NPL when is fully covered, though we still maintain our recovery process on this loan. Following BoS calendar we fully cover a non mortgage guaranteed NPL within a year despite the recovery cycle takes up to 4 years

BofS has requested all Banks and Saving Banks to disclose their exposure to “Real Estate and Construction related to Real Estate”. This is an advance of what Popular will publish (1)

Total assets: 130.1 €bn



Construction and real estate breakdown by type

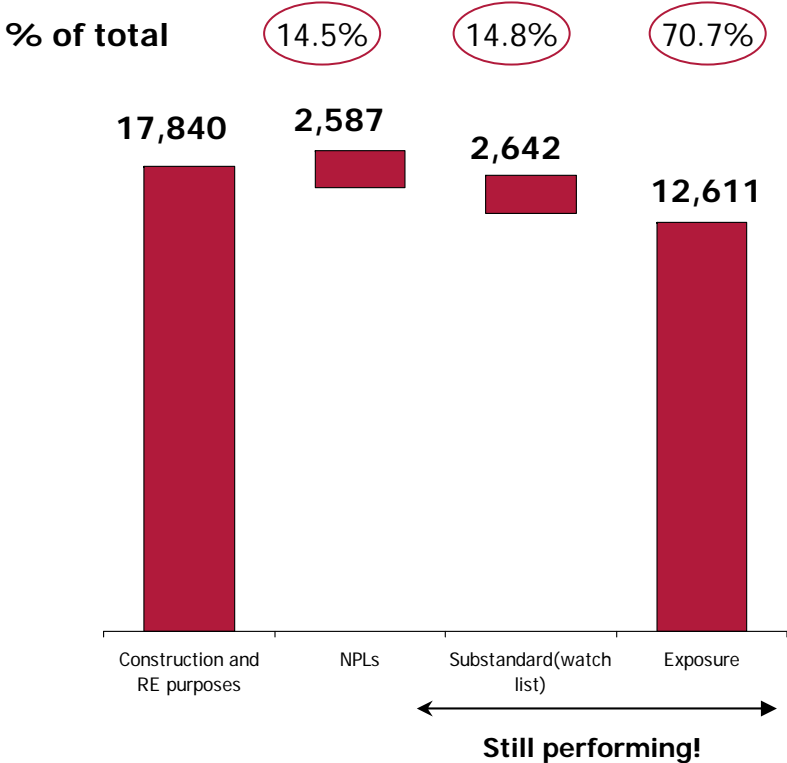


Average LTV : 62%



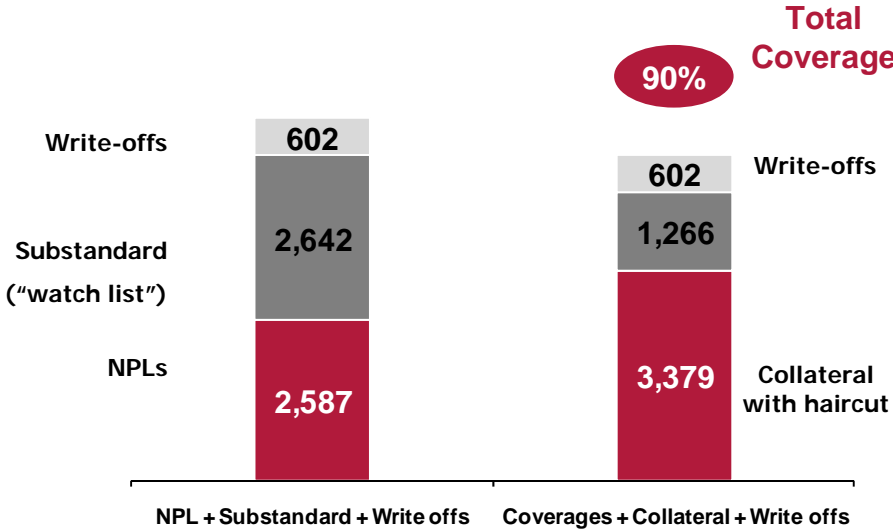
Transparency Exercise (2) : The coverage of NPLs and Substandard (i.e. our "watch list"- n.b. these loans are still performing!) is adequate

NPLs and Substandard ("watch list")



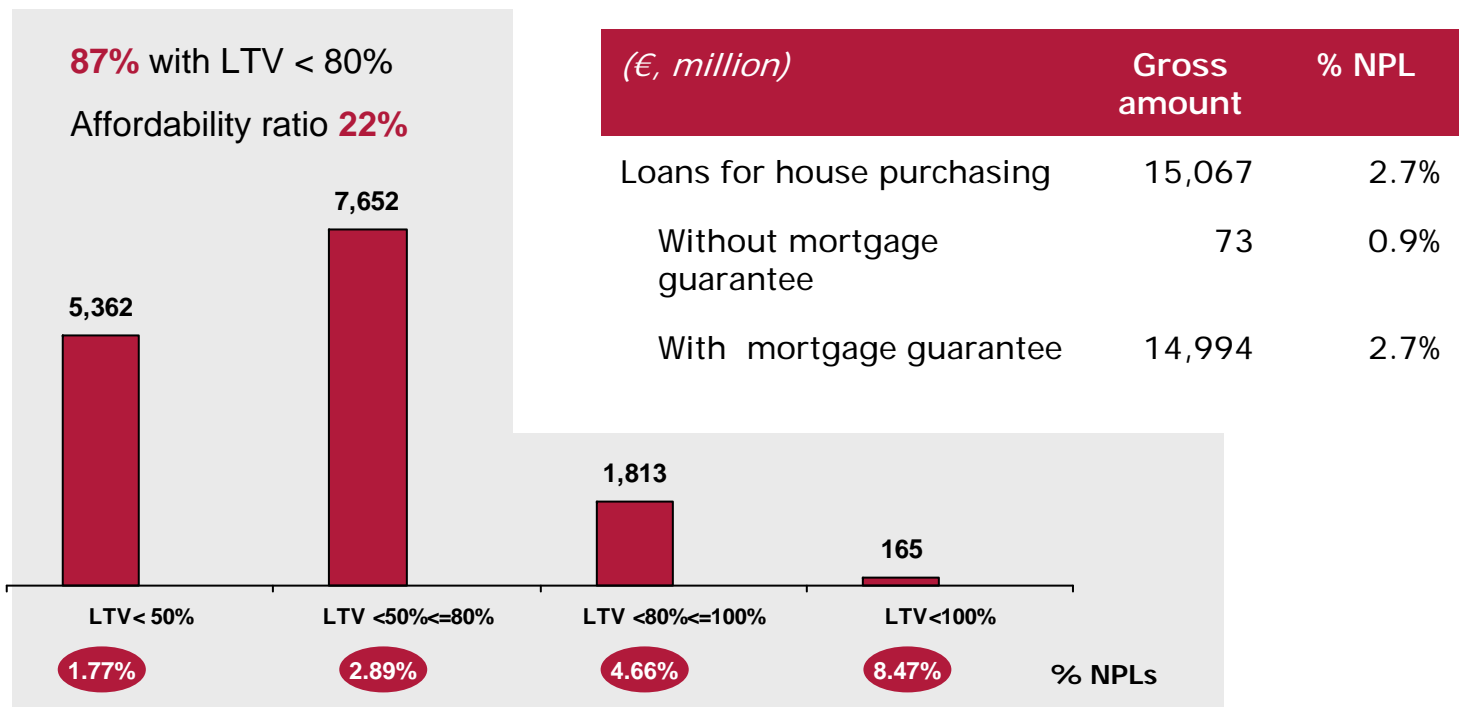
Coverage of NPLs and Substandard loans ("watch list")

