

Banco Popular

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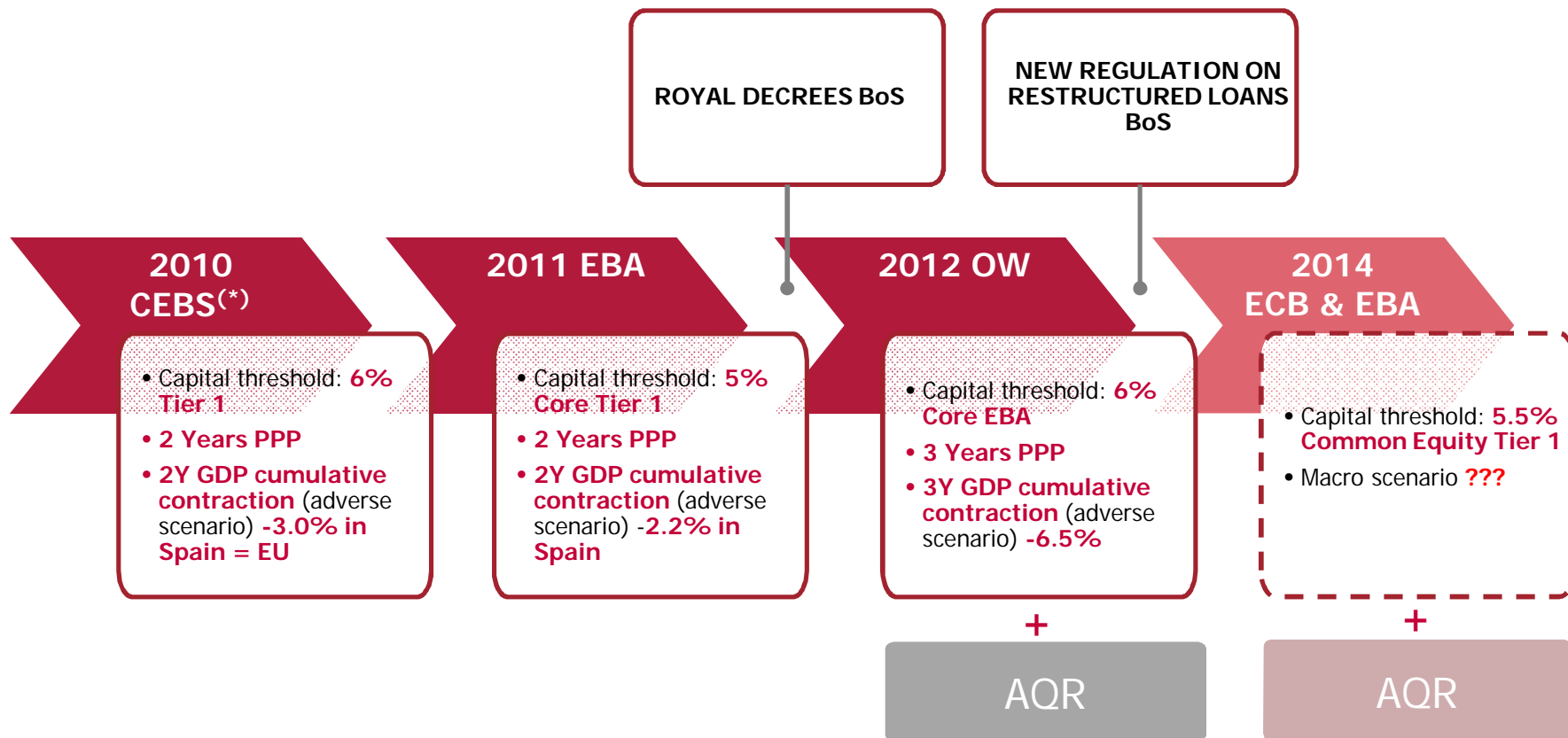
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Agenda

1. Banco Popular's positioning ahead of the AQR / Stress Test
2. Banco Popular's positioning for the recovery: Top management priorities
3. Conclusions

Since the beginning of the crisis, Spanish banks have been through several regulatory exercises/ requirements

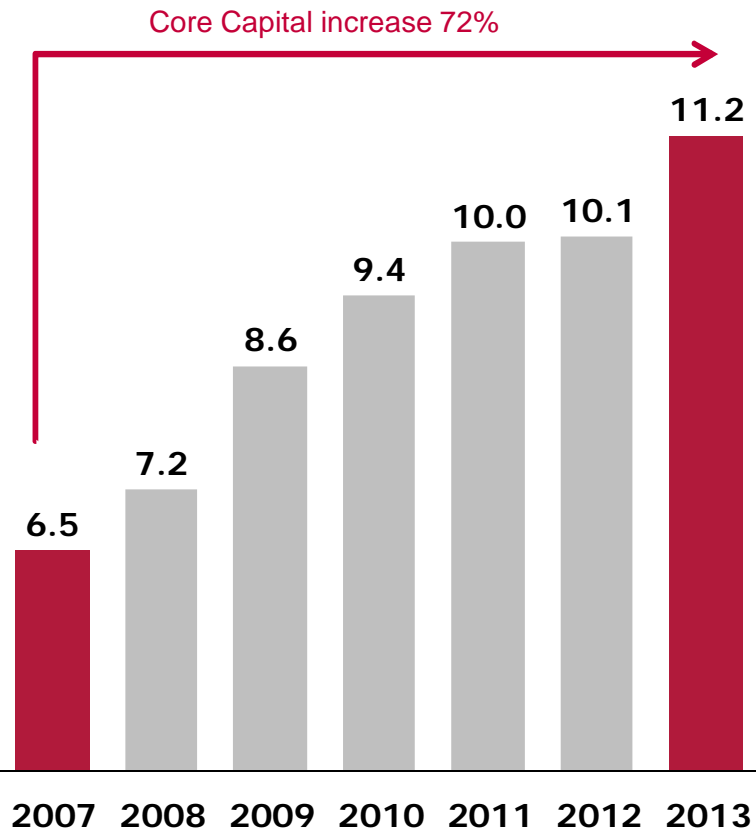


(*) CEBS: Committee of European Banking Supervisors

... which have led to stricter capital requirements and more demanding provisioning efforts

