

Spain
Full Rating Report

Banco Popular Espanol S.A.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Individual Rating	
Support Rating	B/C
Support Rating Floor	2
Sovereign Risk	
Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+

Outlooks

Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Financial Data

Banco Popular Espanol S.A.		
	31 Mar 11	31 Dec 10
Total assets (USDm)	182,896.9	173,890.7
Total assets (EURm)	128,741.1	130,139.8
Total equity (EURm)	8,007.8	7,561.0
Pre-impairment operating profit (EURm)	417.1	2,148.4
Op. profit (EURm)	14.7	872.9
Net income (EURm)	189.1	604.4
Pre-impairment ROAA (%)	1.31	1.67
Operating ROAA (%)	0.05	0.68
Operating ROAE (%)	0.77	11.21
Net income/avg. assets (%)	0.59	0.47
Fitch core capital/weighted risks (%)	7.60	7.23
Reg. Tier 1 ratio (%)	9.93	9.63

Analysts

Josep Colomer, Barcelona
+34 93 323 8416
josep.colomer@fitchratings.com

Maria Jose Lockerbie, London
+44 20 3530 1083
mariajose.lockerbie@fitchratings.com

Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *Short-Term Ratings Criteria for Corporate Finance (November 2010)*
- *Equity Credit for Hybrids & Other Capital Securities – Amended (December 2009)*
- *Rating Hybrid Securities (December 2009)*

Other Research

- *Updated Stress Tests on Spanish Institutions' Domestic Loan Book: More Capital Needed (March 2011)*

Rating Rationale

- Banco Popular Español S.A.'s (Popular) ratings reflect a strong retail franchise, particularly among Spanish SMEs, that provides consistent earnings-generation capacity, as well as a track record of good cost efficiency and improvements in its capital and liquidity. They also factor in its comparatively high real-estate risk exposure with single-name concentrations and loan quality deterioration.
- Despite Spain's weak economy and low interest rates, pre-provision profitability remained sound in 2010 and Q111, thanks to good cost efficiency and a solid SME franchise, which supports a wide, albeit narrowed, net interest margin and fees. At the net income level, capital gains absorbed higher credit costs, partly charged ahead of schedule. Fitch Ratings expects provisions to remain large in H211, but wider spreads, cost control and further one-off items should provide a cushion.
- Popular is at risk from loans (71% of total end-Q111 assets) and bonds (14%, half of them sovereign). 69% of total loans were to domestic companies (chiefly SMEs) and 22% to individuals, bringing risk diversification. Real-estate lending exposure remained above peers' at 20% of total loans, a source of concern given the property sector downturn, and is concentrated by name. However, a large part of real-estate loan exposure was in mortgages for finalised projects ready for sale. Land exposure, an activity of greater risk due to its longer conversion period, was lower than peers' at 3% of loans and 42% of foreclosures.
- Although loan quality is deteriorating at a slower pace than previously, the bank's impaired (NPL)/gross loans ratio of 6.6% remained above peers' (11.4%, including gross foreclosures) and is likely to deteriorate further in 2011, albeit at a slower rate. However, risks are somewhat mitigated by good collateral and improved reserve coverage levels (42% for NPLs and 29% for foreclosures).
- Active liquidity management and efforts to increase retail-placed funds (79% of total end-Q111 loans) led to an improved funding mix and lower access to the European Central Bank (ECB). Some reliance on wholesale funding persists, but maturities seem manageable given large unencumbered assets (EUR11.5bn) and proven ability to date to access the markets, albeit at higher rates.
- Consistent profit generation, mandatory convertible-bond issues and lower risk weightings helped Popular to improve its capital ratios to good levels. However, these must be viewed relative to its risk profile and level of problem assets.

Support

- Given Popular's key position within the Spanish banking system, Fitch sees a high probability of support from within the Spanish financial authorities, if required.

What Could Trigger A Downgrade?

