



FINANCIAL RESULTS

1st Quarter 2010

April, 27th 2010



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Agenda

- 1. Summary remarks and financial highlights**
- 2. Solid operating performance and high quality earnings**
- 3. Business resilience: credit and deposits growth**
- 4. Risk management: trends noticeably improving**
- 5. Financial Strength: ratios up**
- 6. Closing remarks and outlook**



Summary remarks 1Q-2010

- **€204M net profit, ahead of consensus ... after over €414M in Credit & Real Estate provisions.**
- **1Q10 performance markedly ahead of last quarter.**
- **Results as planned: lower NII and lower provisioning needs.**
- **Still in a tough cycle, but trends keep improving substantially: net 1Q10 NPL entries down 77.6% vs. 1Q09.**
- **NPL Coverage stable at 50%. Bad debt ratio below the industry. Real estate assets available for Sale: 20% provision achieved**
- **Capital and reserves up by 26%: well positioned for Basle 3.**
- **We keep growing & gaining market share.**



Financial Highlights (I)

<i>(€, million)</i>	1Q 10	1Q 09	Change
Net interest income	668	727	-8.1%
Pre-provisioning profit	605	695	-12.9%
Provisions for loans and investments	294	304	-€10M
Extraordinary items	-39	-75	+€36M
Net profit	204	225	-9.2%
Non-performing ratio	4.91%	3.82%	+109 b.p
Efficiency ratio	31%	28%	+2.8 p.p.
Loans to deposits ratio	160%	194%	-34 p.p.
Core Capital	8.74%	7.23%	+1.5 p.p.

Financial Highlights (II)



<i>(€, million)</i>	1Q 10	4Q 09	Change
Net interest income	668	703	-5.0%
Pre-provisioning profit	605	693	-12.7%
Provisions for loans and investments	294	529	-€235M
Extraordinary items	-39	3	-€42M
Net profit	204	115	+77.4%
Non-performing ratio	4.91%	4.81%	+10 b.p
Efficiency ratio	31%	29%	+2 p.p.
Loans to deposits ratio	160%	168%	-8 p.p.
Core Capital	8.74%	8.57%	+17 b.p.



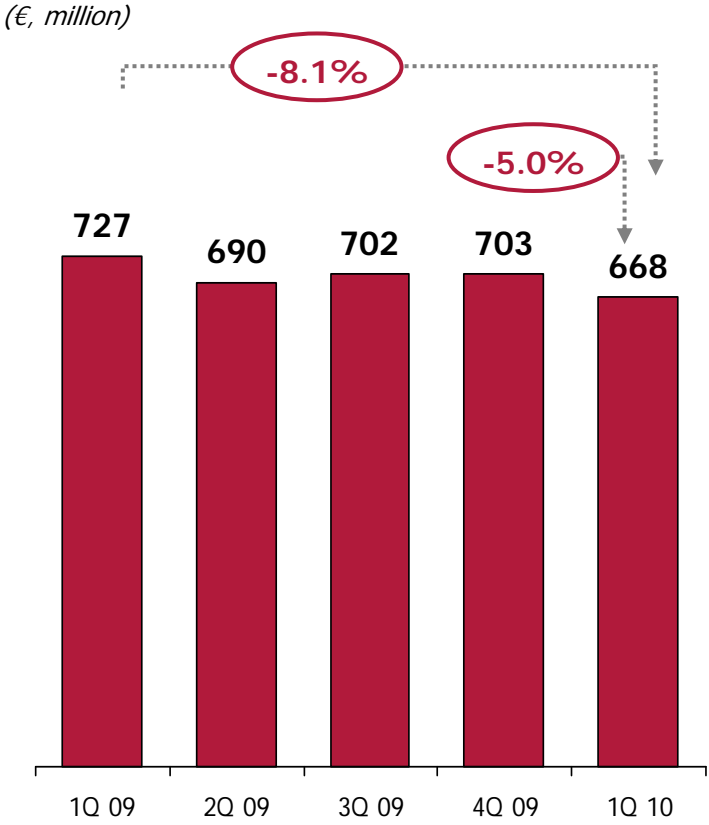
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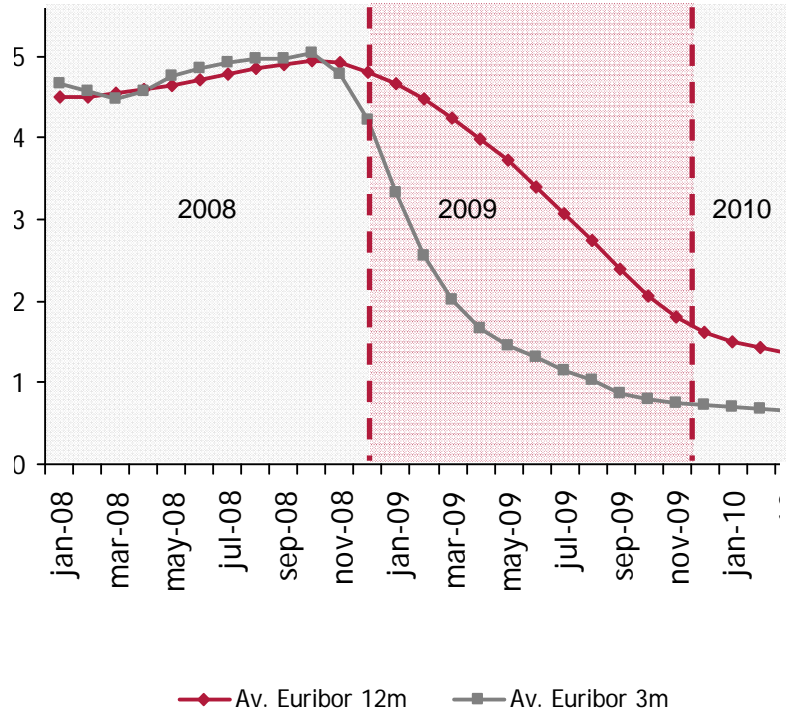


NII affected by the yield curve and the repricing mismatch between assets & liabilities

Net interest income trend



Interest rates evolution

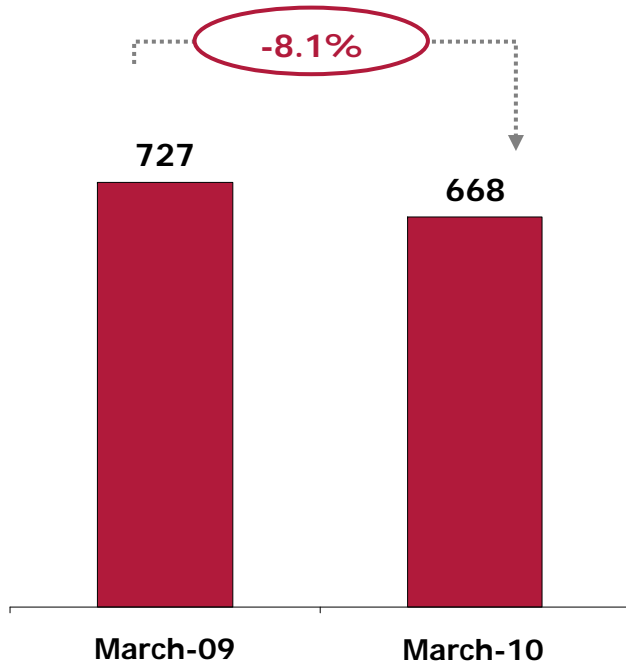




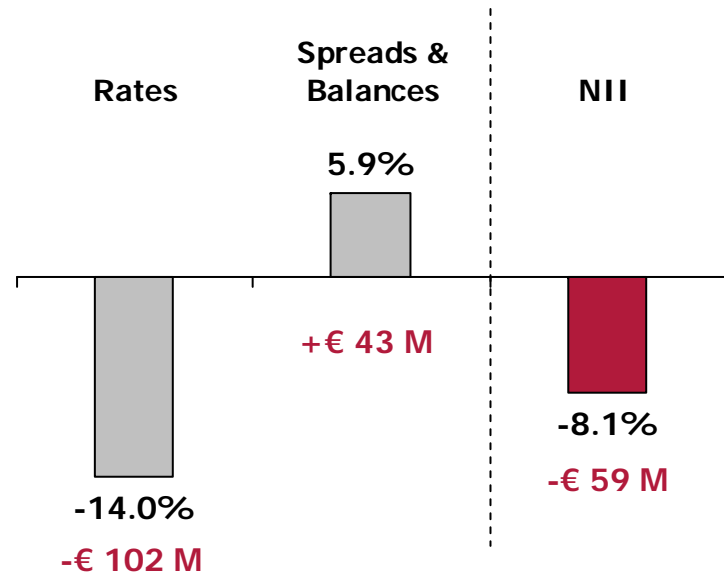
Business growth coupled with a very remarkable spread performance has allowed us to offset, partially, the negative effect of this low interest rate environment

Net interest income

(€, million)



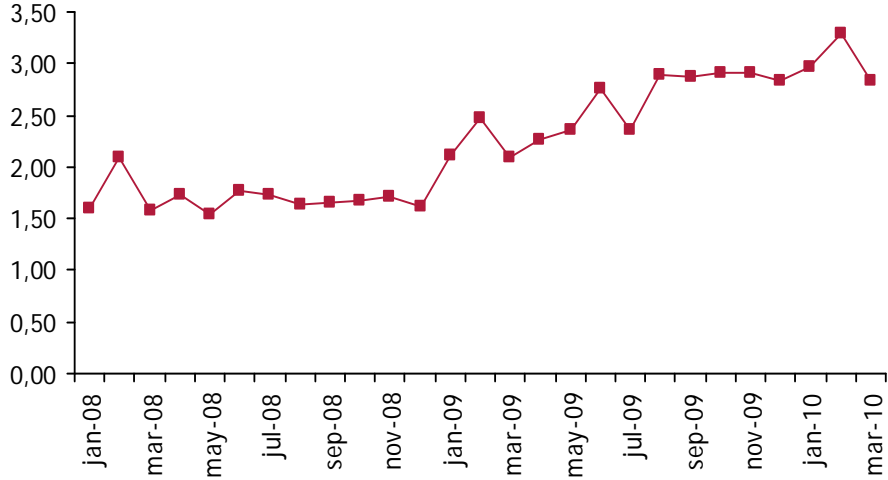
NII Impact from Rates, Spreads and Balances