(€, million)



Transparency Exercise (3): highest quality of mortgage loans to households for house purchasing

Breakdown of mortgage loans to households for house purchasing



Transparency Exercise (4): Real Estate assets in Spain

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

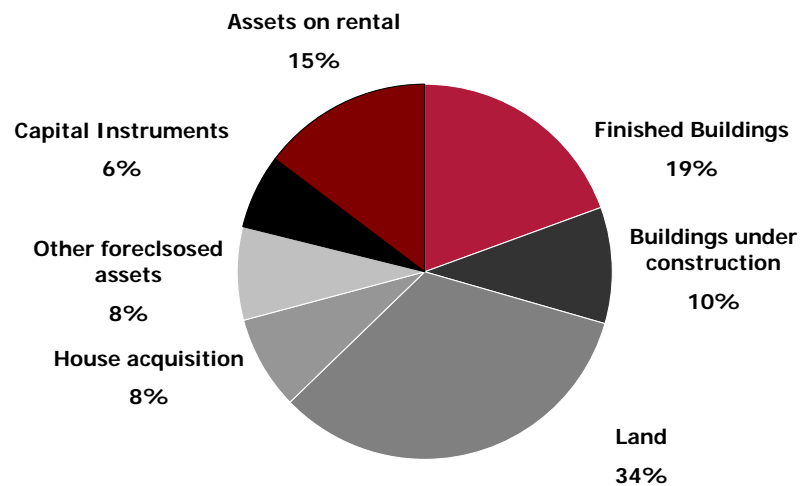
Net amount by origin	3,689*
Construction and developers	2,940
Residential repossessions	369
Other Non RE companies repossessions	380
Provisions	1,079
Discount over peak price⁽¹⁾	45%

Assets on rental (€,million)

Net amount	690
Average rental yield (%)	4.2%

Capital instruments (€, million)

Net amount	296
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Coverage: 29%⁽²⁾



⁽¹⁾ *Discount = (Acquisition price net of provisions) / Peak price of the asset (2007/2008), based on a large representative sample.*

⁽²⁾ *Provision over acquired and repossessed assets and capital instruments*

^(*) *It includes €554m of Real Estate assets of the investment portfolio*

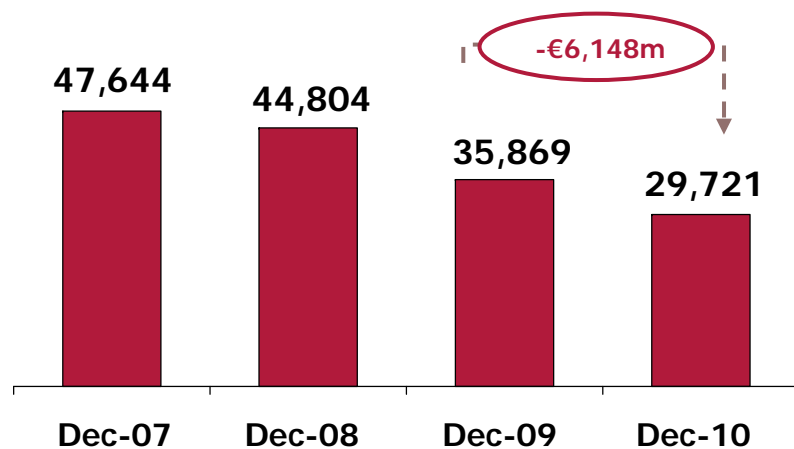
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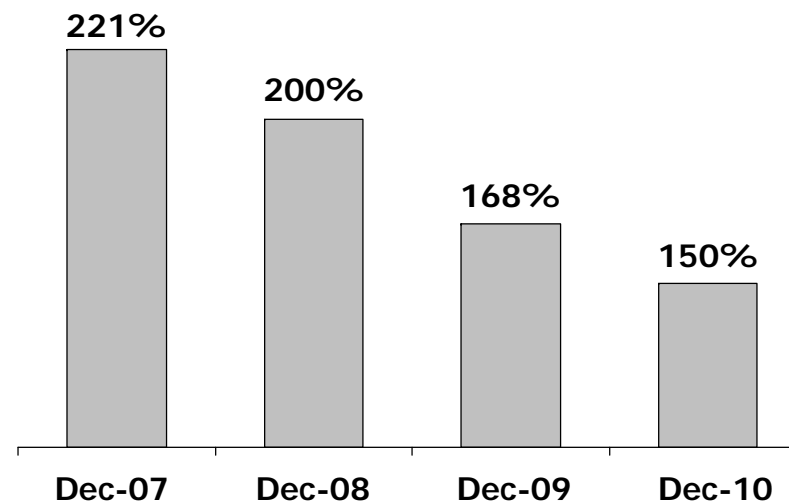


On liquidity. 1st: We have reduced our commercial gap thanks to the capture of retail deposits. Our loan to deposit ratio stands now at 150% down, from 221% three years ago... in spite of growing our loan book