- Popular's ratings could be downgraded if the bank does not actively manage its real estate exposure, in particular the largest risks, and/or if its earnings are unable to absorb expected large credit impairments for real estate assets, while upholding sound profitability.

Profile

Popular is Spain's fifth-largest financial group by total assets, with a market share of deposits of c.5%. It focuses on retail banking services for SMEs and individuals.

- Fifth-largest bank in Spain, with a solid retail franchise for SMEs
- Some presence in Portugal and the US through small retail banks
- Increasing business relations with its major shareholders through JVs

Profile

Popular's activities are orientated towards retail and commercial banking for SMEs and individuals in the Spanish market. At end-Q111, the group had 14,062 staff and 2,224 branches, including 251 in Portugal and the US.

The group's main Spanish financial components are: Popular, the parent bank; Bancopopular-e, an internet bank; a 60% controlling stake in Popular Banca Privada, a small private bank; and Banco Popular Hipotecario (BPH), a retail bank jointly owned with Credit Mutuel-CIC (CM). BPH adopted its current form in July 2010, when Popular transferred 123 branches and EUR2bn of assets to BPH and sold a 50%-stake in it to CM, generating EUR367m of gains that were used to build up reserves. The JV formation helped to shrink Popular's branch network and to create a platform for seeking out growth opportunities for CM's client base in France and Germany with business ties in Spain. At end-2010, BPH had EUR2.2bn of assets and equity of EUR0.3bn. As part of the agreement, CM acquired a 5% stake in Popular.

Internationally, Popular's banking operations have centred in Portugal, via Banco Popular Portugal SA (BPP; 'A-' / Outlook Negative), and the US, through Total Bank. BPP had 236 branches and a domestic market share of 2.4% for loans at end-Q111, and represented 8% of the group's assets and 3% of net income. Total Bank is a 15-branch retail bank, based in Florida that focuses on SMEs. It had assets of EUR1.4bn and equity of EUR162m at end-2010.

At end-2010, Popular also had JVs with Allianz SE for life insurance (Eurovida; 49%-owned) and pension fund management (Europensiones; 51%-owned) in Spain. However, in March 2011 Popular and Allianz SE established a holding company group (Allianz Popular Holding), in which Allianz has a 60% controlling stake, with Popular owning the rest. Allianz Popular Holding is used as a platform to integrate the bank's business in Spain for life insurance, pension funds and asset management. The creation of Allianz Popular Holding generated EUR454m of extraordinary capital gains, of which EUR112m related to the partial sales of Eurovida, Popular Gestion and Europensiones, and EUR342m to the revaluation of the 40% stake retained by Popular. In parallel with this deal, Popular and Allianz reached a 25-year agreement to exclusively distribute non-life insurance products through the bank's branches in Spain, which resulted in EUR33m of further up-front capital gains in Q111. Popular's stake in Allianz Popular Holding is equity-accounted and goodwill from the asset revaluation classified as "Goodwill" in the attached Balance Sheet.

The board of directors consists of eighteen members, six of whom are independent, who between them held 42.1% of the bank's share capital at end-2010 (including a 9.2% held by Allianz). The remaining capital was widely owned by institutional (26.5%) and individual investors (31.4%). 40.8% of the share capital was in the hands of foreign investors.

Performance

Despite Spain's weak economic conditions, Popular's pre-impairment profitability in 2010 and Q111 continued to be above peers', aided by good cost efficiency and a solid SME domestic franchise, which has provided it with a wide net interest margin (NIM) and good fee-based income over the years. However, the downturn in the property sector led to larger loan impairment charges (LICs) that were higher than those of peers, particularly in Q111, and weighed down operating profitability. It is worth noting that some LICs and credit charges for foreclosures have been made ahead of schedule, benefiting from one-off capital gains generated since 2008 through the sale-and-leaseback of buildings, debt buybacks and equity sales. In Q111, EUR77m of tax gains from non-taxable goodwill of EUR342m linked to the Allianz-Popular Holding deal helped to sustain Popular's net income/average equity ratio of 9.9% above peer levels.