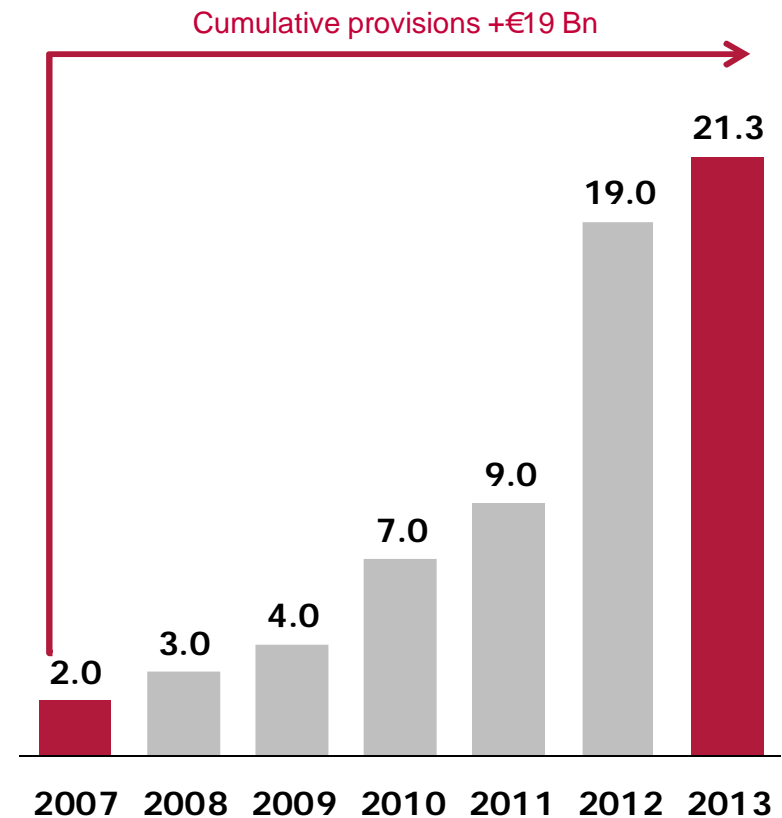
Banco Popular's core capital evolution

(%)



Banco Popular's cumulative provisions 2007-2013 ⁽¹⁾

(€, Bn)

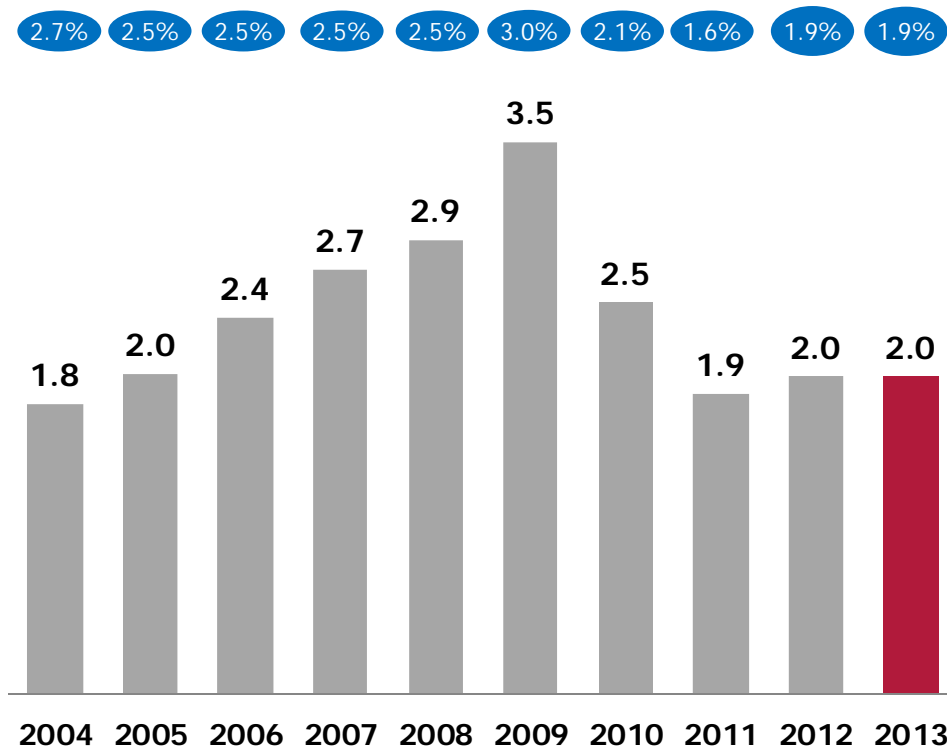


(1) Write-offs included

Banco Popular has demonstrated a strong ability to adapt to this tough environment thanks to its capacity to generate a high and recurrent pre-provision profit, as well as capital gains with reliable partners

Pre-provision profit evolution

(€, Bn)

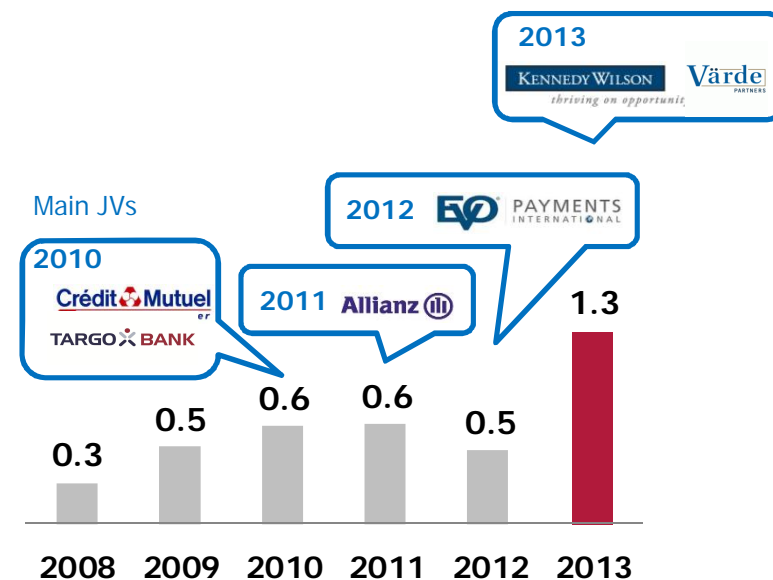


% Pre-provision over net loans

Note: Banco Pastor pro-forma

Capital gains evolution & main JV

(€, Bn)



In fact, recent measures to strengthen capital leave us with a €2.4Bn capital buffer vs. Oliver Wyman's capital requirements and in a better macro scenario than expected

2013 capital measures

+	Pre-provision profit excess in 2013 over OW (net of taxes)	▶	€399M
+	2013 Capital gains (net of goodwill and taxes)	▶	€533M
+	ABB in 2013	▶	€450M
+	New measures in RWAs, DTAs & others ⁽¹⁾	▶	€1,049M

€2.4Bn
additional
capital
generated

While macro assumptions from OW adverse scenario are far from reality...