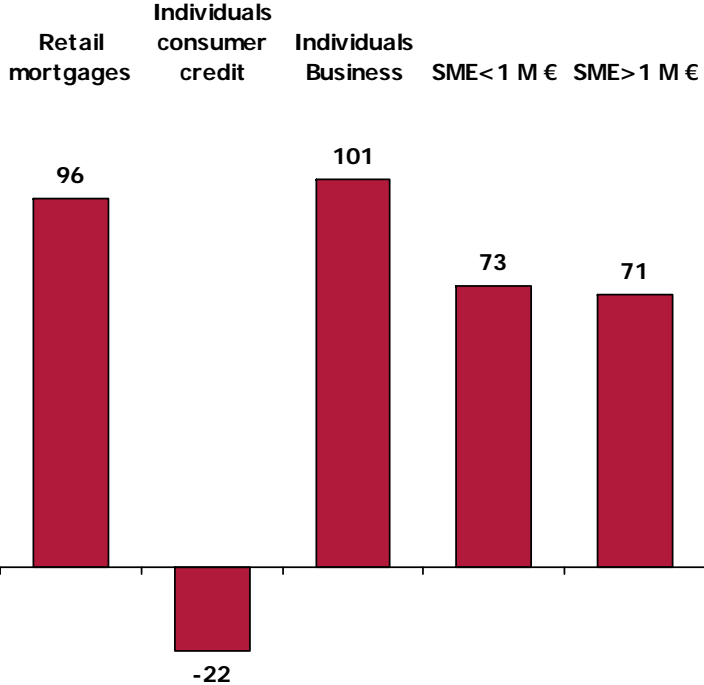
We keep our "best in class" spreads thanks to our unique business model based on proximity & high quality service

Loan spreads evolution



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

(b.p)

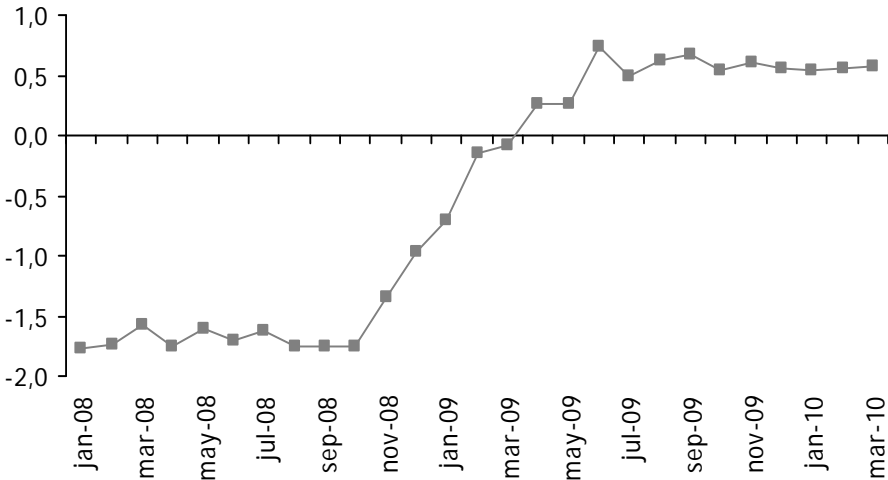


Source: Banco de España



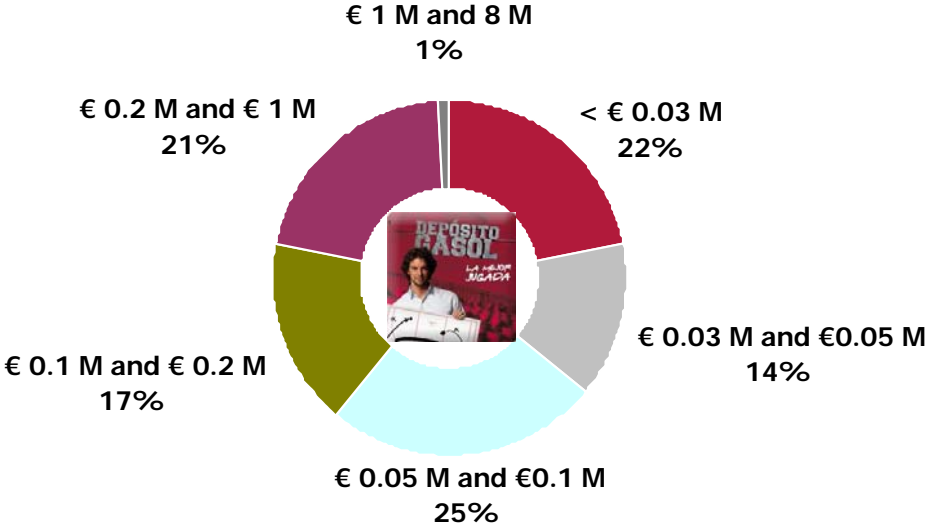
Deposits spreads remain stable. Deposit Gasol – a good hook but a modest impact in overall cost of funding

Client deposits spread evolution



✓ **Current accounts growth offset higher cost of new term deposits**

New term deposits: very diversified



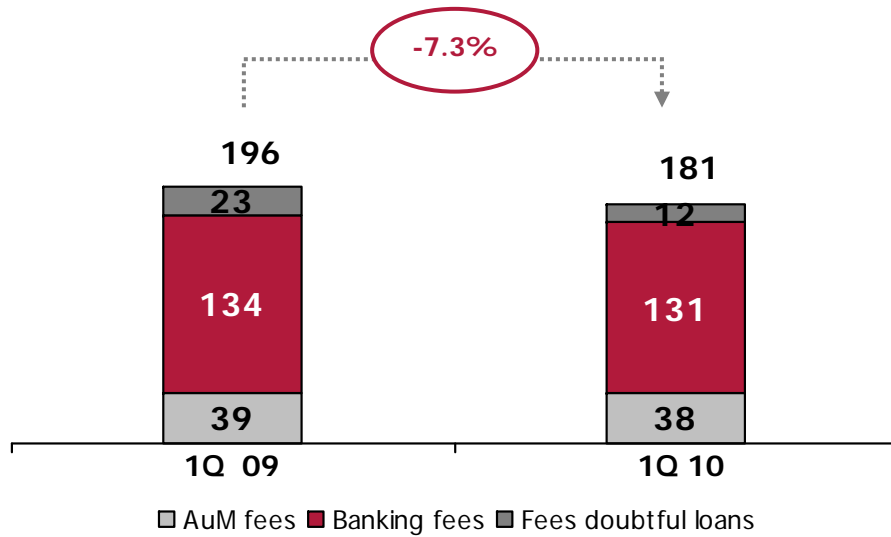
- ✓ **Target: individuals and SMEs**
- ✓ **€2.5bn (81.8% new money)**
- ✓ **Average maturity: 10 months**
- ✓ **Average amount: €42,000**
- ✓ **Expected retention rate above 90% and 63% new customers highly loyal after 1 year based on past experience**



Banking fees (-2% y/o/y) stabilizing, though not growing yet.
Other financial income returning to normal

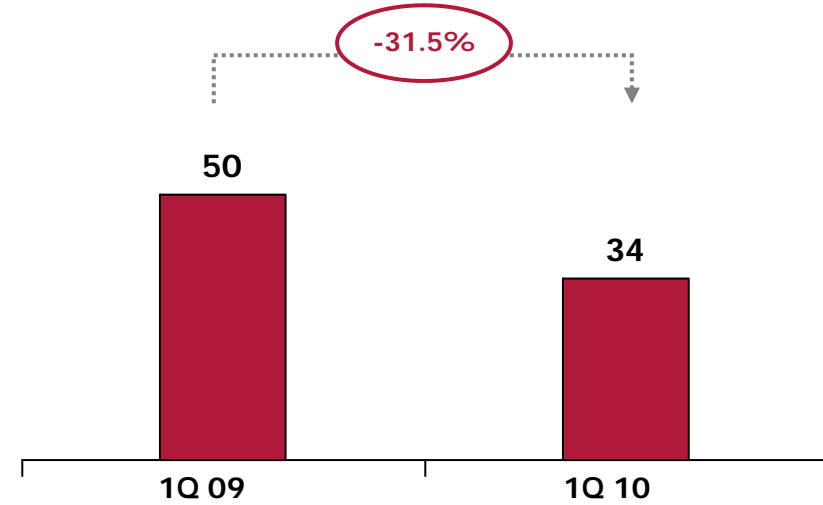
Fees

(€, million)



Other financial income

(€, million)



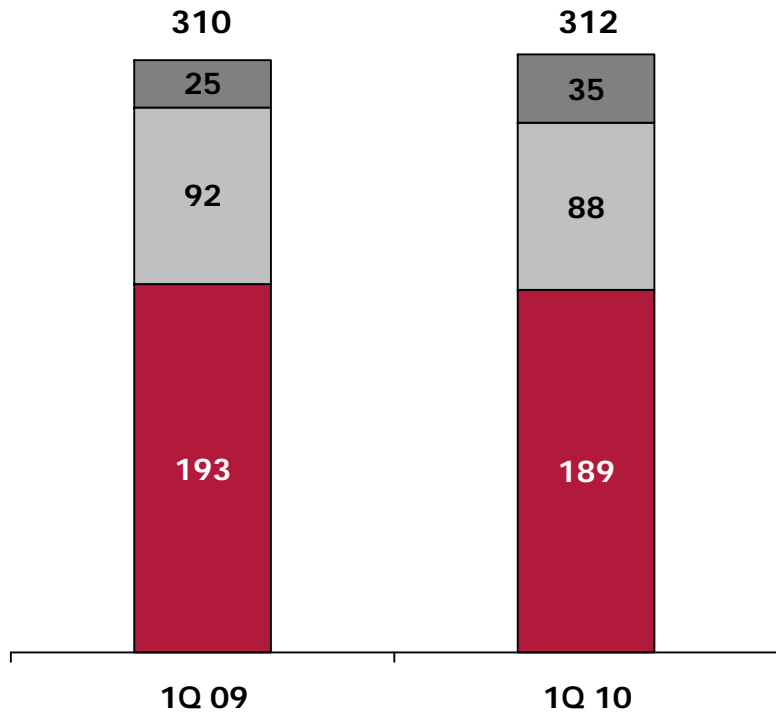


Costs remain under control: falling by -3% ex-sale and lease-back effect

Costs evolution

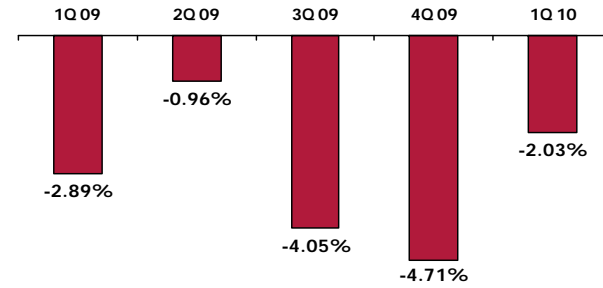
(€, million)