- Consistent pre-impairment profitability, helped by good cost efficiency
- Persistently large credit impairments affecting operating profitability
- Large capital gains over the years used to absorb high credit costs, in part charged ahead of regulatory needs

Figure 1

Selected Performance Indicators

(%)	Popular				Peer group average ^a			
	Q111	2010	2009	2008	Q111	2010	2009	2008
Net interest income/earning assets (avg.)	1.73	2.06	2.54	2.50	1.45	1.61	1.96	1.86
Non-interest expense/gross revenues	45.51	39.14	34.35	37.27	53.57	50.07	46.00	47.44
Pre-impairment op. profit/assets (avg.)	1.31	1.67	2.15	2.16	1.06	1.21	1.49	1.46
LICs/ gross loans (avg.)	1.81 ^b	1.16	1.61	1.00	0.98	0.84	0.77	0.69
Operating profit/assets (avg.)	0.05 ^b	0.68	0.68	1.24	0.39	0.56	0.68	0.84
Operating profit/equity (avg.)	0.77 ^b	11.21	11.00	19.47	8.02	10.66	13.45	17.18
Net income/assets (avg.)	0.59	0.47	0.65	1.03	0.47	0.39	0.56	0.76
Net income/equity (avg.)	9.85	7.76	10.50	16.12	9.17	7.38	10.77	15.14
Tangible common equity/tangible assets	5.48	5.32	5.63	5.93	4.77	4.30	4.74	4.61

^a Peer group average: Banco Español de Crédito, Banco de Sabadell, Bankinter and Popular

^b Excluding LICs made ahead of schedule, Popular's LICs/gross loans ratio would be 1.18%, its operating ROAA 0.49% and its operating ROAE 8.11%, compared with 0.56%, 0.69% and 13.61%, respectively, for the peer group average. Source: Banks' data adapted by Fitch

Figure 3

First-Quarter Results

(EURm)	Q111	Q110
Net interest income (+)	517.4	670.5
Net Fees & Commissions(+)	171.6	181.3
Other operating income(+)	68.2	80.2
Non-interest expenses (-)	-340.1	-326.7
Pre-impairment op. profit	417.1	605.3
Impairment charges (+/-)	-402.4	-294.1
Operating profit	14.7	311.2
Other inc. and expense (+/-)	97.5	-20.7
Pre-tax profit	112.2	290.5
Tax expense (+/-)	-76.9	83.6
Net income	189.1	206.9

Source: Bank's financial data under IFRS

Popular's net interest income (NII) fell by 13% in 2010 and by 23% in Q111 because of lower business growth and a narrower NIM. The NIM suffered from low interest rates, asset-liability repricing mismatches, and higher costs for both wholesale and deposit funding. However, Popular's NIM remains above peer levels thanks to good pricing on its SME loan book and the activation of interest-rate floors. Popular expects the NIM to widen somewhat during the rest of 2011 as loans reprice upward in line with EU interest-rate rises and Popular improves customer spreads by passing higher funding costs on to its lending operations.

Commission income was affected in Q111 by the deconsolidation of fees received from Popular's pension-fund and asset-management business following the deal with Allianz. On a like-for-like basis, fees grew by 5% yoy in Q111 thanks to higher retail-banking fees and represented an adequate, but declining, 0.58% of average earning assets. Despite lower business volumes, Popular should be able to maintain this level of fee income by further exploiting its SME retail franchise. Trading gains remain at modest levels and are mostly linked to asset-liability management or client-driven services.

Despite lower income generation and some cost growth, Popular remains one of the most cost-efficient banks internationally, with a cost/income ratio of 46% in Q111. The cost base grew by 4% yoy in Q111 (3% in 2010) due to higher IT investments and rental costs derived from sales and leasebacks of branches over the past few years. On the other hand, personnel costs have been well contained since 2009.