GDP	Real OW	2012 -1% -4%	2013 -1% -2%	+
Unemployment	Real OW	2012 26% 25%	2013 26% 27%	≈
Housing prices	Real OW	2012 -13% -20%	2013 -8% -5%	+

... and the risk perception of Spain is improving

GDP	2014e	2015e
Consensus estimates Sep-12	+0.3%	n.a.
Current consensus estimates	+0.8%	+1.2%

⁽¹⁾ SMEs treatment, DTAs monetization & deleveraging

Agenda

1. Banco Popular's positioning ahead of the AQR / Stress Test

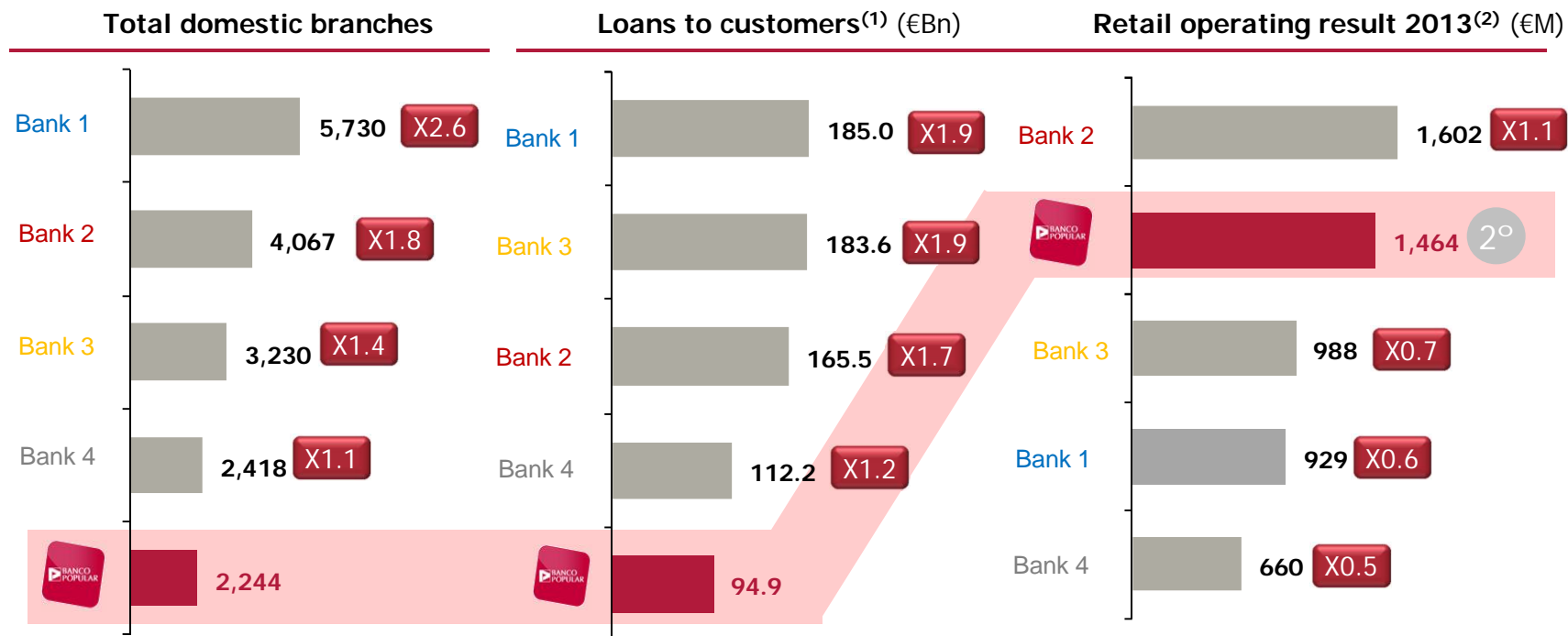
2. Banco Popular's positioning for the recovery: Top management priorities

- ① Our starting point
- ② Our adaption to the new environment
- ③ Keep reinforcing our SMEs franchise
- ④ Improve margins
- ⑤ Reduce NPAs

3. Conclusions

1 Our starting point

Banco Popular stands among the best quality franchises in Spain



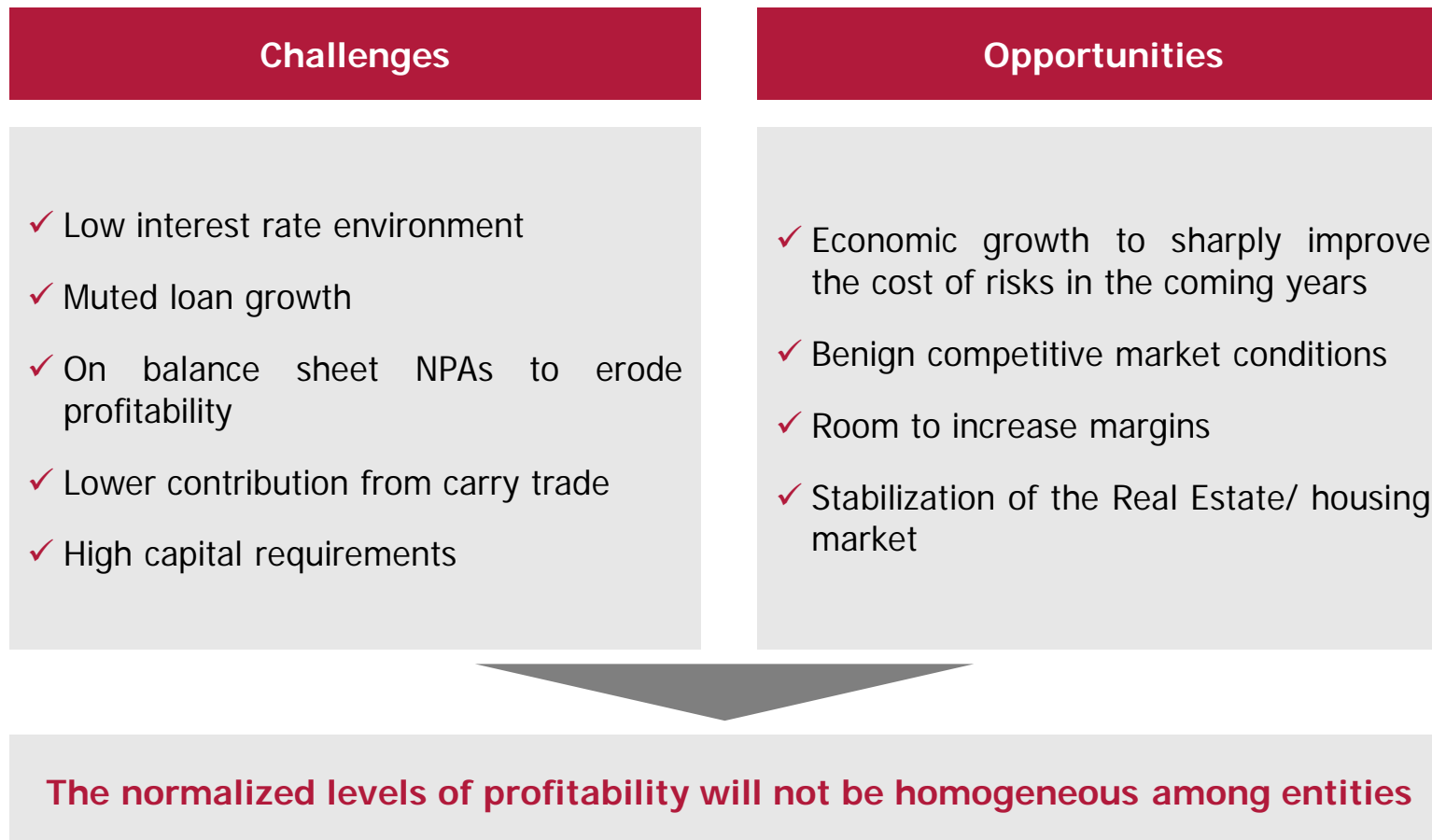
(1) Loans to customers: Net loans ex repos

(2) Retail operating result: Net interest income + commissions – operating expenses – depreciation and amortization.