+0.5%

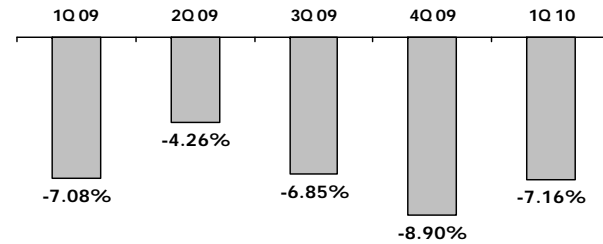


■ Personnel costs ■ Other costs ■ Rental costs

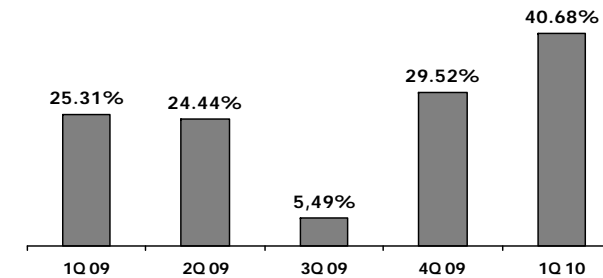
YoY growth personnel cost



YoY growth general cost ex rental expenses

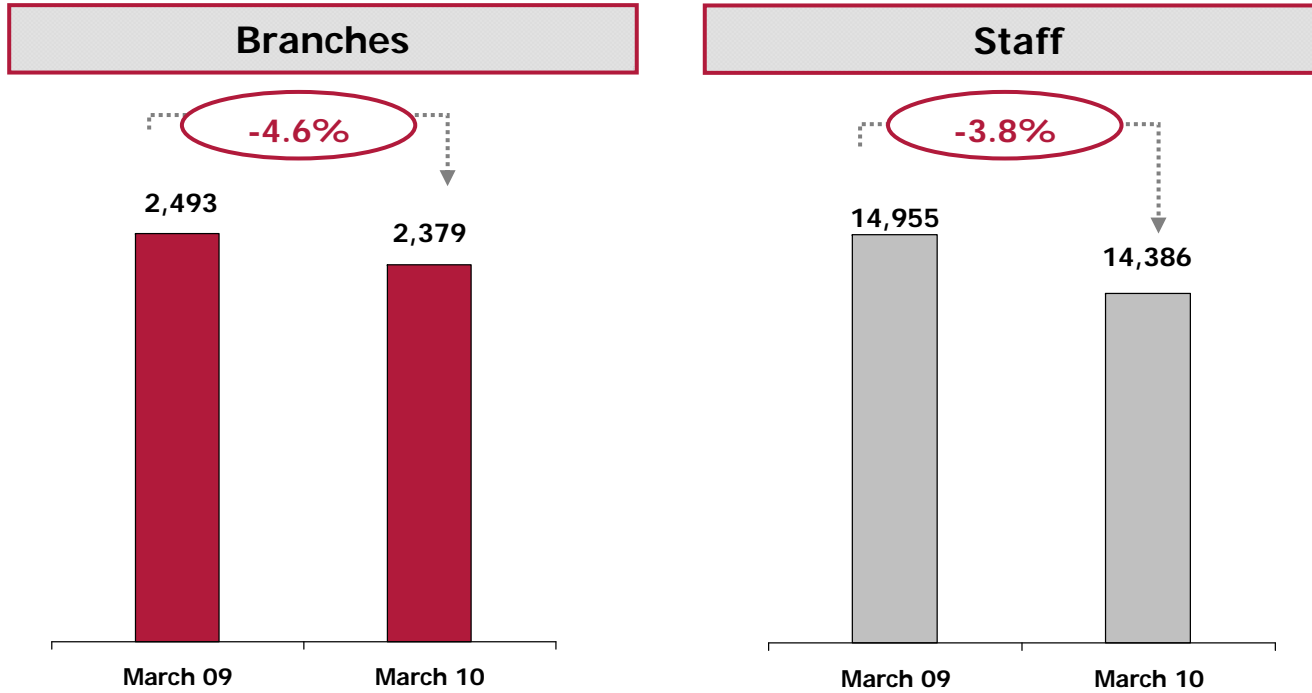


YoY growth rental expenses





...Costs under control, helped by the merger of branches and the reduction of staff (natural wastage only)



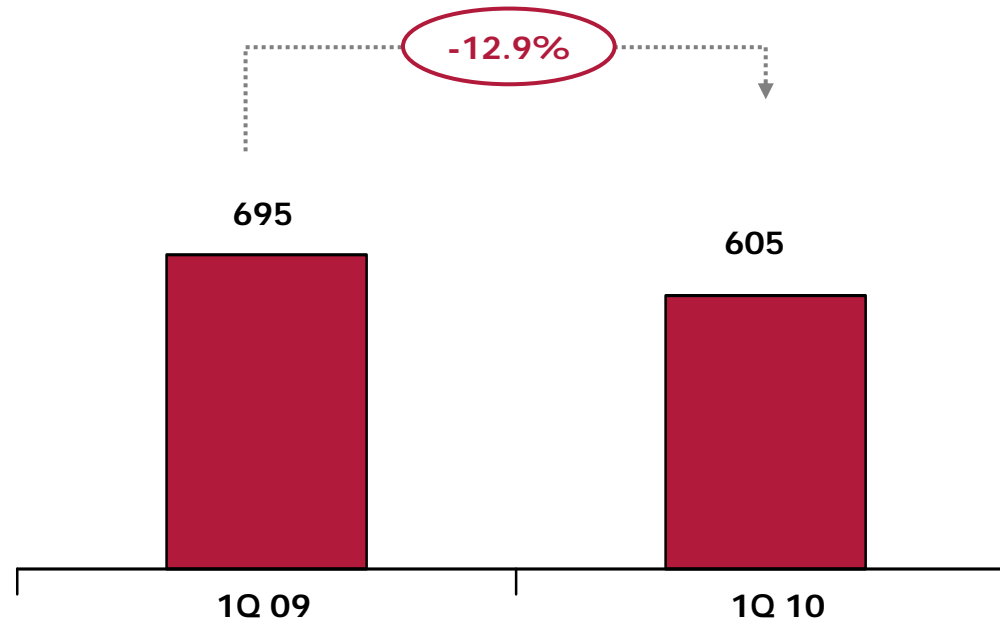
... Best in class efficiency at 31%: the best and well below any peer



Pre-provision profit in line with our internal estimates and market expectations

Pre-provision profit

(€, million)

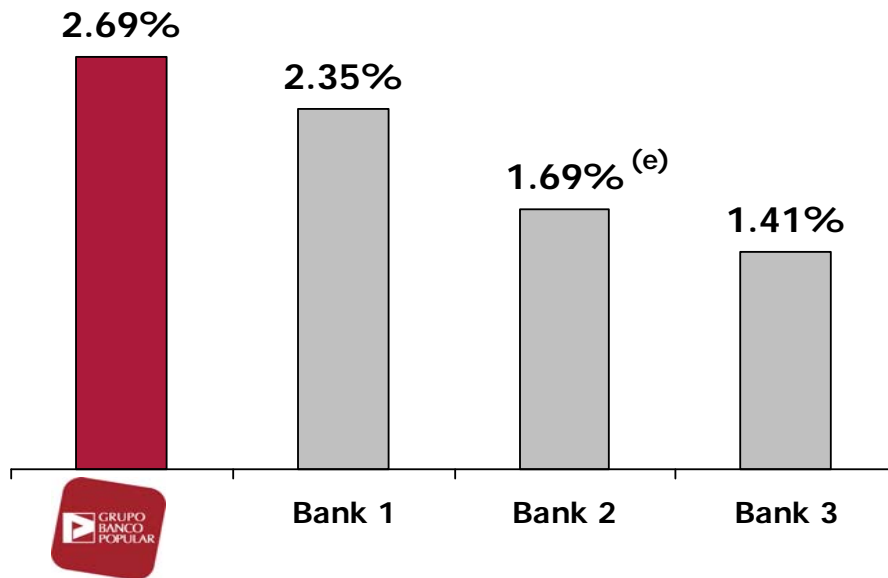




At pre-provisioning level we remain (in relative terms) the most profitable bank in the sector. This gives us a very high provisioning absorption capacity.

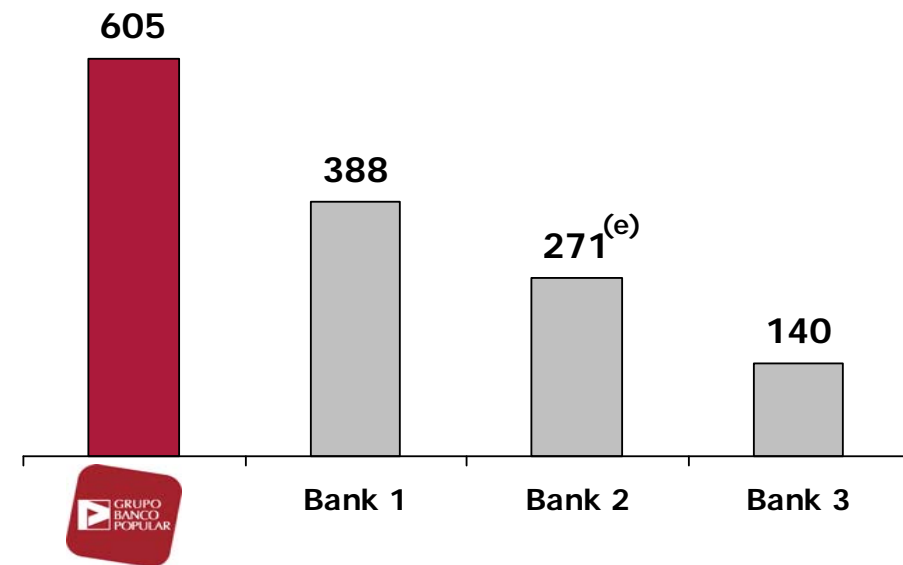
In relative & absolute terms, ahead of the medium-sized banks.