Credit provisions remained large in 2010 and almost doubled yoy in Q111 as a result of Popular's decision to improve coverage by setting aside EUR466m of provisions ahead of regulatory needs. Around EUR141m of these provisions were allocated to substandard loans (deducted from operating income) and EUR325m to foreclosures (as non-recurring expense), and were absorbed by one-off capital gains of EUR487m from the creation of Allianz Popular Holding and EUR44m from sales of fixed assets. In Q111, Popular did not make use of generic reserves to temper specific credit provisions.

Prospects

Spain's weak economy and the downturn in the property sector will continue to challenge Popular's asset quality and profitability for the rest of 2011 and 2012. In addition, limited loan demand and slower growth in SME business are likely to affect volumes. This, together with competition for deposits and more expensive wholesale markets, will place pressure on net interest income, despite interest-rate increases and higher client spreads. On a positive note, Popular has good revenue generation from its SME franchise and strong cost efficiency to defend its pre-provision profits. However, credit impairments will continue to be large, in particular from Popular's significant real estate portfolio, and further extraordinary

- High exposure to the real-estate and construction sectors, with single-name concentrations
- Weak loan quality, despite a slowdown in the pace of deterioration
- Large foreclosed assets, but respectable coverage levels reduce loss severity
- Low market risk appetite

gains will be needed to protect returns. Fitch notes that the bank is in a good position to gain market share as the caja sector consolidates.

Risk Management

Popular's primary risk is credit risk in the loan book (71% of end-Q111 assets), bonds (14%) and off-balance-sheet credit items (EUR13.5bn in guarantees and EUR10.6bn in undrawn credit lines). Market risk stems from structural mismatches; the bank's equity portfolio is small. Derivatives are used for hedging or as a service for clients.

Risk management is delegated on the assets and liabilities management committee (ALCO), which meets monthly and is made up of senior management. The ALCO reviews interest-rate, liquidity and foreign-exchange risks. The bank also has an executive committee for capital management. To calculate regulatory capital requirements, it applies internal rating methods for credit exposures on financial institutions, some SME segments and residential mortgages. For the rest of the portfolio, it applies the standardised approach. Capital charges for operational risks are measured using the standardised approach.

Credit Risk

Credit-risk transactions follow a hierarchical system of approvals, with seven levels of delegated authority. Loans of more than EUR15m (EUR20m-EUR60m by group exposures) are assessed centrally at the executive risk commission. Loan-to-value ratios (LTVs) are capped at 80% for residential mortgages and 60% for real-estate developers. Arrears and recovery management is centralised at a large separate unit that coordinates specialised teams in each region. Unlike most of its peers, Popular has not deleveraged its loan book, although it has only grown marginally since end-2008.

At end-Q111, the loan portfolio was split 22% to resident individuals (77% of which residential), 69% to SMEs and large corporates, and 9% to other clients, mainly the public sector and non-resident borrowers. 92% of total loans were originated in Spain, 7% in Portugal and 1% in the US. Lending exposure to Portugal was to individuals (33% of the total; 72% of which in residential mortgages) and real estate developers (12%), while the rest was to SMEs.

At the same date, domestic corporate loan exposures were primarily to real-estate and construction (23% of total loans), commerce and tourism (13%), manufacturing (9%), financial services (5%) and other corporate services (11%).

Mortgages in the Spanish market accounted for 50% of total loans at end-Q111. Of the total, 33% was to individuals for residential purposes and 32% for real-estate development. Average LTVs by segment were 65% for residential mortgages to individuals and 62% for real-estate development.

Fitch notes that some of Popular's lending to real-estate and construction companies was to large diversified groups for financing activities other than pure real-estate development. Popular's pure real-estate lending exposure accounted for 20% of the loan book at end-Q111, still above peer levels. However, 82% of total real-estate lending exposure was in the form of mortgages, with a substantial part being for completed projects (43% of total real-estate loans) ready to be converted into granular retail mortgages, providing some reassurance. Land financing equated to a lower-than-peers' 3% of total loans, with the land being mostly urban; and projects under construction (2% of total loans) are to a large extent over halfway through construction. The 20 largest real-estate and construction loans represented close to 25% of the total, denoting single-name concentrations.