Evolution of the commercial gap



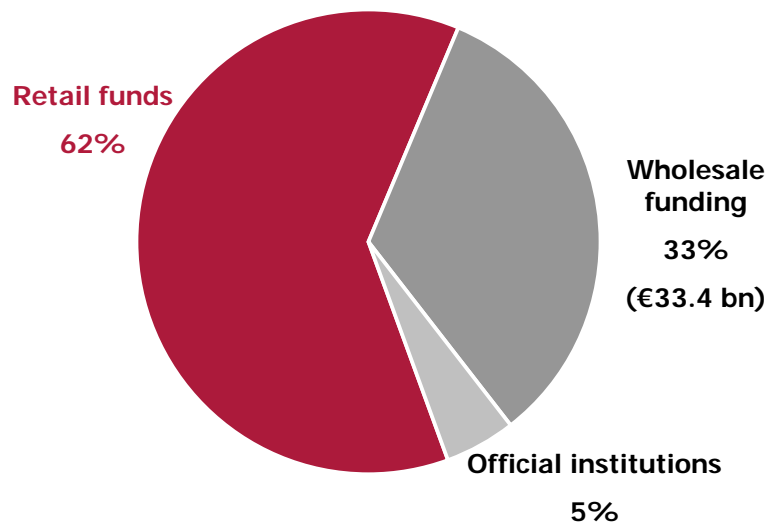
Loans/deposits ratio*



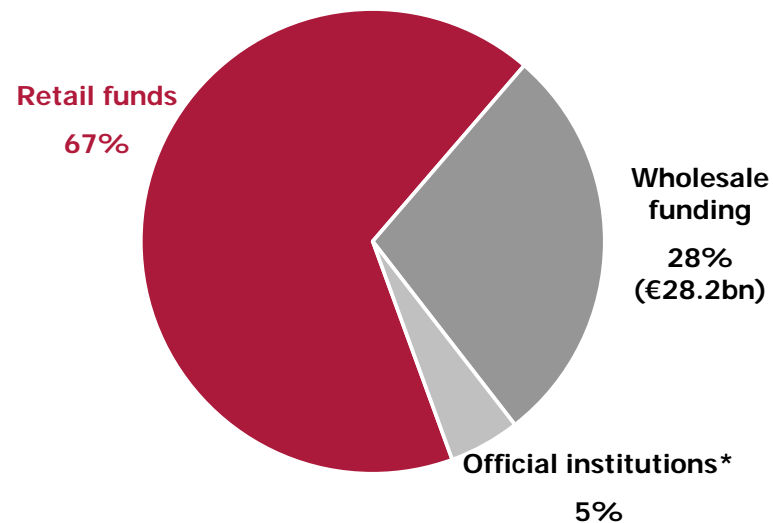
*Note: ex all repurchasing agreements.

On liquidity. 2nd: We have reduced our wholesale funding from €33.4bn to €28.2bn, 16% down y/o/y

Funds breakdown (Dec-09): €101.1bn



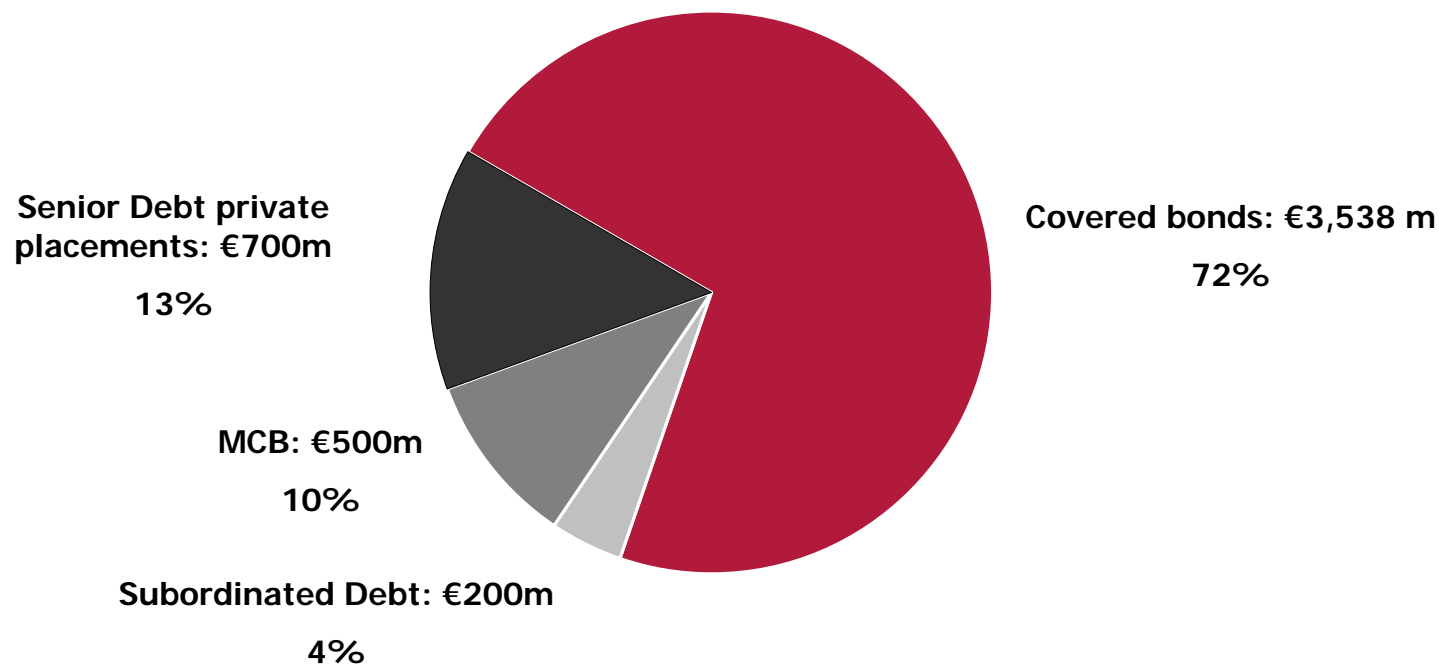
Funds breakdown (Dec-10): €99.4bn



*1.5% ECB, and 3.5% ICO and EIB funds for SMEs

On liquidity. 3rd: Despite sovereign shock, in 2010 we have been able to tap the markets for over €4.9 bn

New issues 2010: €4,9bn



... and we carry issuing and placing internationally: mid January: €650m covered bonds



As a consequence of all the above, we have been able to reduce our short term wholesale exposure by €4.9bn in one year, and the maturity of the portfolio extended by 4 months

Wholesale funding breakdown (Dec-10 vs Dec-09)