Source: Banks (Caixabank, Santander Spain, BBVA Spain and Sabadell) 2013 results. Domestic operations for Santander and BBVA adjusted for corporate centres.

2 Our adaption to the new environment

The current environment offers challenges but also opportunities. These will drive the system to a recovery in profitability, but with differences among players



2 Our adaption to the new environment

To maximize these opportunities and return to our superior profitability we have set differentiated targets

Core business

Main features of the franchise

- ✓ NIM > 2%
- ✓ Efficiency ratio < 40%
- ✓ Best in class medium term ROTE



Main focus for the coming years

- ✓ Keep reinforcing our **SME franchise**
- ✓ Improve **margins**

RE specialized business

Main features of the unit

- ✓ Already managed by a specialized strategic partner (Kennedy Wilson & Värde)
- ✓ Business case aligned with the bank's interest
- ✓ c.20% consumption of the Group's core capital



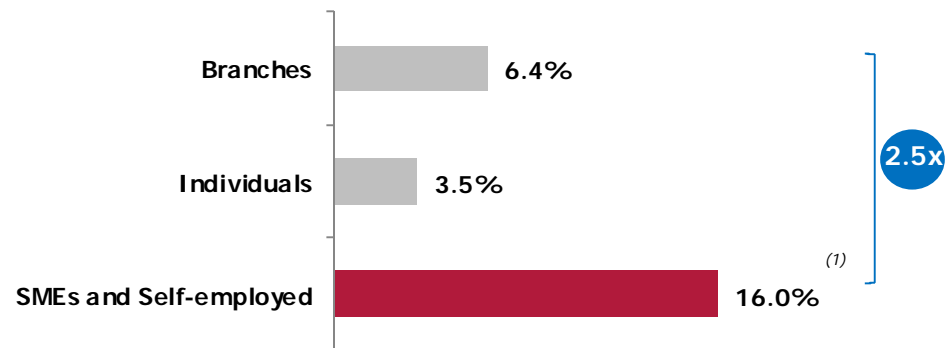
Main focus for the coming years

- ✓ Reduce our **RE exposure**
- ✓ Reduce the **drag to profitability**

3 Keep reinforcing our SMEs franchise

A profitable business model focused on SMEs that has been reinforced during the crisis...

SME market share clearly above other segments...



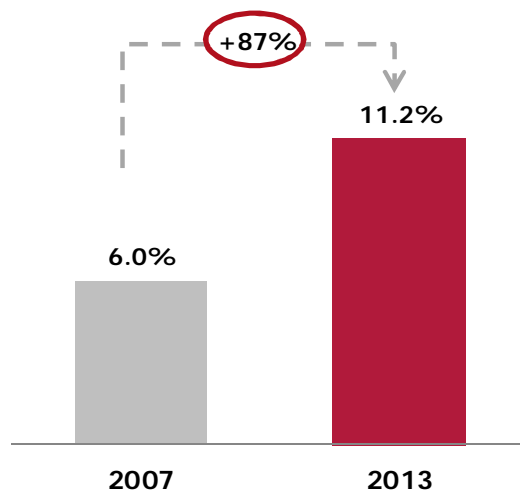
(1) Market share based on SME loan volume according to Oliver Wyman report (2012)