Despite concentrations in its real-estate loan exposures, the overall loan portfolio is diversified by name, given its focus on SME exposures, which tend to be granular. At end-Q111, the 20 largest non-bank risk exposures (including loans, guarantees and undrawn credit lines) totalled EUR11.8bn, equating to 10% of total risks or 128% of

Fitch eligible capital (FEC). None of the 20 largest exposures exceeded 10% of FEC; however, 41% of them were diversified Spanish companies linked to the real-estate and construction sector, and some of these were in loan syndications or direct loans (secured by equity stakes) for M&A corporate transactions within this sector. Excluding undrawn credit lines, risk concentration by borrower reduces, with the 20 largest exposures representing 7% of the total or 82% of FEC.

Asset Quality Indicators

Owing to the downturn in the Spanish property sector and subsequent defaults of large real estate/construction companies to which the bank is exposed, Popular's loan quality has deteriorated materially in recent years. Since 2009, recoveries have been enhanced and the pace of problem loan entries has decelerated; however, Popular's loan quality metrics remain weaker than those of peers. Fitch expects asset quality to deteriorate further in 2011, albeit at lower rates.

Figure 3

Peer Group Key Asset Quality Indicators

(%)	Popular		Banesto		Sabadell		Bankinter	
	Q111	2010	Q111	2010	Q111	2010	Q111	2010
Growth of gross loans	0.43	0.08	-3.19	-1.51	-1.17	12.37	-2.42	6.70
Impaired loans (NPLs)/ gross loans	6.58	6.37	4.81	4.77	5.94	5.40	3.19	3.10
Reserves for NPLs ^b / NPLs	41.91	40.44	52.88	52.84	49.37	56.03	64.51	65.40
Substandard real-estate loans ^a / gross loans	3.13	2.89	1.40	1.42	2.60	2.98	0.34	0.23
Reserves for Substandard real-estate loans ^b / Substandard real-estate loans	18.51	18.60	17.00	18.62	n.a.	16.47	23.69	16.16
NPL + net foreclosed assets (FA)/ gross loans + net FA	10.07	10.01	7.94	7.73	8.51	7.86	3.86	3.71
net NPL + net FA/ Fitch Eligible Capital	76.42	78.11	69.80	70.86	71.18	66.38	29.43	29.05
Charge-offs/ gross loans + Charge-offs	3.14	2.94	n.a.	n.a.	n.a.	2.21	1.01	0.90

^a Substandard real-estate loans include potentially problematic or watch-list loans for real estate development

^b Generic reserves and Reserves for substandard real estate loans are also included as part of Reserves for NPLs

Source: Banks' financial data adapted by Fitch

At end-Q111, Popular's impaired (NPL)/gross loans ratio was 6.6%. Half of the NPL portfolio was linked to real-estate and construction companies, while the rest was mainly from individuals (11%), and from domestic SMEs centred on commerce and tourism (10%) and manufacturing (8%). NPL coverage improved to 42% at end-Q111 (40% at end-2010), assisted by larger credit provisions in Q111. About 76% of the NPL portfolio had good-quality mortgage collateral; taking this into account, the coverage ratio would have stood at about 100% at end-Q111 (including regulatory haircuts). Popular still has EUR327m of generic impairment reserves.

At the same date, Popular had EUR2.9bn of performing real-estate loans classified as substandard or potentially problematic exposures, with a reserve coverage ratio of 19%. Restructured real-estate loans totalled EUR3.5bn at end-Q111 (3.8% of total loans), 14% of which were classified as substandard. The level of charge-offs (100%-covered by specific reserves) is above peer levels, following Popular's more prudent provisioning approach; and some recoveries are expected.