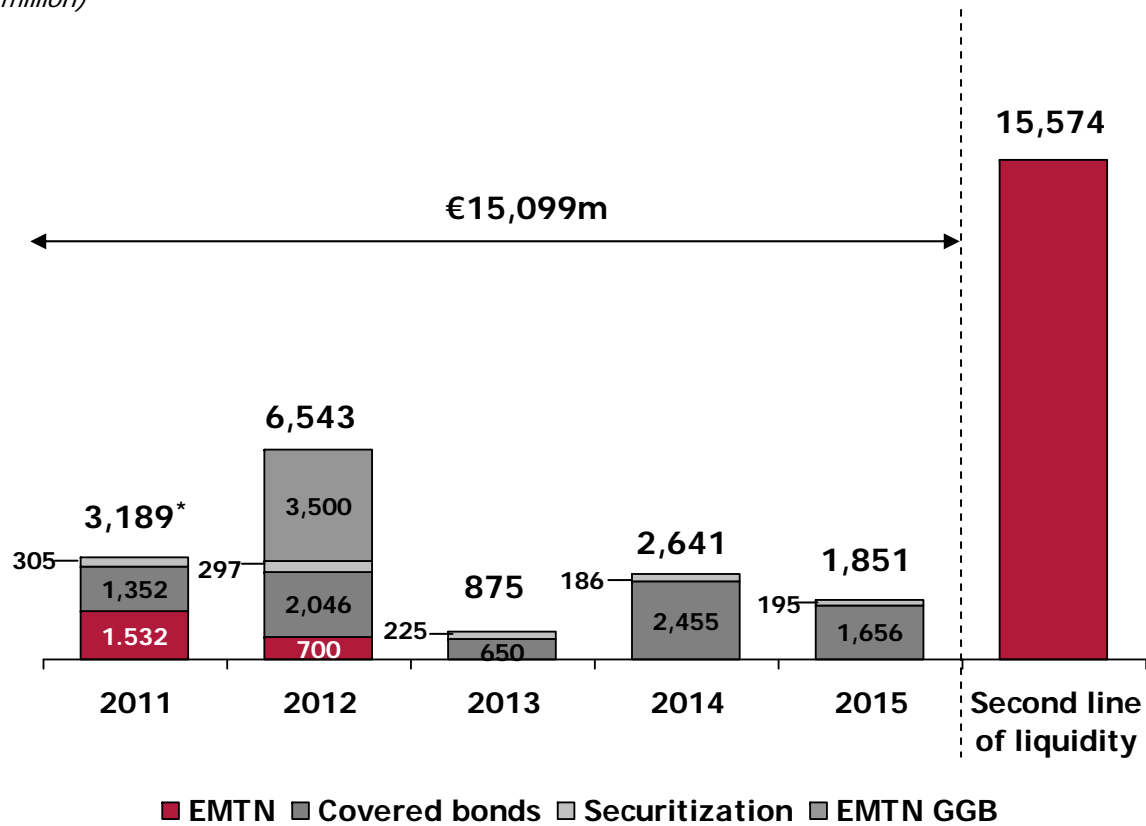
	2009 (%)	2010 (%)
ECP	17%	4%
Interbank Funds	15%	17%
<hr/>		
Short term funding	32%	21%
<hr/>		
EMTN	25%	21%
Covered Bonds	32%	46%
Securitization	6%	4%
Subordinated Debt	5%	8%
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Long term funding	68%	79%
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Total	€33.4bn	€28.2bn



As a back-up we keep a €15.5bn second line of liquidity (unused) which would cover extreme scenarios

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

(€, million)



(*) Out of which , €1,000m have already matured in January 2011.



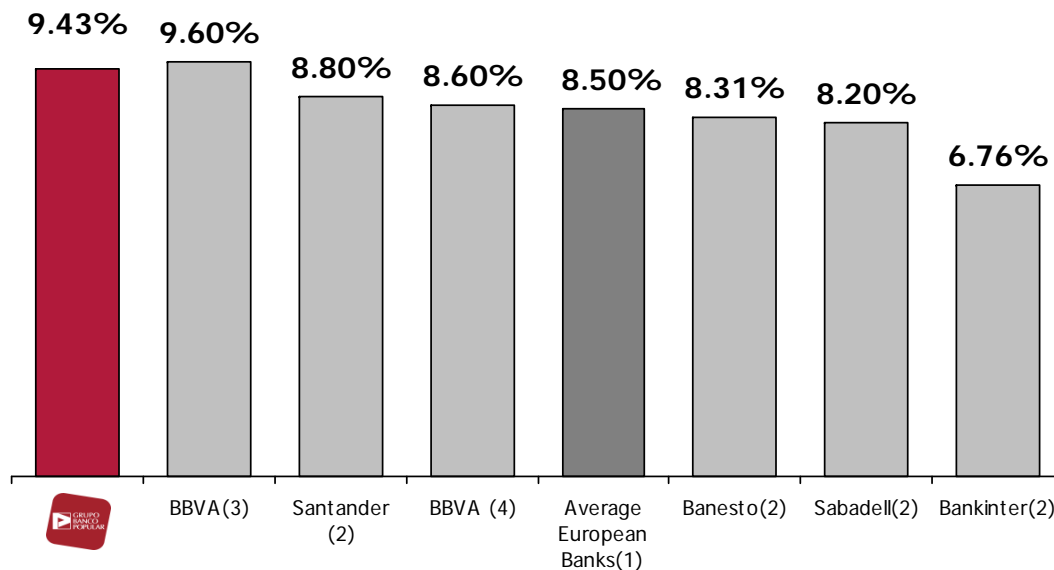
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On Solvency: We have the highest Core Capital of the Spanish listed banks and Euro peers. Well prepared for Basel III

Core capital



✓ Core capital : €8.8bn

✓ Leverage ratio: 14.55x (6.9%), vs

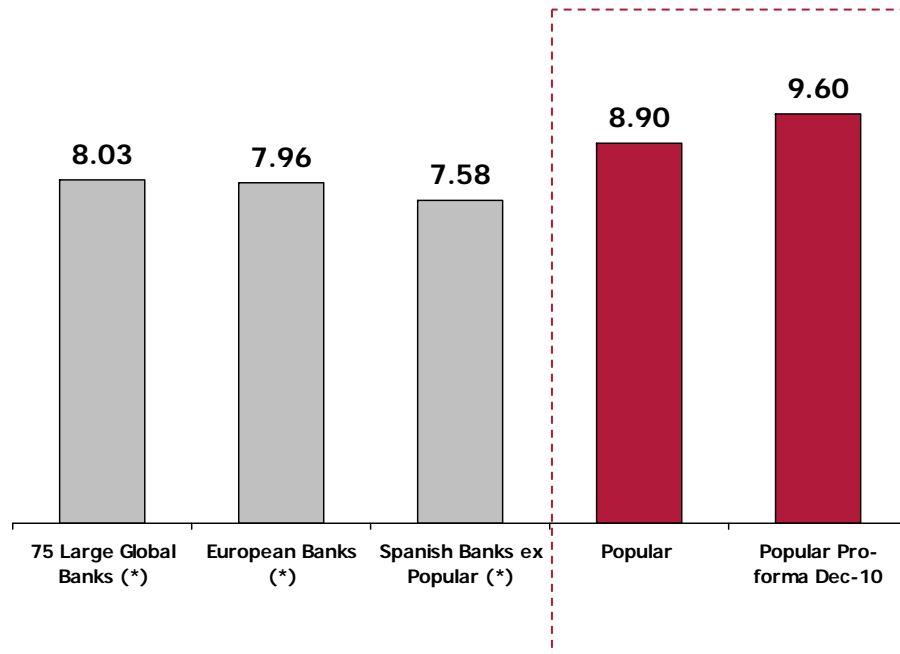
36x Average Europe (ex-UK)