...SMEs is the most profitable segment

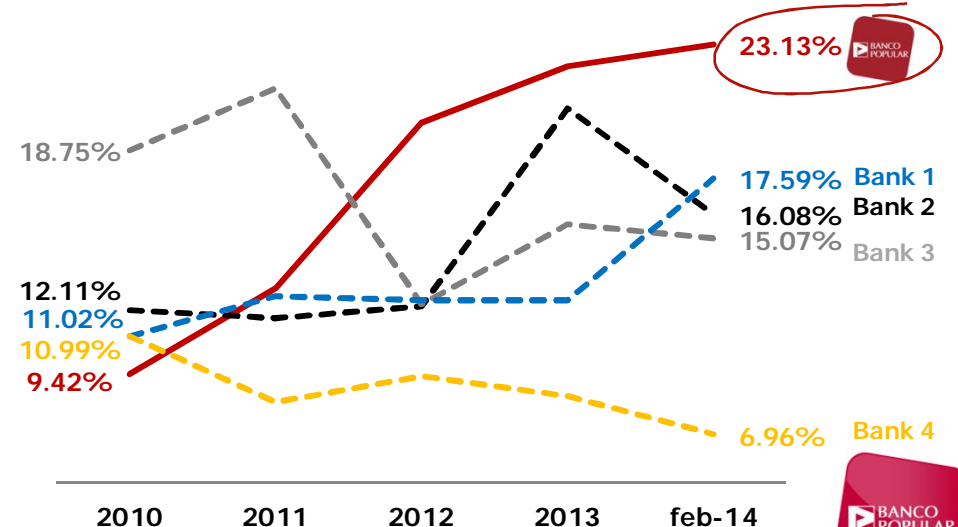


(2) % over retail gross operating profit

Loans to SMEs & corporates market share evolution



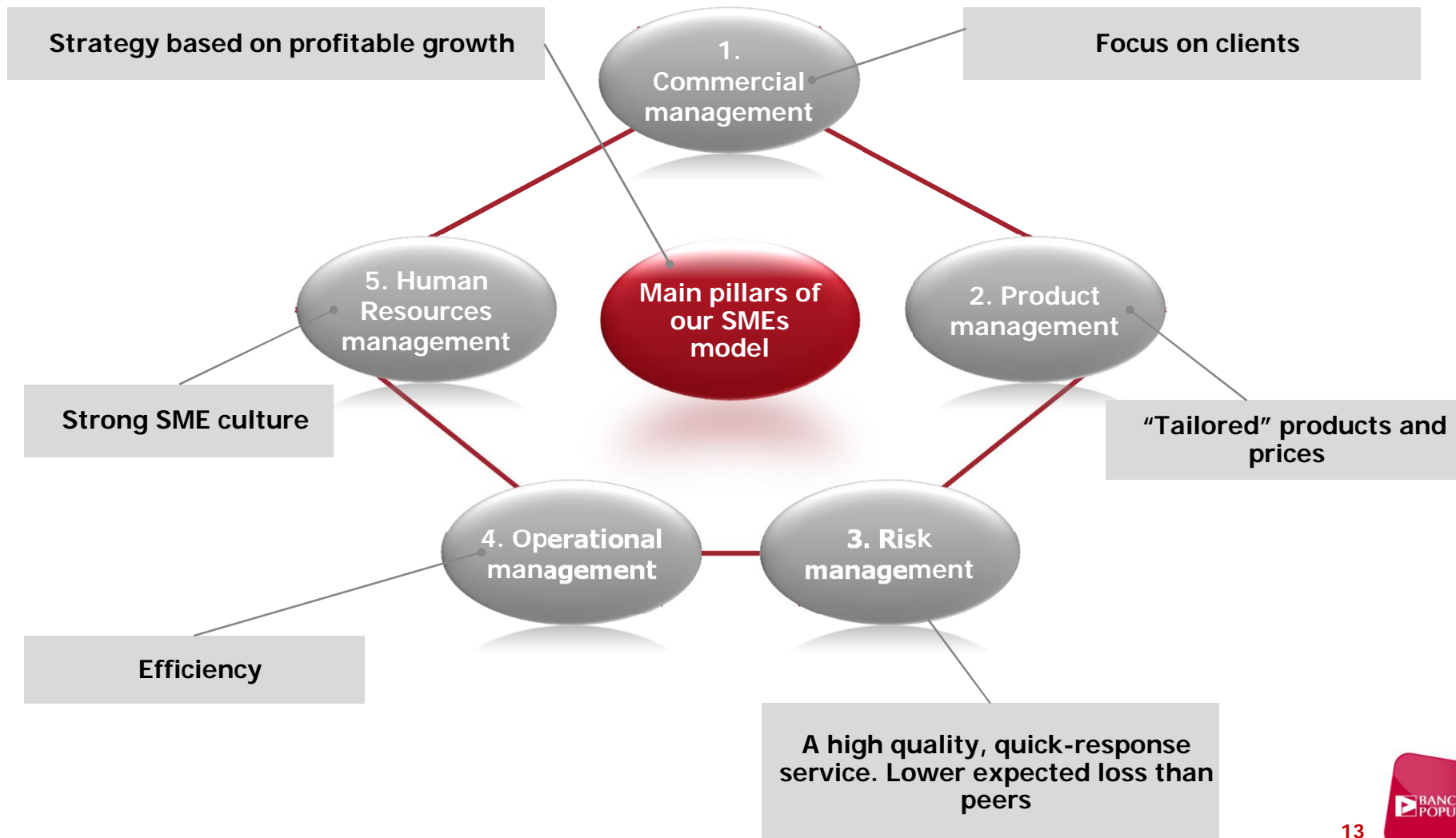
ICO official credit lines market share evolution



Source: ICO. Banks: BBVA, Sabadell, Caixabank & Santander. Corporate deals included proforma

3 Keep reinforcing our SMEs franchise

... this unique SMEs specialized business model is based on skills that cannot be improvised...

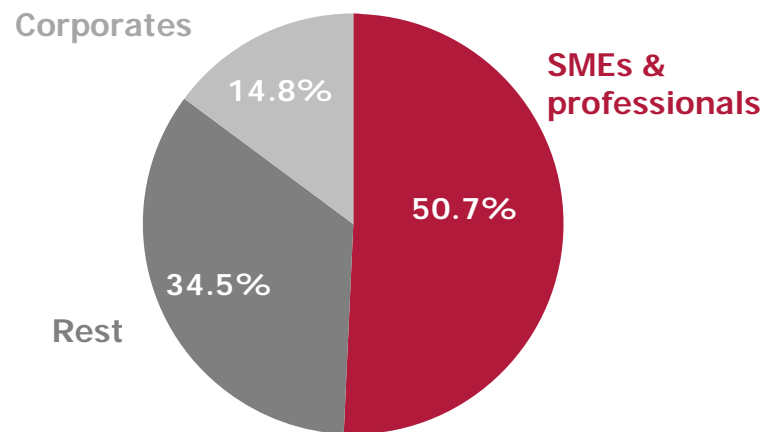


3 Keep reinforcing our SMEs franchise

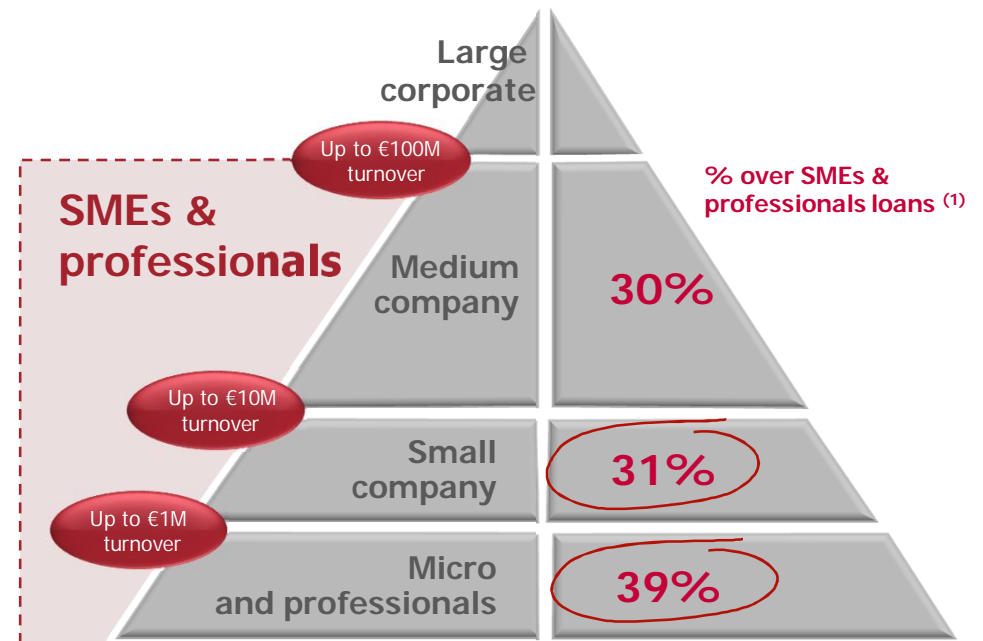
... In fact, our business model is focused on micro/small SMEs where entry barriers are more evident as the limited size of these requires profound knowledge of your client

Banco Popular's loan split core bank

% over gross loans of the core business



Banco Popular's SME segmentation by turnover

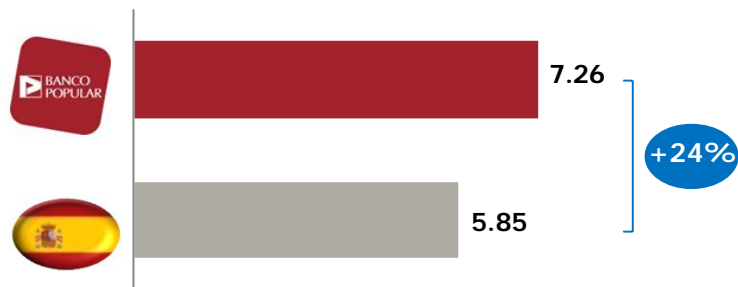


(1) Non RE related

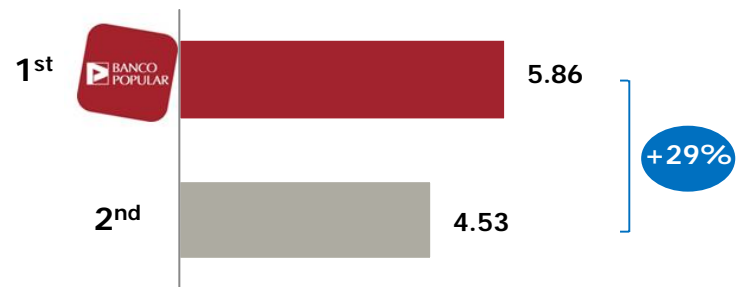
3 Keep reinforcing our SMEs franchise

Our loyalty to clients throughout the crisis is paying off, with clear recognition as their bank of reference