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



1Q 2010 Pre-provisioning profit

(€, million)



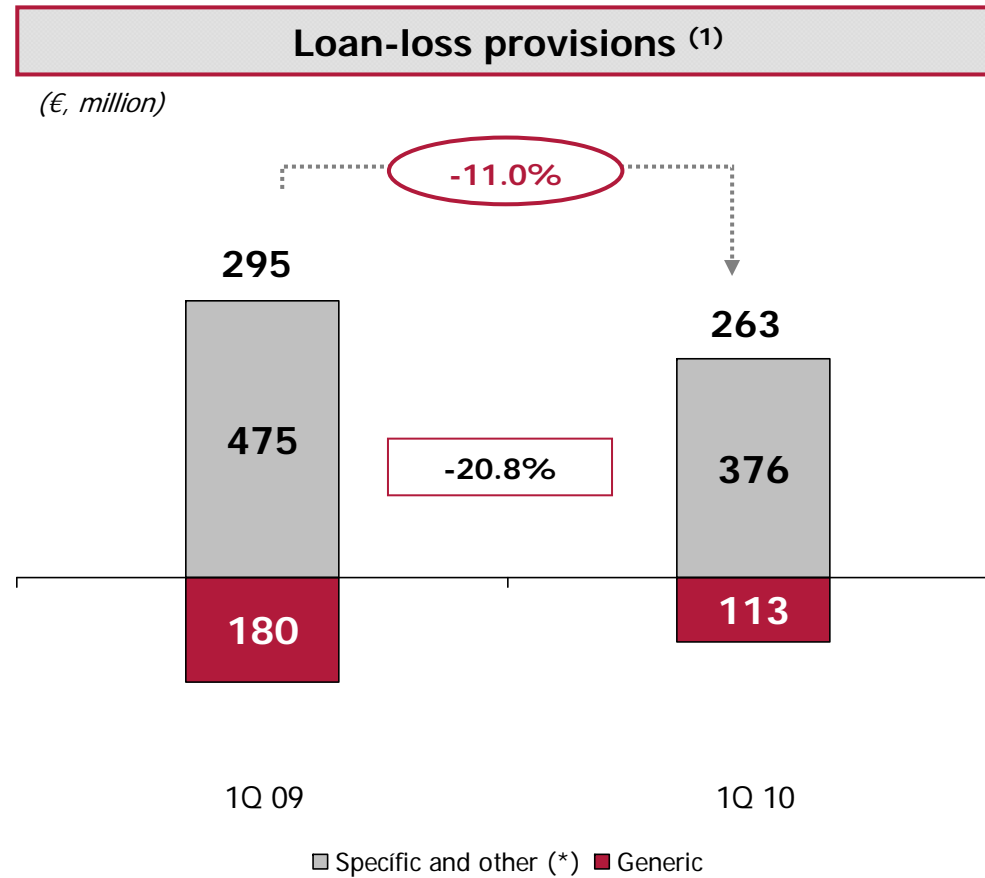
Source: Quarterly reports and analysts reports.

Note: Comparable banks include, Banesto, Sabadell and Bankinter

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



In line with our expectations, specific provisions have dropped by 20.8%

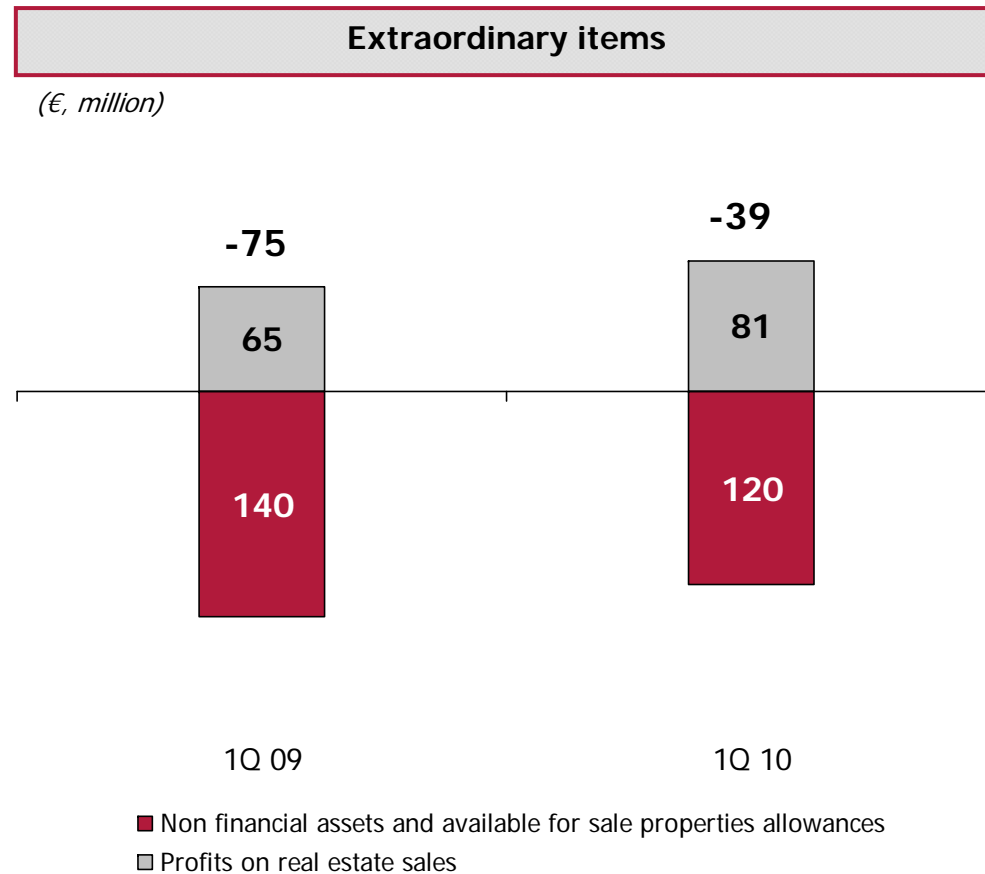


(*) Net of Country Risk and Recoveries from written off loans

(1) Does not include provisions for financial investments (31 M € 1T10 ; 9 M € 1T09)



In addition, we have made an important effort on Real Estate provisions, ahead of timetable, to achieve the coverage of non current assets available for sale to the mandatory 20%

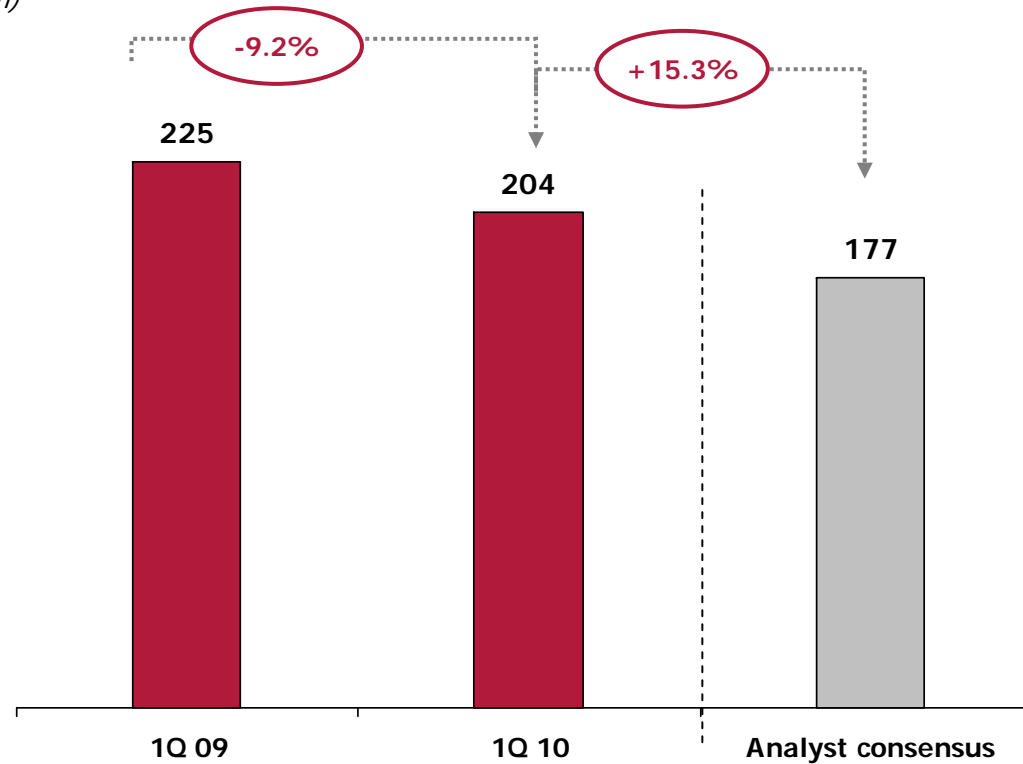




All in all, net profit above market and analysts expectations.
We keep our commitment not to negatively surprise the market

Net attributable profit: above expectations

(€, million)



➔ ... and improving substantially last quarter Net Profit and improving 2009 quarterly average



P&L Recap.