- (1) Data as of Nov-10.
- (2) Data as of a Dic-10
- (3) Reported figures
- (4) Post-Garanti adquisition

On Solvency: According to Standard & Poors Risk Adjusted Capital (RAC) measure, as of June we hold the leading capital position amongst Spanish Banks and a privileged position amongst Euro banks. S&P criteria is very much aligned with Basel III approach

Estimated RAC ratio as of June 2010-after diversification/concentration (%)



* Average RAC Ratio. Banks means Banks and Savings
Source: Standard & Poor's

Agenda

1. Summary remarks 2010
2. Financial highlights
3. Revenues and operating performance
4. Business drivers
5. Risk management
6. Liquidity and balancing assets and liabilities
7. Financial Strength
8. Closing remarks and outlook
9. Annex



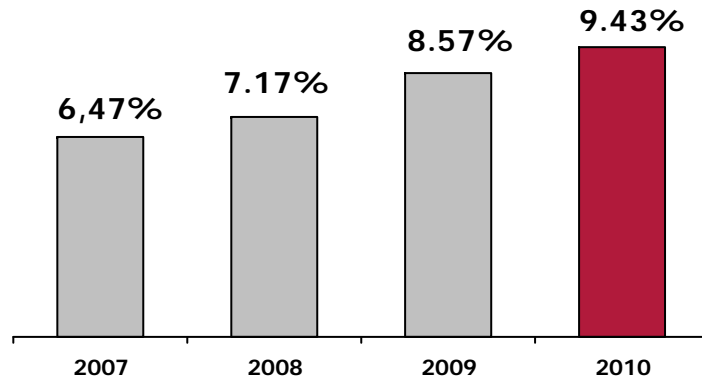
Closing remarks(1)

- €590m net profit...after absorbing i.a. new BofS provisioning rules (€276m) and lower trading gains (€211m).
- Performance in line with our guidance: lower NII offset by lower Credit Provisions.
- A record €1,834m provisions devoted to Credit & Real Estate.
- NPL trends look stable and within the guidance. Our bad debt ratio at 5.27% remains manageable and below the industry.
- Core capital up to 9.43%. Retail deposits up. Liquidity position improved significantly and wholesale funding reliance further reduced.
- Popular priorities remain clear and straightforward...

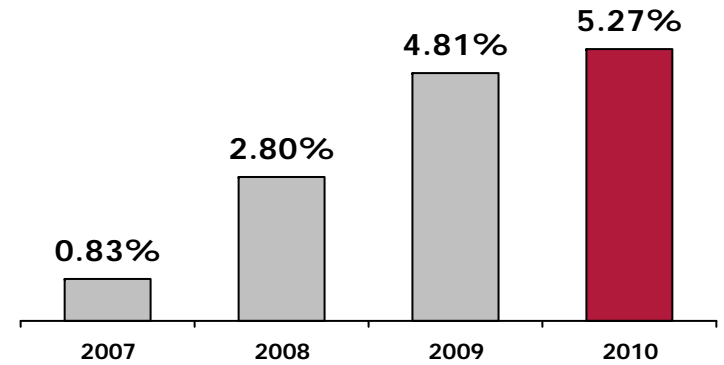


... Our priorities remain very clear

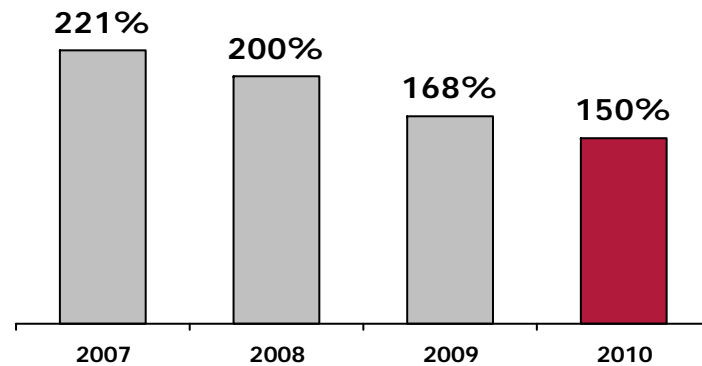
✓ Solvency: Core capital



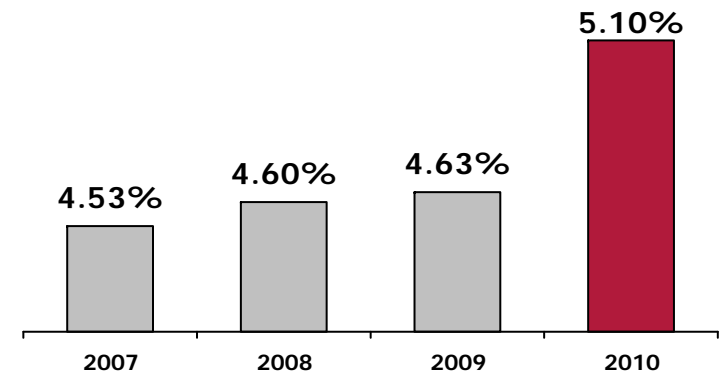
✓ Stabilize bad/debt ratios



✓ Reduce wholesale funding reliance



✓ Gain quality market share ⁽¹⁾



⁽¹⁾ Business market share: credits and deposits. Source: T7 form and y Bank of Spain.

Outlook

- **As long as the current crisis is not over, we will keep our conservative policy of reinforcing provisions, as much as we can.**
- **The NPL ratio should remain around 5.5%.**
- **The current year remains challenging and the sector will keep re-shaping. Popular counts with a winner business model with clear strengths and capabilities that will allow us to benefit, one way or another, from this environment.**



Many Thanks.

Happy to take any questions.