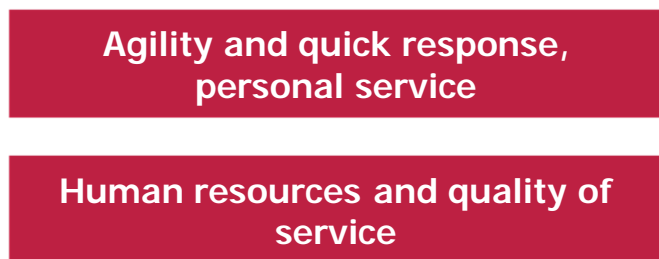
Popular global valuation as primary bank



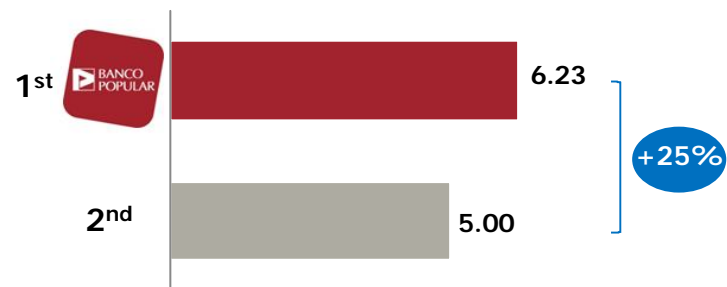
Ranking and valuation by trust of the customers



Popular main attributes valued by customers



Ranking and valuation by knowledge of your customers needs

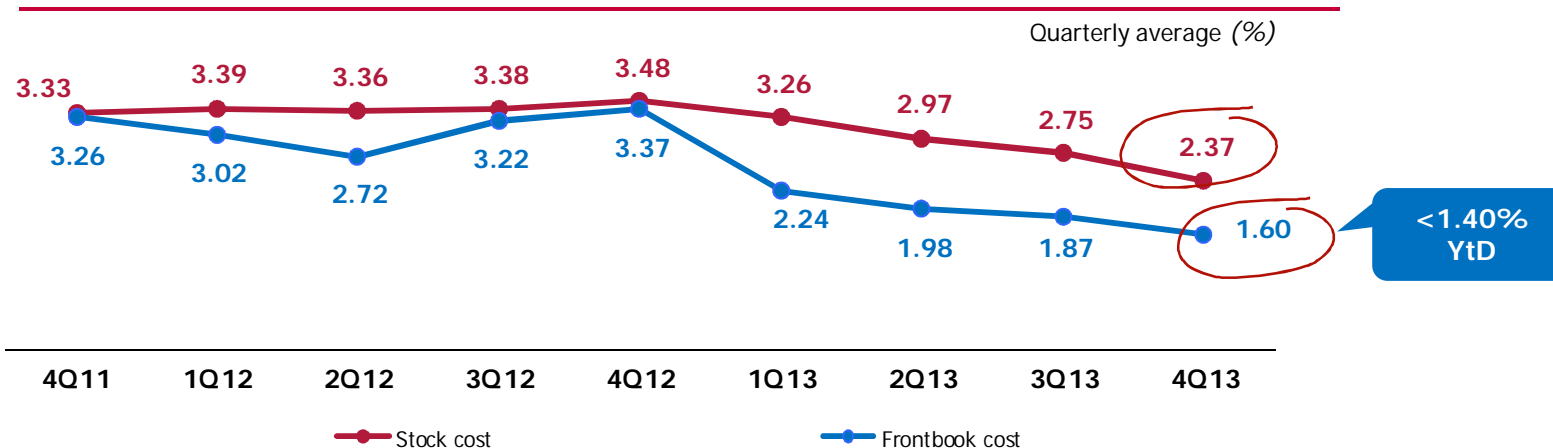


Our positive perception is a result of the skills of our people and customer care strategies