(€, million)	1Q10	1Q09	Change
Net Interest income	668	727	-8.1%
Fees and other income	249	278	-10.4%
Gross operating income	917	1.005	-8.7%
Expenses	312	310	+0.5%
Pre-provisioning profit	605	695	-12.9%
Credit risk and other financial assets impairment	294	304	-€10M
Negative extraordinary results ⁽¹⁾	120	140	-€20M
Positive extraordinary results ⁽²⁾	81	65	+€16M
Profit before tax	290	326	-10.9%
Profit attributed to the controlling company	204	225	-9,2%

⁽¹⁾ Real estate and other

⁽²⁾ Sale and lease back capital gains



Agenda

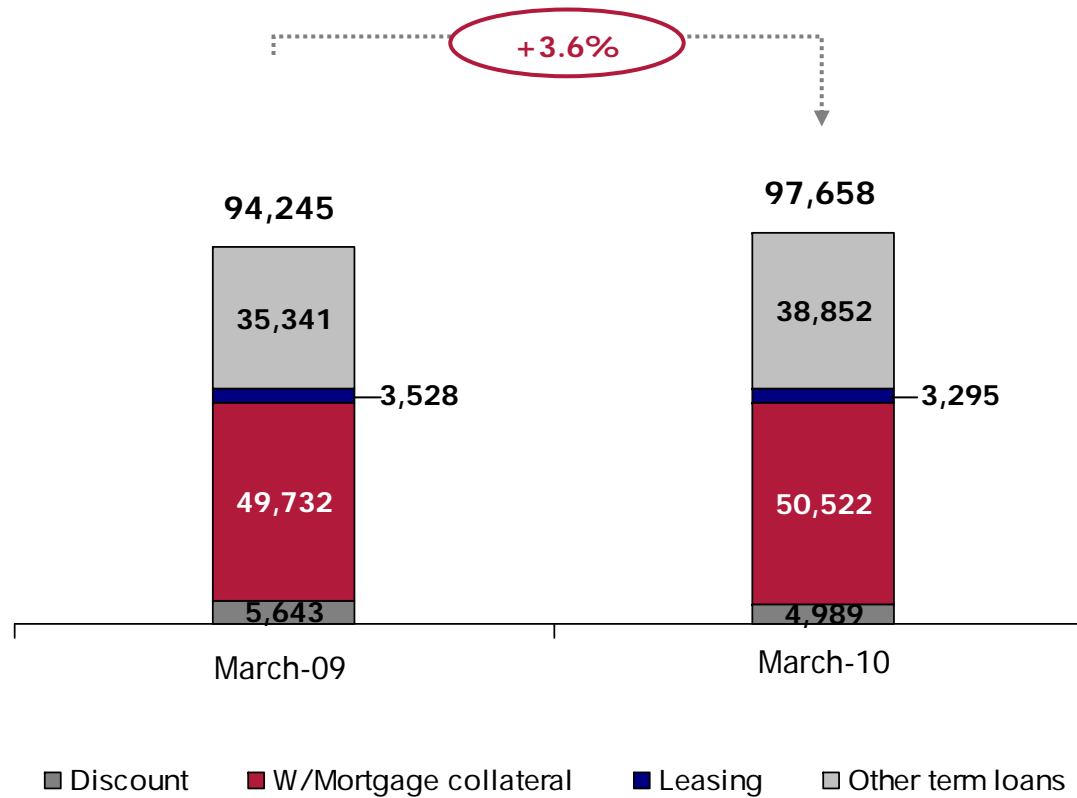
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Despite tough economic conditions, loans grow by 3.6%

Loans evolution: another market share gain (+ 14 b.p)

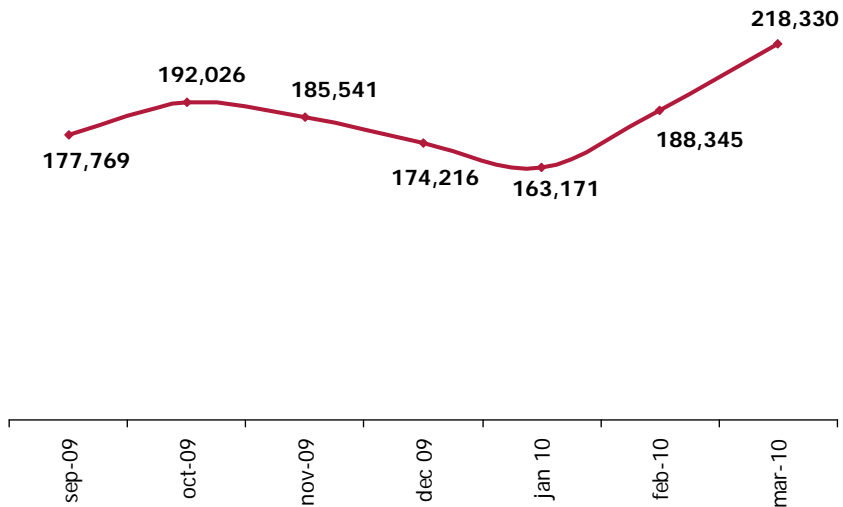
(€, million)





The commercial activity trends are turning more positive

Number of proposals



✓ ... 80% approved



Total financed

€ 306 M

Market share

8.41%

Note: included Spanish banks and saving banks
Source: ICO. 16 April 2010

- ✓ More than **13,700** new **SMEs** in 1Q 10
- ✓ More than **7%** QoQ SMEs with **greater loyalty and profitability**

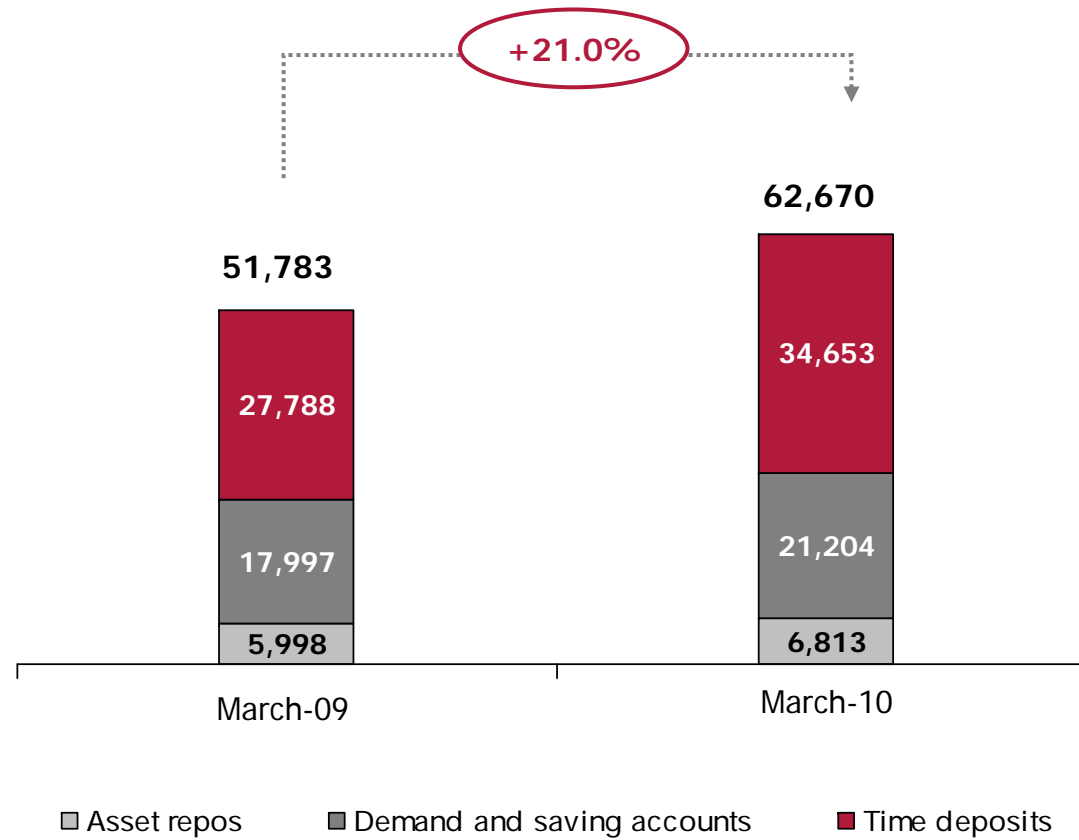
- ✓ Greater effort in clients acquisition:
 - 16 new Corporates Centers
 - Credit facilities: +5% YoY contracts



We have an outstanding network. We have achieved an exceptional 21% deposit growth, based on time deposits and in current accounts

Client deposit evolution: another market share gain (+ 16 b.p)

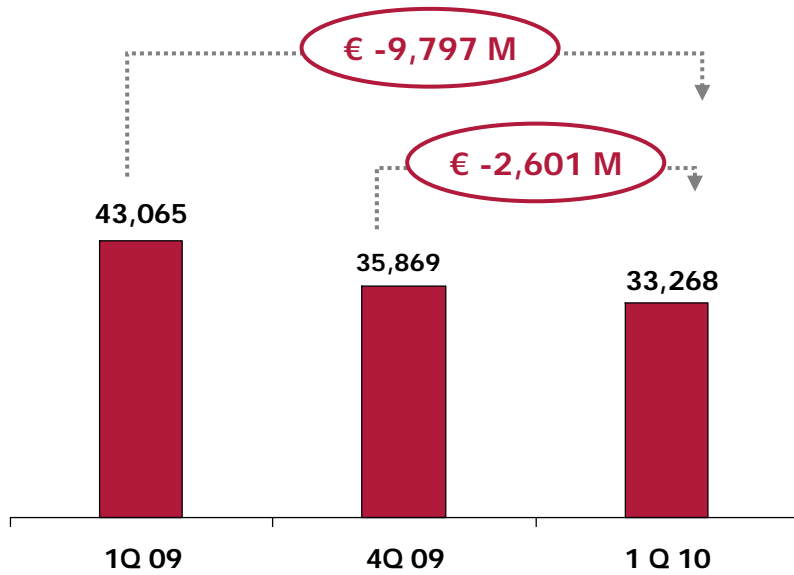
(€, million)



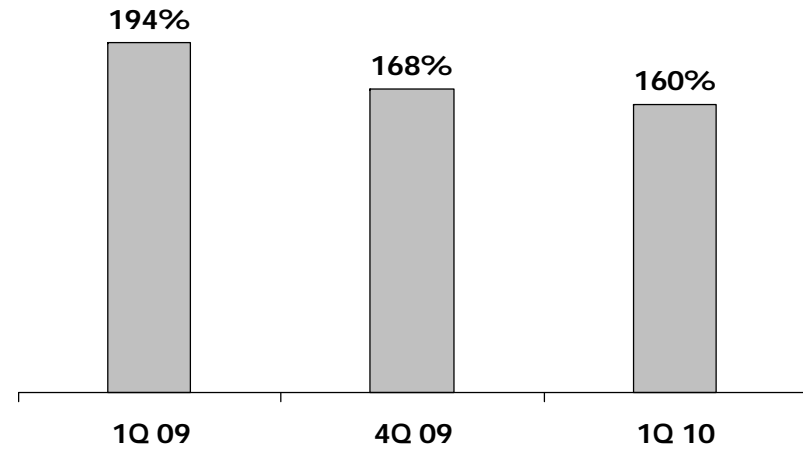


...Which has helped us to reduce our commercial gap and further improve our loans to deposits ratio, by 34 p.p ...