Agenda

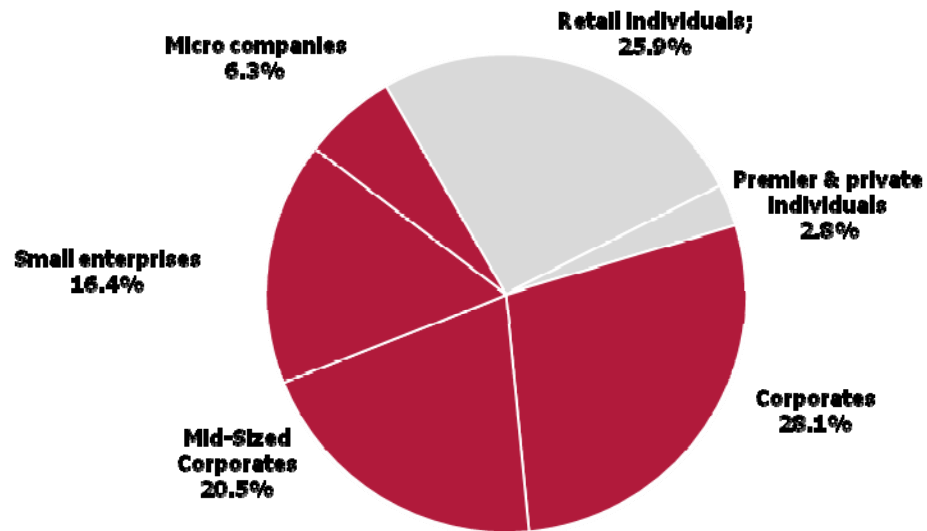
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Banco Popular is focused on SME and corporates

Risk distribution by segment



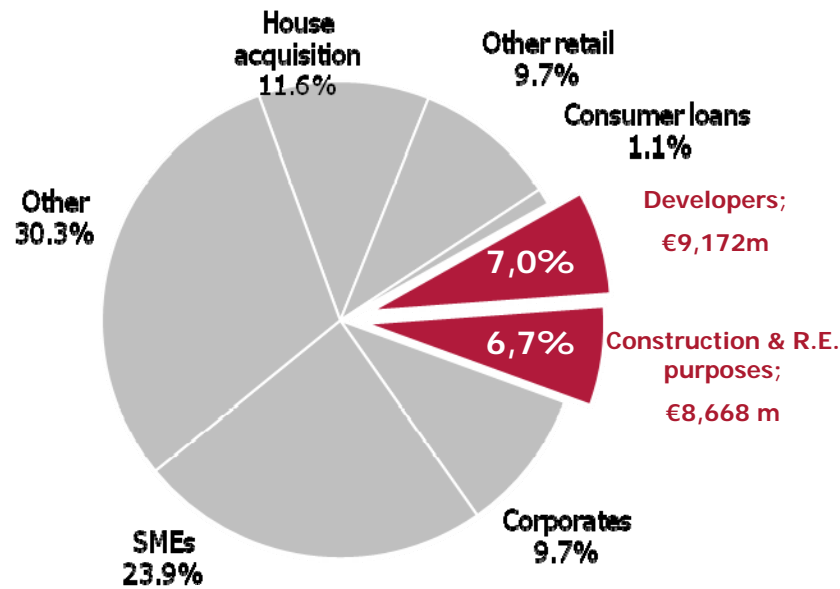
* 63% of the risk with SMEs has a mortgage collateral



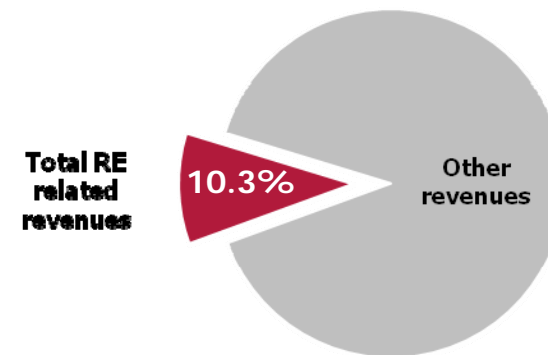
N.B. Business in Spain. Excludes Public Entities

Banco Popular dependence on real estate revenues is not significant

Assets distribution (% of total assets)



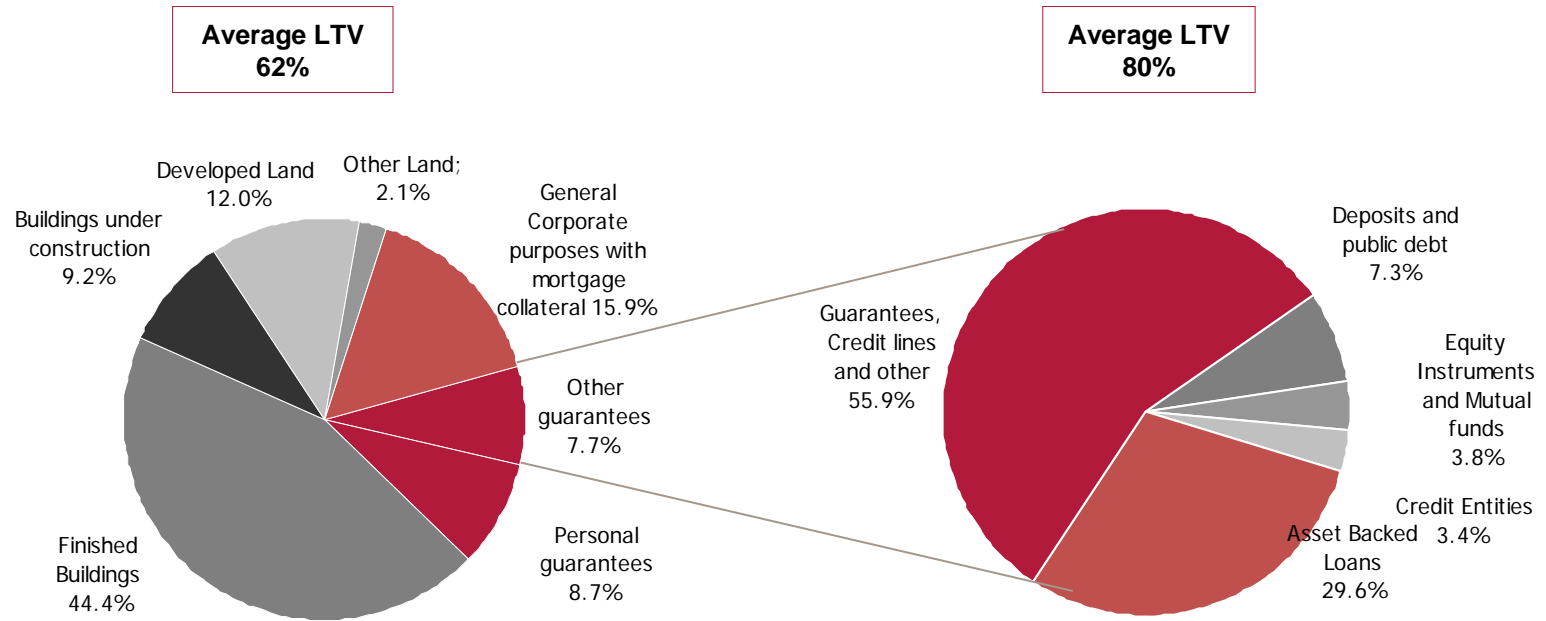
Revenues distribution*



* Contribution to total revenues

Most of our exposure to Real Estate and construction companies related to RE are backed with a first mortgage collateral, with an average LTV of 62%