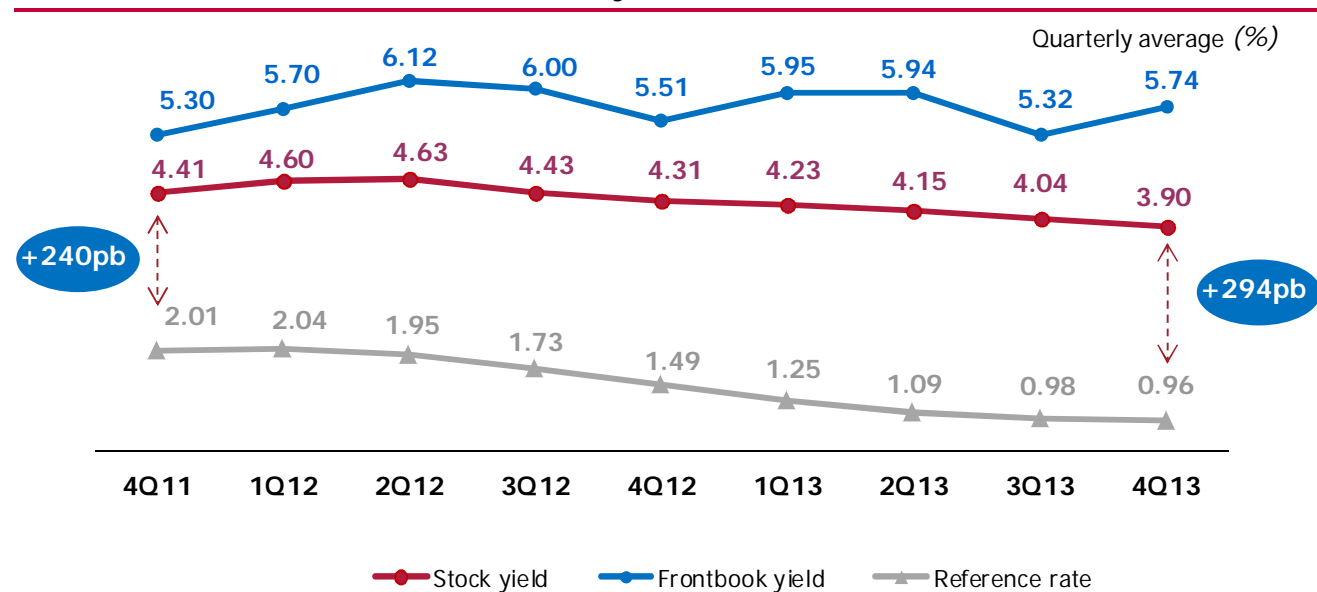
4 Improve margins

Managing margins in both loans and especially deposits will be a top priority

Time deposits cost evolution



Loans yields evolution

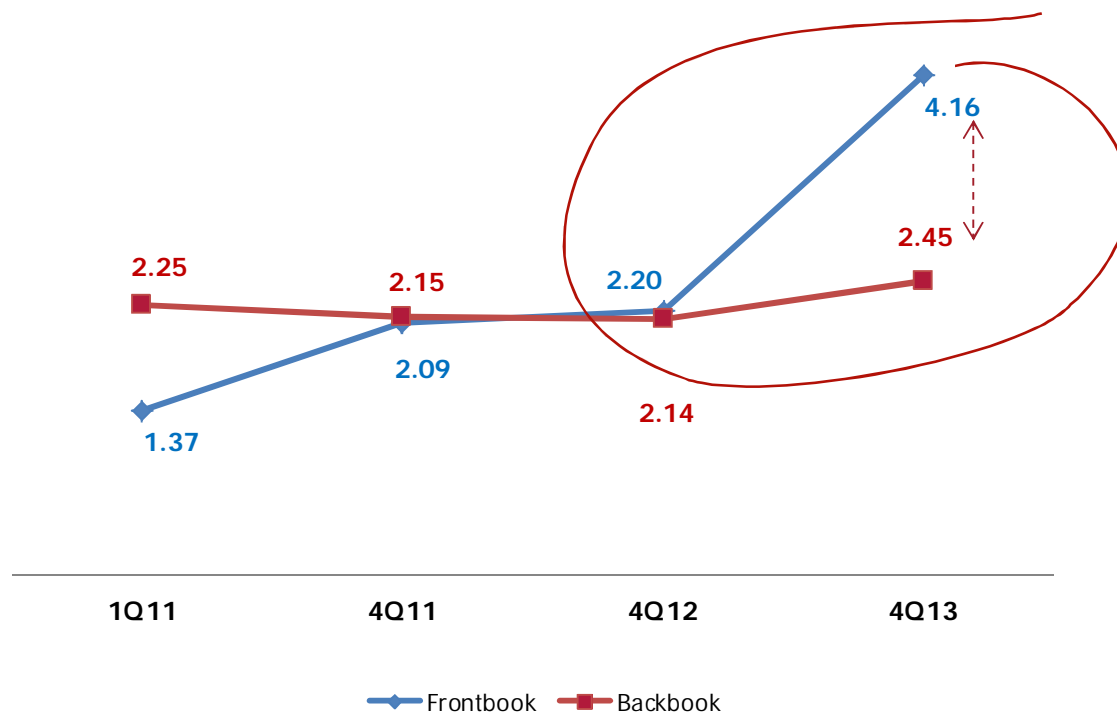


4 Improve margins

...current margins will allow us to improve our customer spread considerably

Frontbook vs Backbook customer spreads

Quarterly average (%)

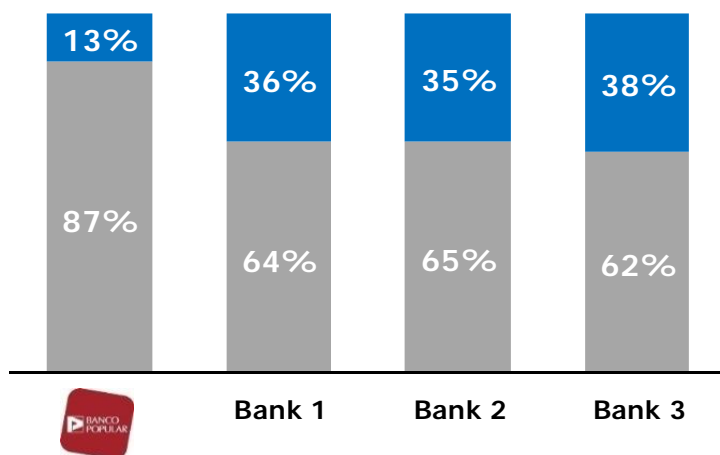


4 Improve margins

Our revenues are supported by our commercial activity. We plan to manage the balance sheet with a limited ALCO contribution and we have already repaid most of our LTRO exposure

2013 Revenues composition

(%)

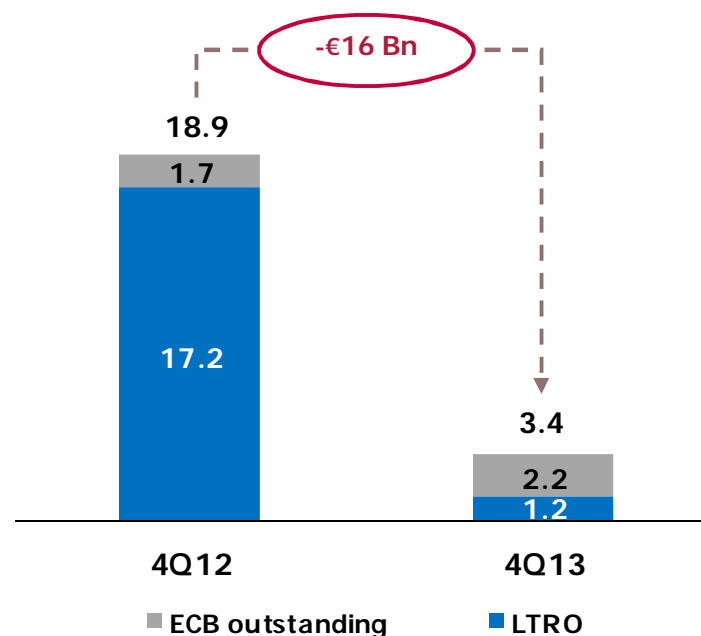


■ Net interest income + commissions ■ Trading & others

Banks: Bankinter, Sabadell y Caixabank. Last information available

ECB reliance

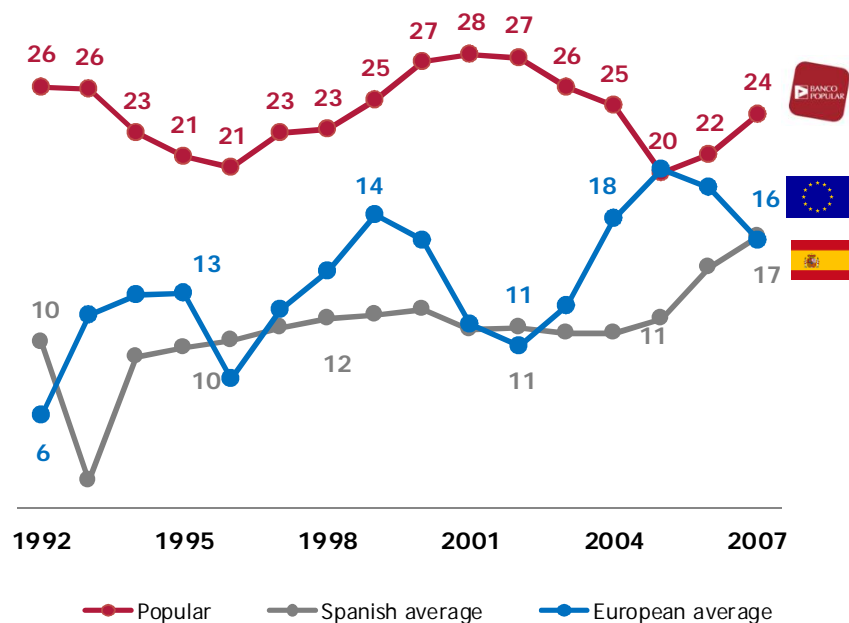
(€, Bn)