Evolution of the commercial gap



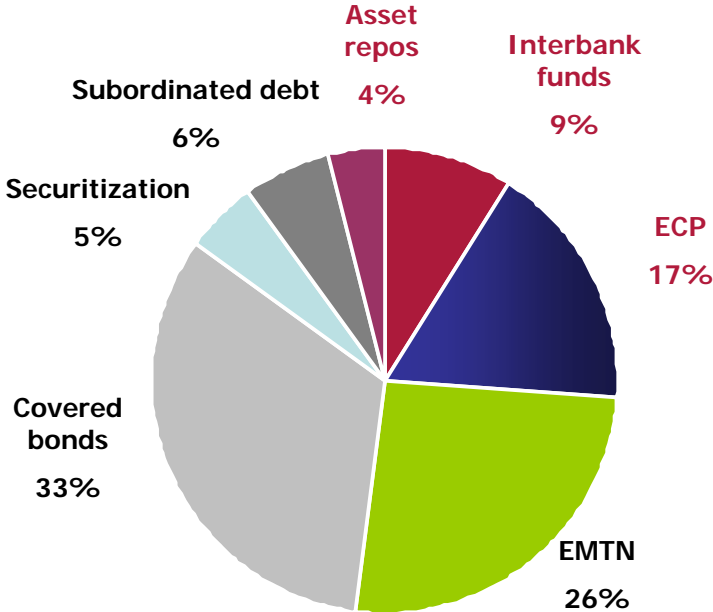
Loans/deposits ratio





....As a consequence we have reduced our appeal to wholesale funding while lengthening maturities

Wholesale funding breakdown



(€, million)	1Q 09	1Q 10
Short term funding	38%	30%
Long term funding	62%	70%
Total	36,296	32,077

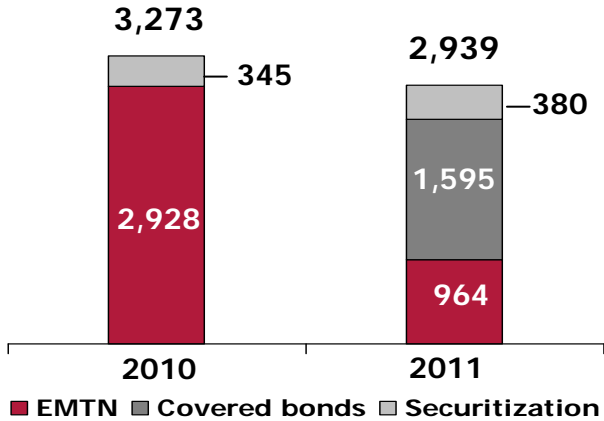
➔ ... € 4 bn reduction in one year



In term of liquidity, we can absorb, without any difficulty, the 2010 and 2011 maturities of our medium and long term debt issues

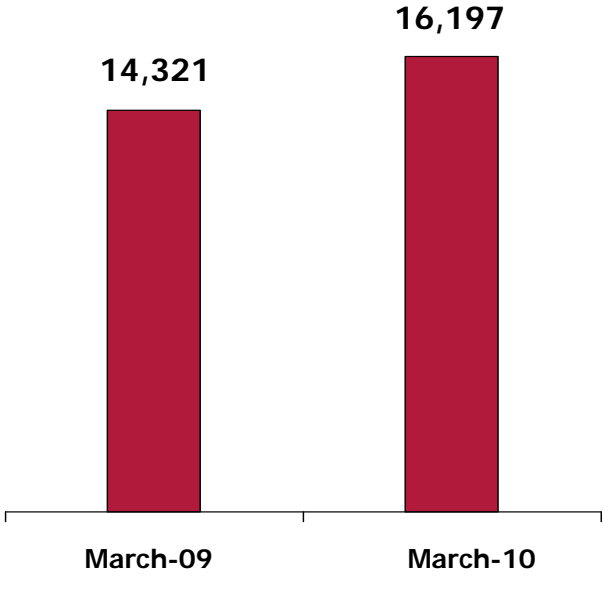
Long and medium term debt maturities

(€, million)



Second line of liquidity (cash basis)

(€, million)



... plus €4bn in GGB facilities...

➔ ... the increased retail deposits coupled with the 8 year Covered Bond issued in March this year exceed all 2010 maturities



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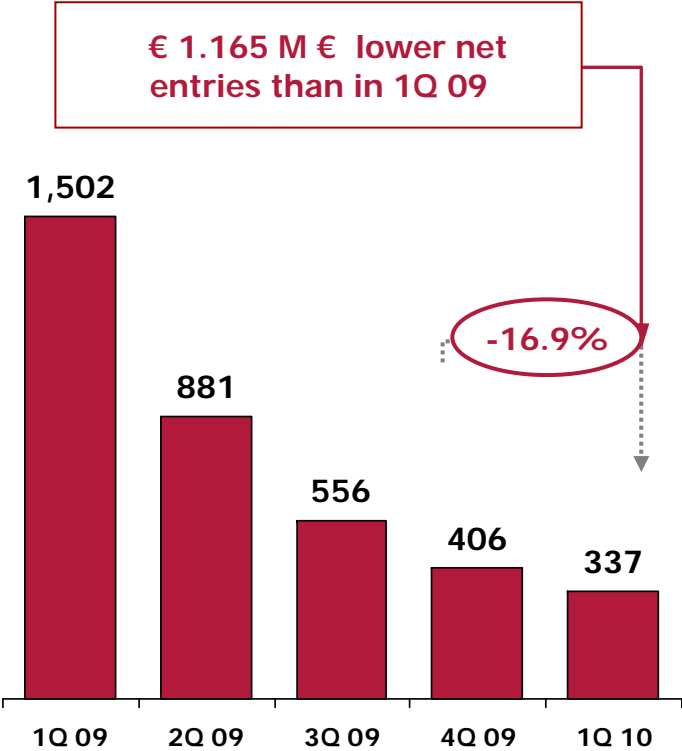
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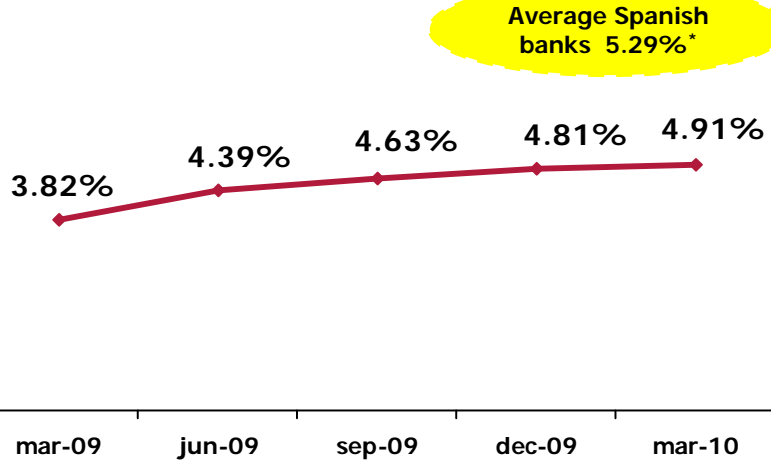
Net NPLs entries continue declining for the fourth quarter in a row....

Evolution of net entries of NPLs

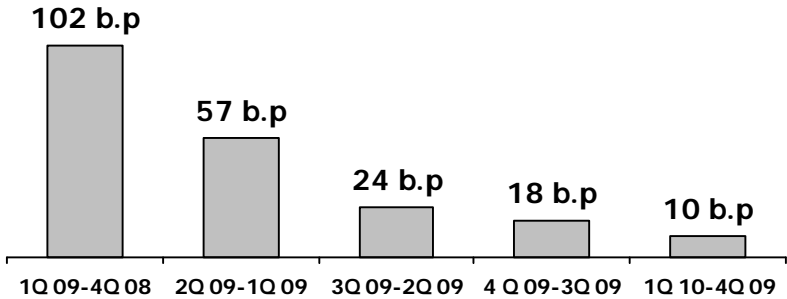
(€, million)



NPL ratio evolution



NPL ratio quarterly growth



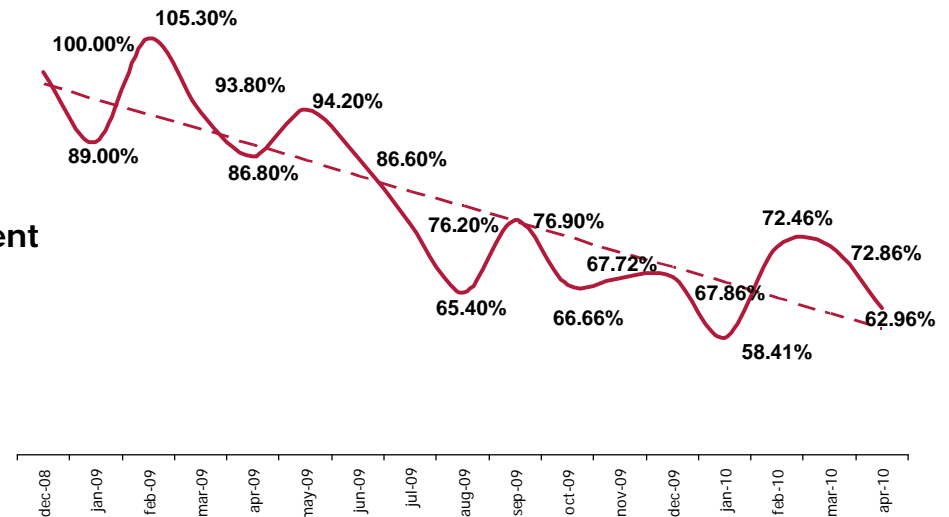
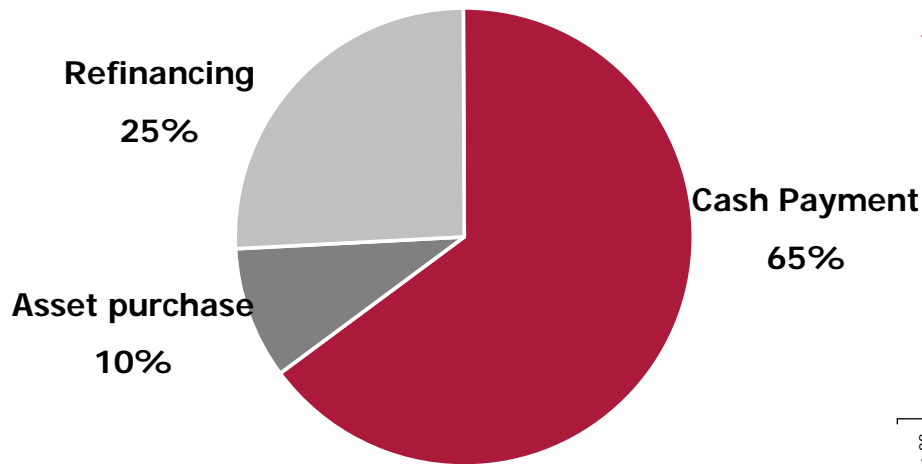
*Average of banks and saving banks as of February 2010. Other resident sectors. Source: Banco de España