With the aim of minimising loss severity and accelerating recoveries, since 2008 the bank has been swapping a few problem credit exposures for equity participations, and, more extensively, foreclosing assets. At end-Q111, foreclosed assets totalled EUR4.9bn in gross terms and were 29% covered by specific reserves. If foreclosed real-estate assets (gross of reserves) and substandard real-estate loans were added to impaired loans, Popular's extended NPL ratio would be 14.4%, with an average coverage ratio of 28.5%.

Of total net foreclosed assets, 48% were repossessed primary residences or finalised residential projects and, at the other end of the scale, 40% land. Fitch views the latter exposure as being of higher risk, given its long transformation period amid the property sector fall and the difficulties involved in selling it without high fire-

sale discounts. Positively, Popular has reflected a propensity to provide for these exposures as much as needed, improving reserve coverage levels, and is actively seeking to dispose of those non-strategic. 17% of net foreclosures have so far been rented out at an average return of about 4.3%. Foreclosed assets are for the most part residential, and by geography are well-spread across the country.

Other earning-assets

“Loans and Advances to Banks” are short term, euro-denominated and placed with Spanish and other Organisation for Economic Co-operation and Development (OECD) banks with good credit ratings. Asset repos (line B2 of the attached balance-sheet) have increased significantly since end-2009 and are collateralised by government and other fixed-interest securities.

Fixed-income securities totalled EUR17.6bn at end-Q111; almost 60% of this was available-for-sale (AFS) and 39% held to maturity (HTM). Government bonds totalled EUR9.3bn, and a large part of them is included in the EUR14.2bn ALCO portfolio. Sovereigns were Spanish (EUR8.5bn), Portuguese (EUR0.6bn) and Italian (EUR0.2bn), and 42% of them were located in the HTM book. The ALCO portfolio is partly used as collateral for repo transactions with banks, clients and clearing houses. Popular’s bond portfolio also included covered bonds (14% of the total), state-guaranteed debt (11%), agencies and regional debt (8%) and senior debt from other banks (4%). Virtually all of the ALCO securities are at investment-grade level, with a large 81% of them being rated ‘AA+’ or above.

Popular has also retained EUR17.7bn of highly rated, own covered and securitisation bonds as eligible collateral for tapping ECB discounting facilities or the clearing houses. These securities are recorded off-balance-sheet.

Market Risk

Market risk appetite is modest. It stems from structural interest-rate and FX risks, which are monitored using re-pricing gaps, simulation and duration analyses under stressed scenarios. FX risk is low due to a well-matched balance sheet by currency. Trading activity is limited and linked to client services and liquidity management.

Popular’s balance-sheet is positioned to benefit from falling interest rates, as sensitive liabilities reprice more quickly than assets and due to the presence of interest-rate floors on 50% of loan contracts at an average rate of 3.9% (80% of which have been activated to date). At end-Q111, the ALCO estimated that a 100bp upward parallel shift in the yield curve, all else being equal, would result in a 5.7% fall in Popular’s annual budgeted NII.

The equity portfolio was small at 11% of FEC at end-Q111. The primary investments were a 10.9% stake in Metrovacesa (EUR186m; real estate), Telefonica (EUR120m; telecoms; rated ‘A-’/Outlook Negative) and a 4.6% stake in Colonial (EUR83m, real estate).

Funding, Liquidity and Capital

Funding and Liquidity

As befits a retail bank, Popular is chiefly funded by deposits (51% of total funding at end-Q111). This funding source has increased considerably since the onset of the financial crisis owing to Popular’s efforts to reduce the commercial retail funding gap. Retail deposits grew by a strong 12% in 2010 and levelled off in Q111, assisted by attractive 12-month deposit campaigns that are being renewed all through 2011.

The latter trend, coupled with low loan growth, helped to improve the loan/deposit ratio to 144% at end-Q111 from 162% at end-2009. Popular also issued hybrid capital through its branches (EUR2.1bn at end-Q111), and part of its short-term borrowings relates to treasury activity for retail customers. Including these, the loans/deposits ratio would have stood at 127% at end-Q111. Fitch views Popular’s sharp rise in customer deposits as positive and sustainable thanks to the bank’s solid franchise.