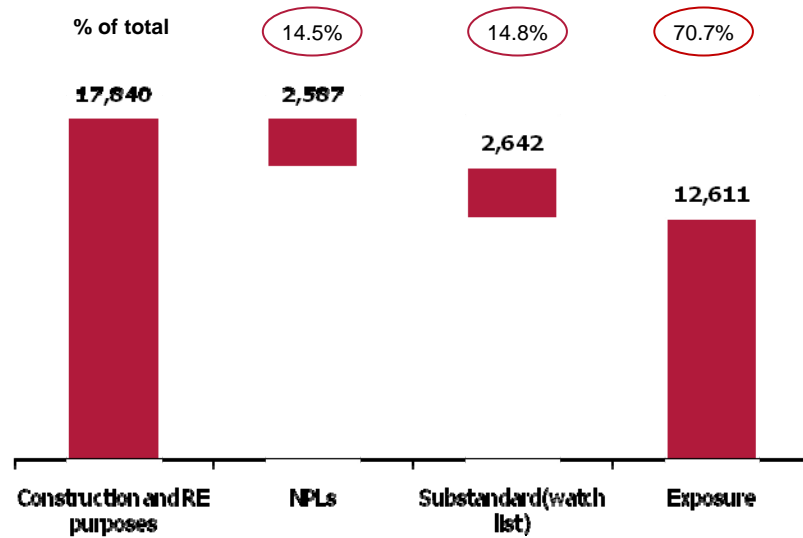
Credit distribution of Real Estate and construction related to Real Estate



The coverage of NPLs and Substandard (i.e. our “watch list”- n.b. these loans are still performing!) is adequate

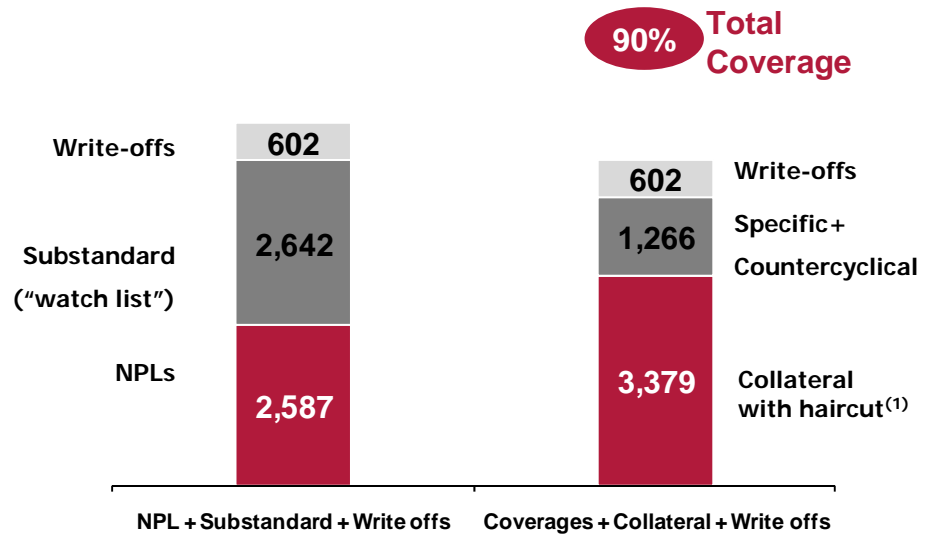
NPLs and Substandard (“watch list”)

(€, million)



Coverage of NPLs and Substandard loans (“watch list”)

(€, million)