... We keep recovering at the same pace. Our internal late/missed payment indicator keeps improving

Recoveries 1Q-10

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



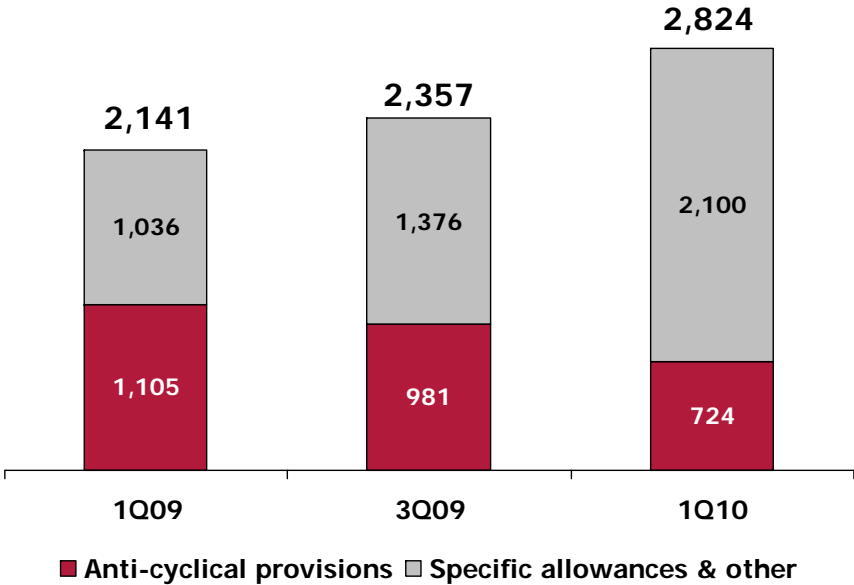
Note: Index shows evolution of € volume of Banco Popular's clients who have missed or defaulted payments (30-90 days) but are not yet "non performing" according to Bank of Spain regulations. Base of as December 2008. Data as of the beginning of each month.



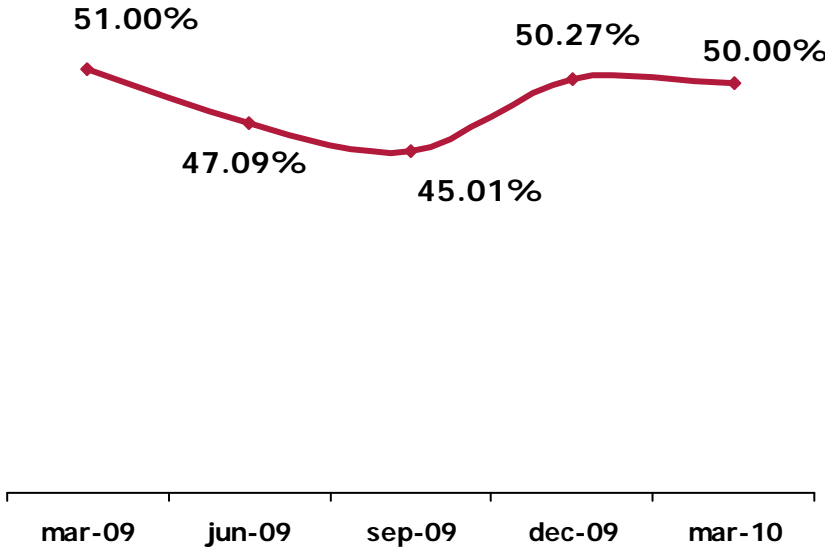
We keep building provisions and reducing the release of the anti-cyclical provision fund (113m vs 180m 4Q09)

Reserve built

(€,million)



Coverage ratio evolution(*)



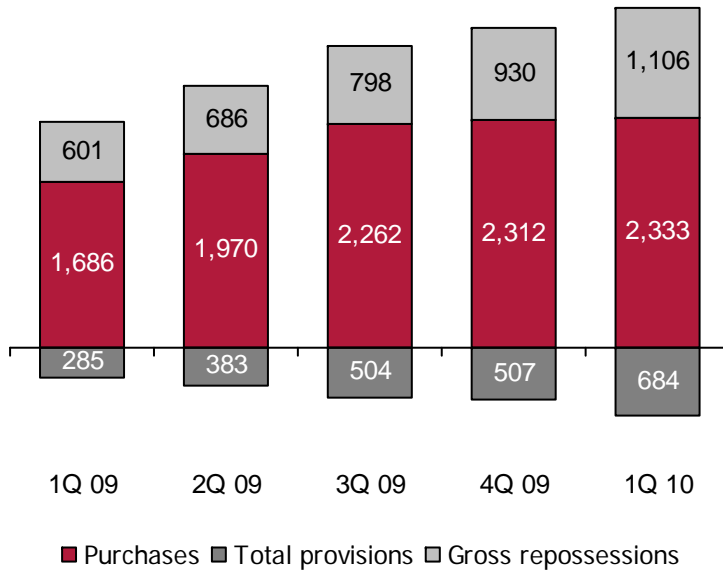
➔ (*) The value of the collateral is not being taken into account, i.e of the €5.6bn of bad debts, 44% of which are collateralised with assets value at 2x debt.

➔ The anti-cyclical provision fund could last for another 5 quarters at the 1Q10 rate.



Assets available for sale: coverage already at new regulatory levels of 20%.... Fewer purchases.

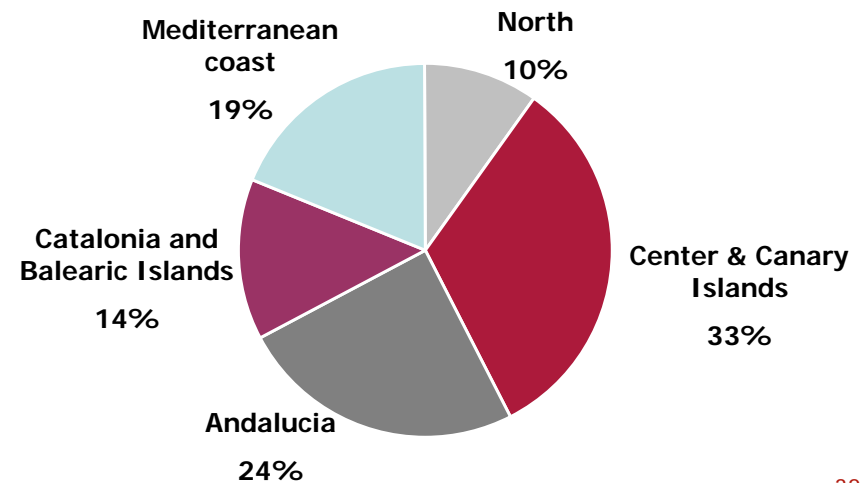
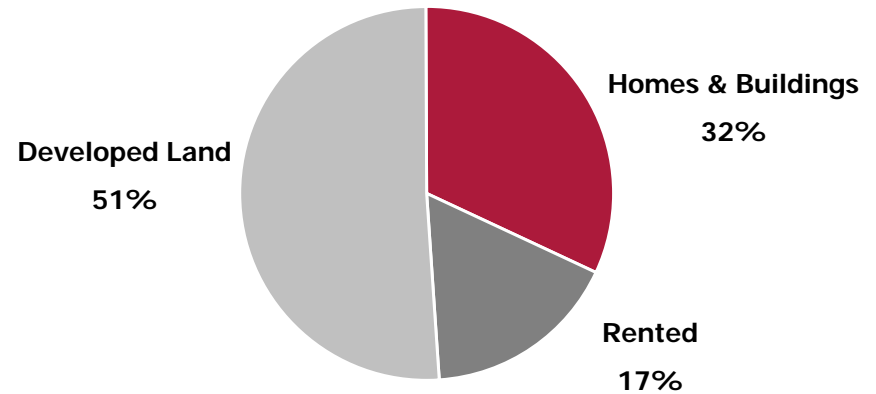
Assets available for sale evolution and accounting coverage



Quarterly / Quarterly growth

Net value (bn)	2.00	2.27	2.55	2.73	2.75
Coverage	12%	14%	16%	16%	20%
Purchases(%)	85%	77%	72%	28%	10%
Gross Repossessions (%)	15%	23%	28%	72%	90%