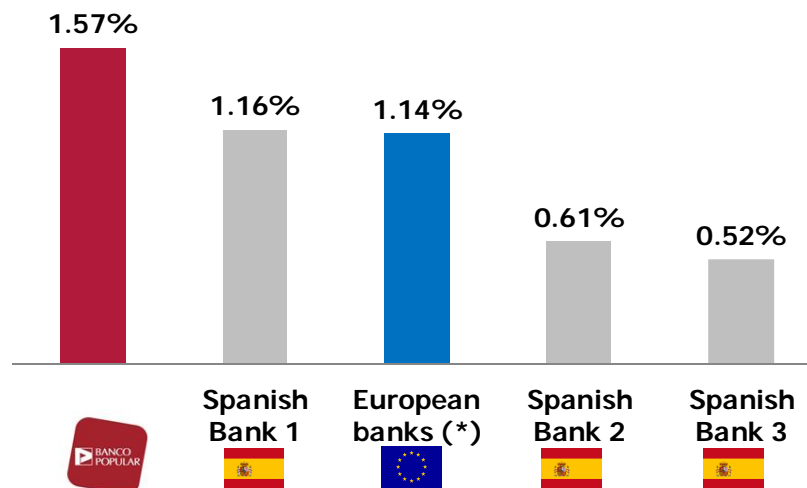
4 Improve margins

Popular, has consistently reported higher returns than peers in the past and we are well placed to keep doing so in the upcoming recovery

Popular historical ROE evolution vs. Spanish & European system (%)



Pre-Provision Profit ex-trading over loans 2013



Source: Bank of Spain, European Central Bank, Deutsche Bank

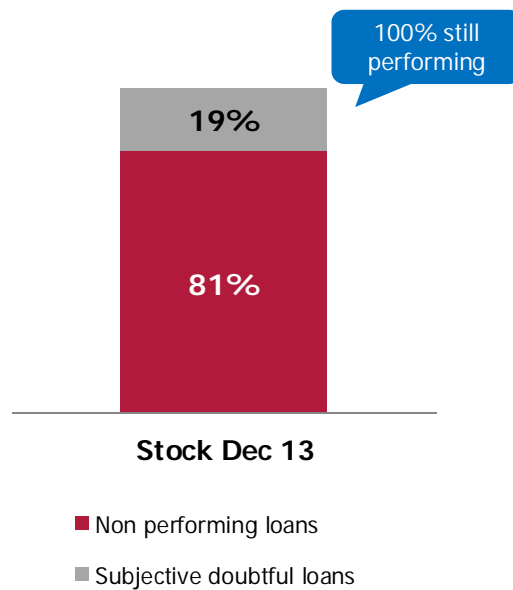
Banks: Bankinter, Caixabank & Sabadell
(*) Aggregated data from European Banks, source: analysts reports

5 Reduce NPAs

The accelerated NPLs recognition exercise carried out in 4Q13 leaves us in a comfortable position to reduce NPLs in 2014...

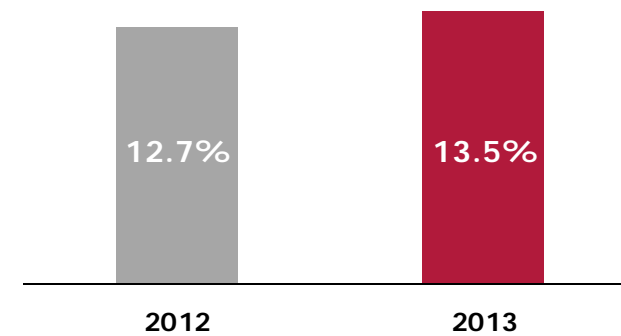
NPL and Doubtful 2013

(€, millions)



Total provisions over risks⁽¹⁾

(%)

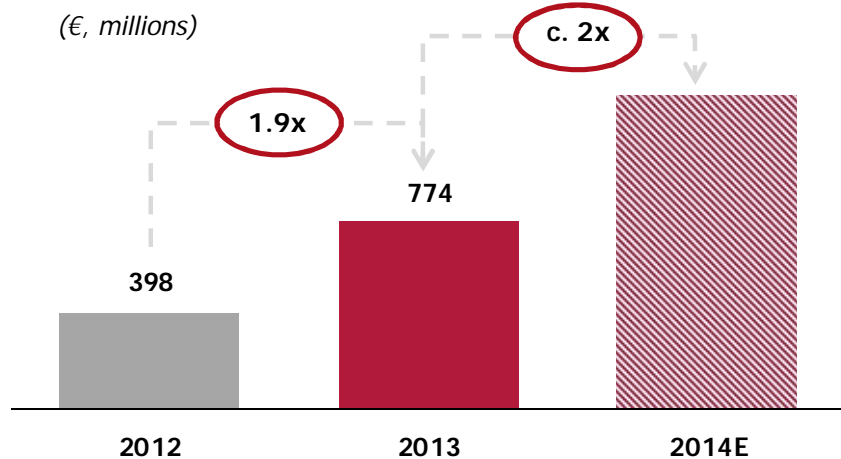


(1) Credit, guarantees, write-offs and repossessed.

5 Reduce NPAs

...while reducing our RE exposure remains a top priority

Real Estate Assets Sales



Recent trends RE sales

- ✓ 1Q14 sales look on track to meet our FY targets
- ✓ These higher sales are still being done above book value on average
- ✓ RE market stabilizing but still far from normal

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Conclusions

- 1** After the measures implemented, **Banco Popular** is well prepared to face the **upcoming supervisory assessments**
- 2** Therefore, our **focus is now on exploiting the opportunities the economic recovery provides to reinforce our superior profitability**
- 3** Our top priorities will be to **keep growing our unique SME franchise and to accelerate strongly RE assets sales while reducing NPLs**
- 4** Our **“best in class” Pre-provision Profit** will put us in a favorable position to **post superior returns in the coming years**

Thank you

Q&A



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