- Proactive funding and liquidity management has led to larger deposits and an improved funding mix
- Large unencumbered assets and relatively well-balanced market funding ease refinancing risks
- Capital boosting to good levels, but necessary for the risk profile

Despite visible reductions, Popular's balance sheet still shows reliance on wholesale funding. Positively, wholesale funds are diversified by instrument, and there is an increasing preference for longer-term issuances. Except for 2012, the debt maturity profile is also well-distributed in time. To date, EUR1.5bn of long-term funding is maturing in the rest of 2011, EUR6.4bn in 2012 and EUR2.4bn in 2013. Ultimately, these amounts could be repaid by making use of Popular's large portfolio of unencumbered assets, which totalled EUR11.5bn at end-Q111 (on a cash basis) and comprised EUR5.5bn of self-retained securitisation/covered bonds. However, Fitch does not view the latter strategy as sustainable over the longer term.

For 2011, Popular expects to continue enlarging its ECB-eligible pool by EUR2bn and reducing its commercial retail funding gap by EUR2.5bn. Additional liquidity could be obtained through full usage of the state guarantee funding scheme, under which it can issue EUR4bn before end-2011. Despite difficult wholesale funding access for Spanish banks, Popular managed to issue EUR1bn of covered bonds and EUR0.5bn of senior debt in 2011, albeit at higher rates.

As shown in Figure 4, short-term borrowings (EUR32bn at end-Q111, with repos and interbank positions) have remained relatively flat in absolute terms, although there has been a shift towards repos instead of more expensive commercial-paper issues or ECB funding. Repos are mostly with clearing houses (EUR16.9bn at end-Q111) and generally used to build up the EUR14.2bn ALCO portfolio. ECB funds only accounted for 1% of total assets at end-Q111, mostly accessed through BPP. At end-Q111, 18% of short-term borrowings were retail-placed. Short-term market funding tends to be matched with short-term and liquid assets and has so far been rolled over easily.

Figure 4
Funding Breakdown

(EURm)	31 Mar 11	%	31 Dec 10	%	31 Dec 09	%
Total customer deposits	59,011.4	50.6	58,887.3	50.4	52,471.7	45.1
Deposits from banks	4,798.5	4.1	4,614.8	3.9	6,880.5	5.9
Repos and cash collateral	23,705.7	20.3	21,980.9	18.8	18,458.3	15.9
<i>of which repos with clients/clear. houses</i>	21,814.0	18.7	20,059.5	17.2	6,649.2	5.7
<i>of which repos with banks</i>	1,891.7	1.6	1,921.4	1.6	11,809.1	10.2
Other deposits and short-term borrowings	3,421.8	2.9	3,668.2	3.1	11,970.6	10.3
<i>of which deposits from central banks</i>	1,438.5	1.2	3,189.9	2.7	3,131.1	2.7
<i>of which commercial paper issues</i>	1,983.3	1.7	478.3	0.4	8,839.5	7.6
Senior debt maturing after one year	8,242.8	7.1	9,400.6	8.1	11,033.8	9.5
<i>of which senior unsecured debt notes</i>	1,437.9	1.2	2,977.3	2.6	5,454.8	4.7
<i>of which state-guaranteed debt notes</i>	3,500.0	3.0	3,500.0	3.0	3,500.0	3.0
<i>of which funds for mediation loans</i>	3,304.9	2.8	2,923.3	2.5	2,079.0	1.8
Subordinated borrowings	681.5	0.6	696.5	0.6	602.1	0.5
Other funding	14,389.5	12.3	15,332.0	13.1	12,976.5	11.2
<i>of which covered bonds</i>	13,259.8	11.4	13,691.0	11.7	10,694.1	9.2
<i>of which securitisation bonds</i>	1,129.7	1.0	1,204.3	1.0	1,845.7	1.6
<i>of which repos with the state's FAAF</i>	0.0	0.0	436.7	0.4	436.7	0.4
Preferred stock	1,170.6	1.0	1,184.8	1.0	1,218.1	1.0
Mandatory convertible bonds	1,192.3	1.1	1,191.3	1.0	700.0	0.6
Total	116,614.1	100.0	116,956.4	100.0	116,311.6	100.0