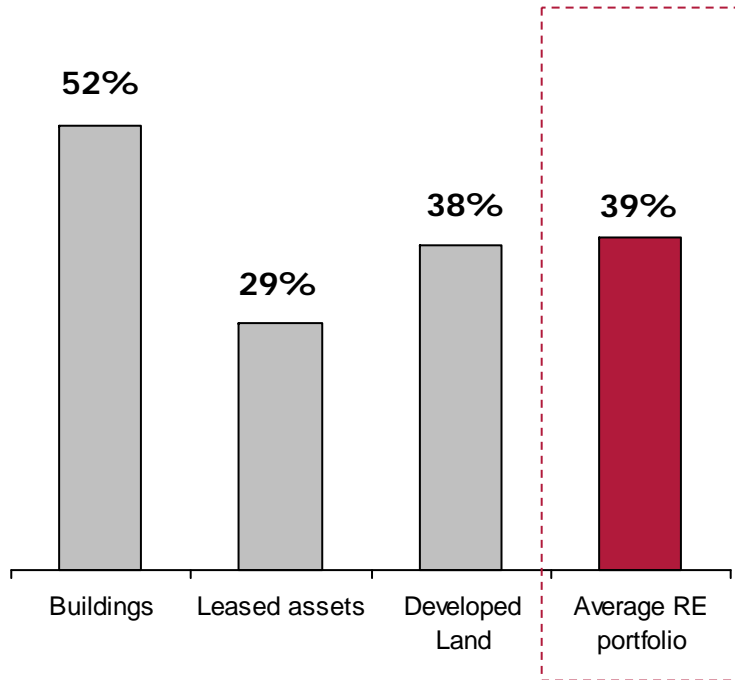
Aliseda: Assets by type and by region



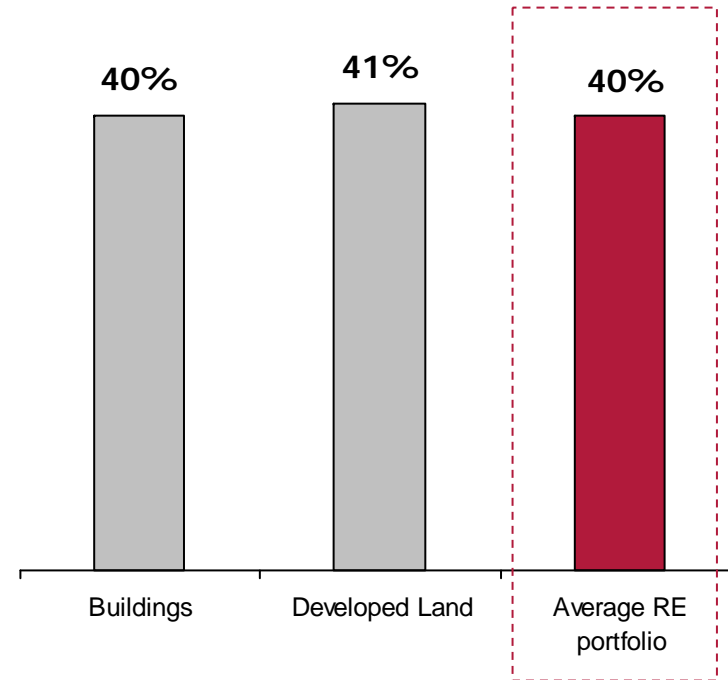


...and the book value of both acquired and repossessed assets, is at a significant discount to peak prices, allowing us to manage them professionally

Discount^(*) over peak price in purchases (2007/2008)



Discount^(*) over peak price in repossessions (2007/2008)



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



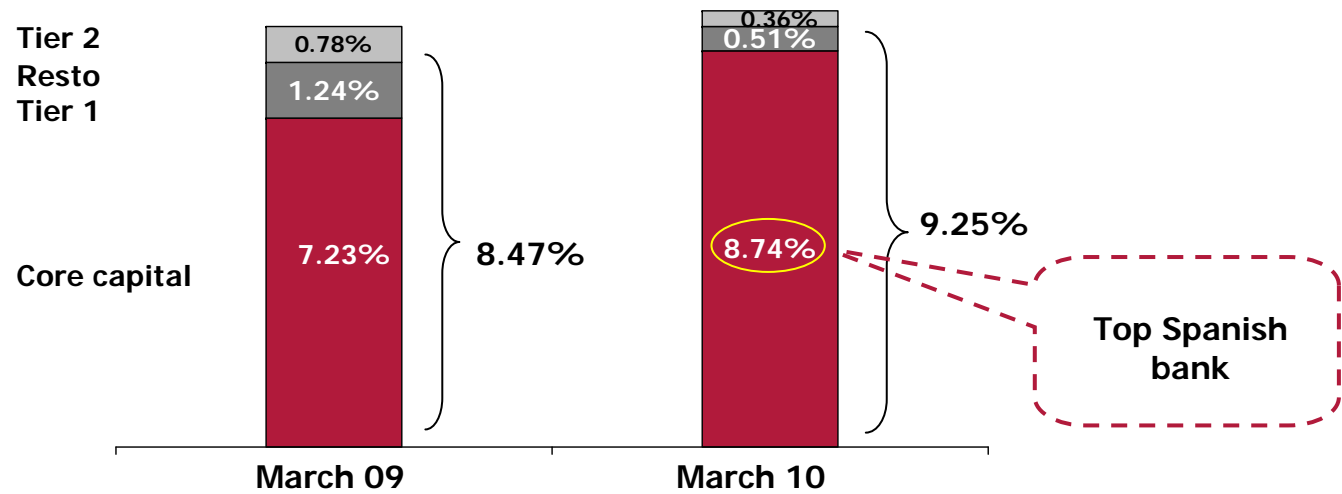
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We have increased by 26% our capital and reserves y/o/y. The highest core capital ratio. We anticipate ourselves to possible new capital standards

Capital ratios evolution



Core Capital (€Bn)	6.6	8.0
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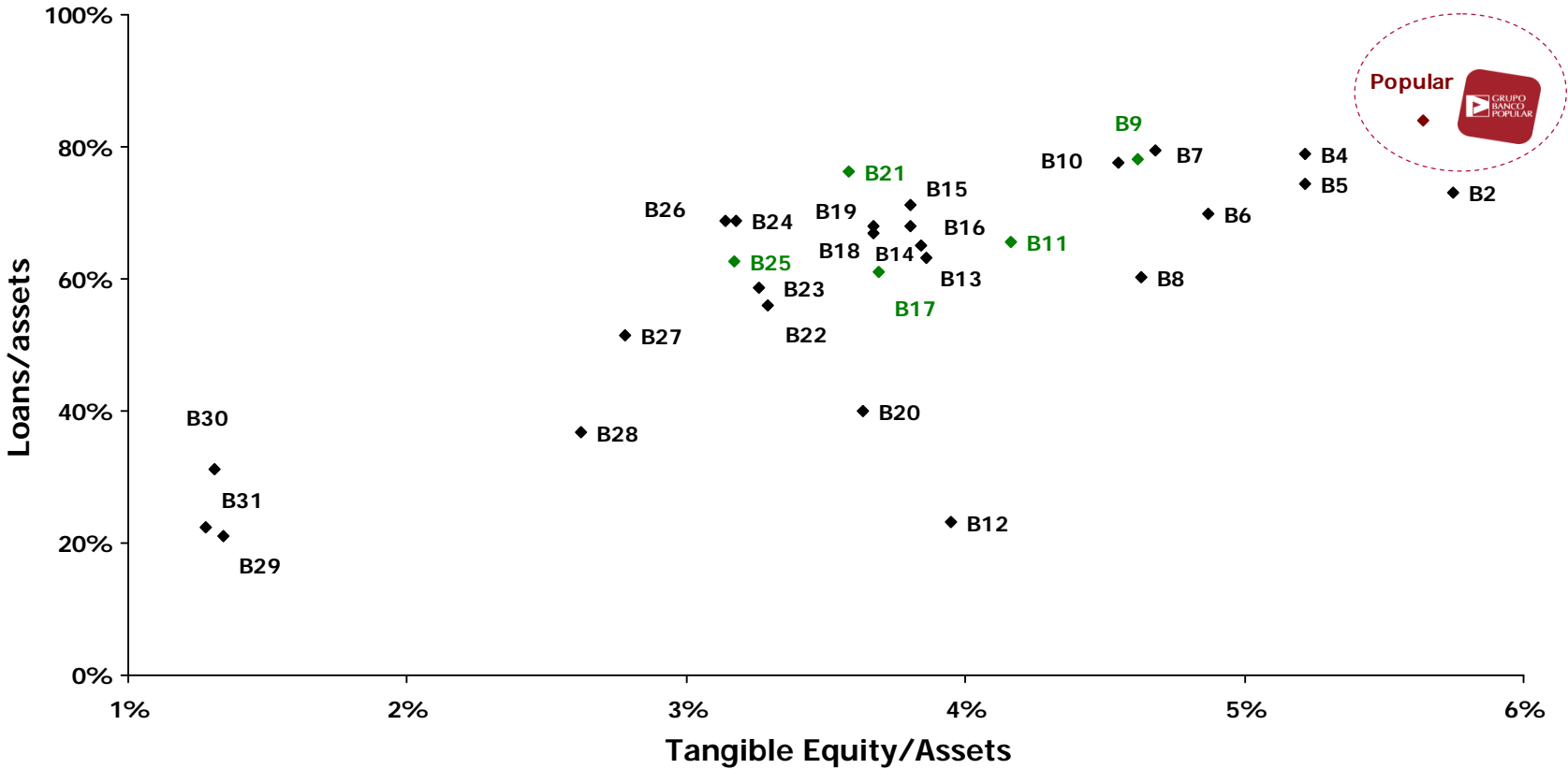
Surplus Capital over BIS (€Bn)	1.2	1.5
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Leverage ratio	16.32x	14.36x
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Popular not only has a top tangible equity ratio...but we will not be forced to deleverage. We face Basle 3 with confidence.

European Banks Leverage and Loans to Assets



Source: Date BoAML 2 March; Banco Popular
Note: Spanish banks in green



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- **Results as planned: lower NII and lower provisioning needs.**
- **Still in a tough cycle, but trends keep improving substantially: net 1Q10 NPL entries down 77.6% vs. 1Q09.**
- **NPL Coverage stable at 50%. Bad debt ratio below the industry. Real estate assets available for Sale: 20% provision achieved**
- **Capital and reserves up by 26%: well positioned for Basle 3.**
- **We keep growing & gaining market share.**



Outlook

- **Still cautious with the economic situation.**
- **We forecast lower NII compensated by lower provisions for bad debts.**
- **We expect NPL to peak below 5.5%.**
- **We remain very confident about the proven resilience of our business model, of our capacity to generate recurrent operating profit and of our financial strength.**
- **Full year: Our target is to be above the current market consensus.**



Many Thanks

Happy to take any question.



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