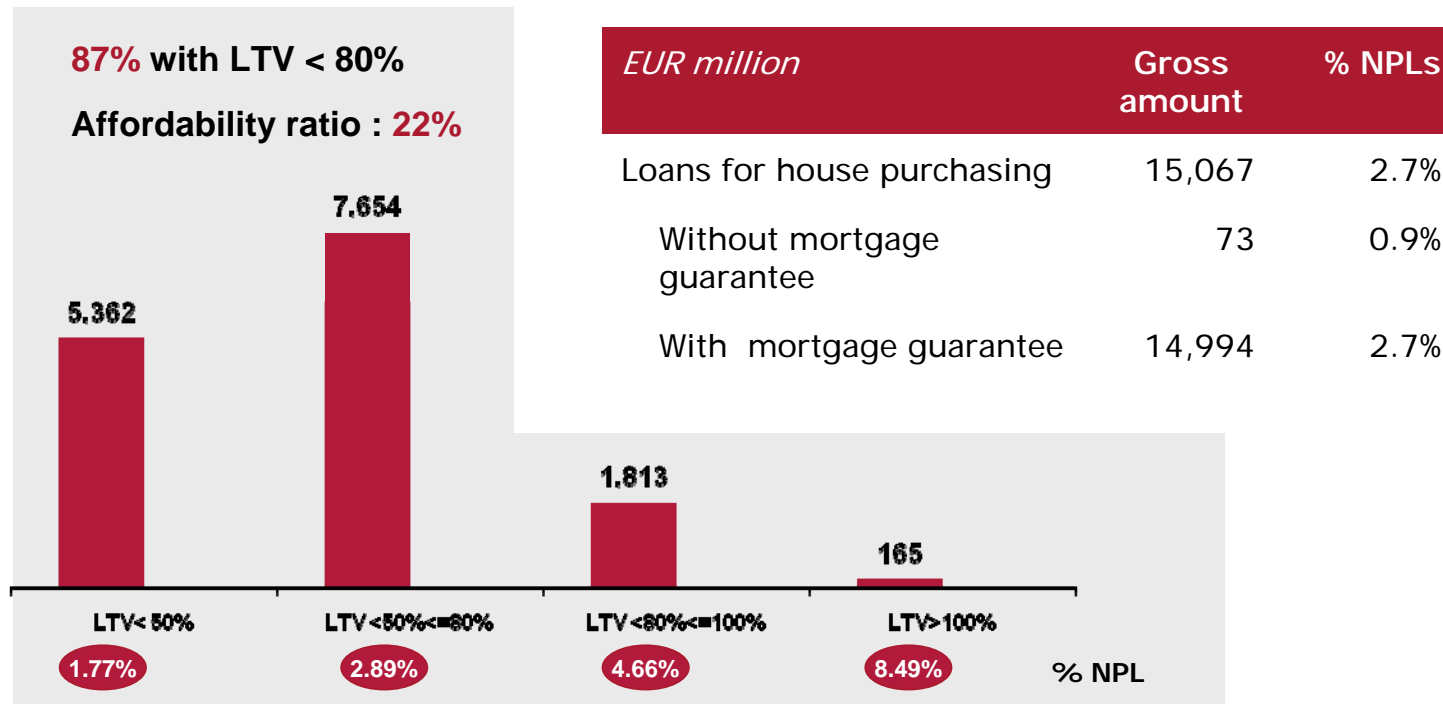
Global coverage without haircut is 159%



⁽¹⁾ Value of collateral after haircuts defined under BofS regulation

Highest quality of mortgage loans to households for house purchasing

Breakdown of mortgage loans to households for house purchasing



Real Estate assets

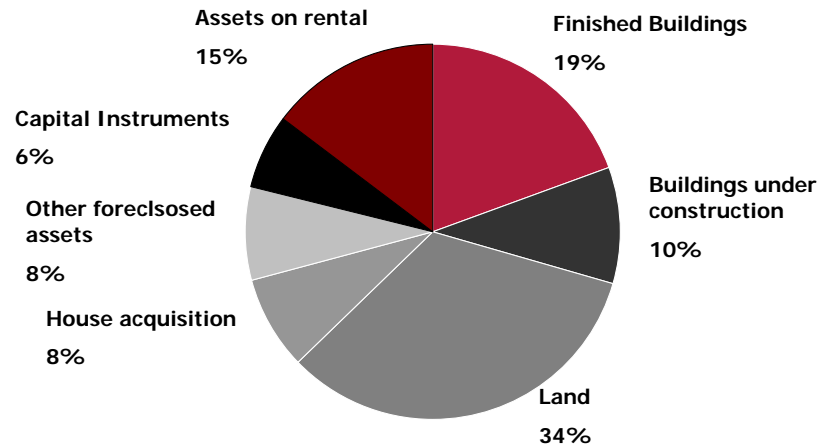
Real Estate assets, including long term investments (€ million)

Net amount	by	3,689*
origin		
Construction and developers		2,940
Residential repossessions		369
Other Non RE companies repossessions		380
Provisions		1,079
Discount over peak price⁽¹⁾		45%

Assets on rental and capital instruments Net amount (€ million)

Assets on rental	690
Average rental yield (%)	4.2%

Capital instruments	296
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Coverage: 29%⁽²⁾

⁽¹⁾ Discount = (Acquisition price net of provisions) / Peak price of the asset (2007/2008), based on a large representative sample.

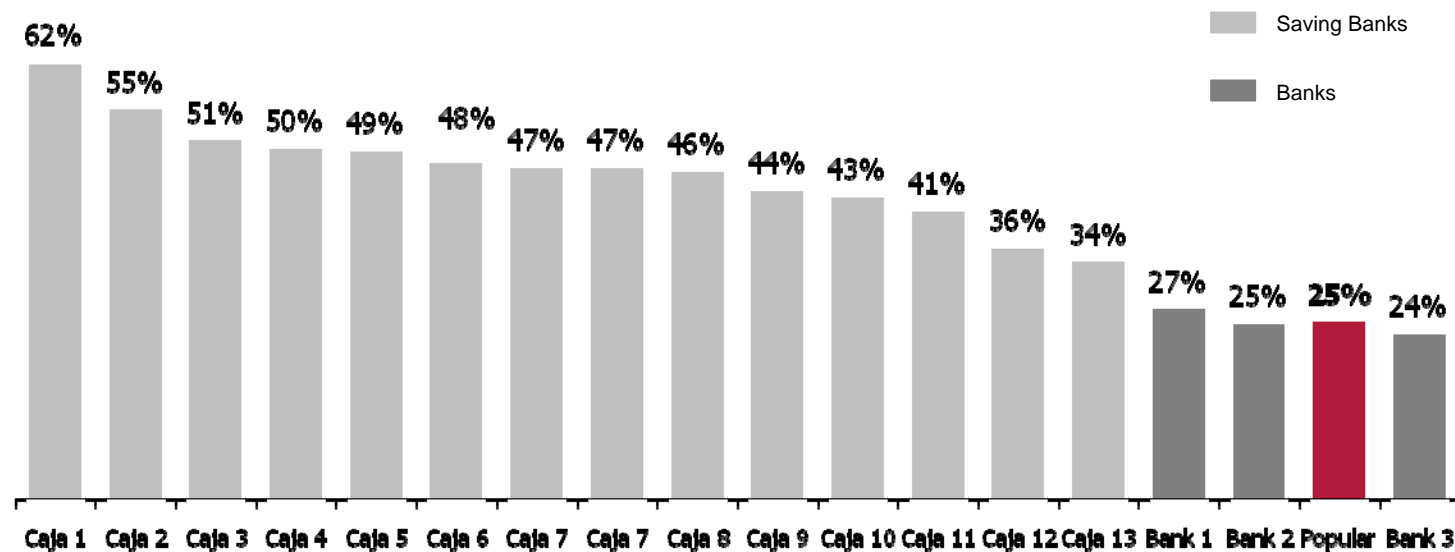
⁽²⁾ Provision over acquired and repossessed assets and capital instruments

^(*) It includes €554m of Real Estate assets of the investment portfolio



Banco Popular is one of the Spanish credit institutions with less reliance on construction and real estate loans and retail mortgages (data as of published at the moment)

% Mortgage loans to households for house purchasing and construction and real estate loans on total assets



December 2010. Business in Spain. Total assets in Spain considered for Spanish Global Banks

Banks: Santander, Sabadell and Banesto

Saving Banks: Caja España-Caja Duero, Banco Base, Cajatres, Caixa Catalunya, Mare Nostrum, NovaCaixaGalicia, BFA, Unnim, Vital, Banca Cívica, CaixaBank, Ibercaja, Unicaja, Kutxa, BBK



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902 301 000

The logo for Banco Popular, featuring a stylized 'P' icon to the left of the text 'BANCO POPULAR' in a bold, uppercase, sans-serif font.

**BANCO
POPULAR**