Source: Popular's financial data under IFRS reclassified by Fitch

Capital

Popular has remained soundly capitalised over the years, favoured by capital increases (EUR500m in 2009 and EUR179m in 2010) and consistent internal capital generation, which has led to a tangible equity base larger than the sector average (5.5% of tangible assets at end-Q111).

In addition, regulatory core capital ratios have been boosted since 2007 by lower risk weightings due to larger credit provisions and the issuance of mandatory convertible securities (EUR700m in 2009 and EUR500m in 2010). Regulatory core capital ratio stood at 8.6% at end-Q111 (Tier 1 ratio of 9.9%), compared with 6.5% at end-2007, and Popular plans to continue reinforcing its regulatory capital base.

Popular's Fitch core capital ratio was well-contained at 7.6% at end-Q111, despite goodwill deductions from the creation of Allianz Popular Holding. The FEC ratio (10.2%) included EUR1.2bn of preferred stock and EUR1.2bn of mandatory convertible securities, to which Fitch has given 100% equity credit. None of these securities are included in the Fitch core capital calculation and, in the case of mandatory convertible bonds, these are only added to Fitch core capital once conversion has been exercised (2013). Popular has the right to accelerate conversion of EUR500m of securities by end-December 2011, in which case the Fitch core capital ratio would increase to 8.2%.

Fitch welcomes Popular's willingness to boost all capital ratios to good levels, although these are necessary given real-estate sector concentrations, sizeable problem assets and potential for higher impairments following Spain's weak economic outlook.

Banco Popular Espanol S.A. Income Statement

	31 Mar 2011		31 Dec 2010		31 Dec 2009		31 Dec 2008		
	3 Months - 1st	3 Months - 1st	As % of	Year End	As % of	Year End	As % of	Year End	
	Quarter	Quarter	Earning	EURm	Earning	EURm	Earning	EURm	
	USDm	EURm	Assets	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets
	Unaudited	Unaudited							
1. Interest Income on Loans	1,323.2	931.4	3.13	3,713.9	3.05	4,731.3	3.97	6,064.1	5.87
2. Other Interest Income	202.0	142.2	0.48	449.5	0.37	327.8	0.28	225.2	0.22
3. Dividend Income	2.7	1.9	0.01	9.6	0.01	7.8	0.01	23.8	0.02
4. Gross Interest and Dividend Income	1,527.9	1,075.5	3.62	4,173.0	3.43	5,066.9	4.26	6,313.1	6.11
5. Interest Expense on Customer Deposits	462.4	325.5	1.09	1,043.0	0.86	1,121.9	0.94	1,763.0	1.71
6. Other Interest Expense	330.4	232.6	0.78	668.1	0.55	1,114.6	0.94	1,991.0	1.93
7. Total Interest Expense	792.9	558.1	1.88	1,711.1	1.41	2,236.5	1.88	3,754.0	3.63
8. Net Interest Income	735.0	517.4	1.74	2,461.9	2.02	2,830.4	2.38	2,559.1	2.48
9. Net Gains (Losses) on Trading and Derivatives	21.2	14.9	0.05	62.3	0.05	37.4	0.03	35.2	0.03
10. Net Gains (Losses) on Other Securities	13.2	9.3	0.03	85.2	0.07	126.0	0.11	49.5	0.05
11. Net Gains (Losses) on Assets at FV through Income Statement	-0.7	-0.5	0.00	-2.2	0.00	0.6	0.00	-10.2	-0.01
12. Net Insurance Income	2.8	2.0	0.01	26.6	0.02	19.6	0.02	23.2	0.02
13. Net Fees and Commissions	243.8	171.6	0.58	746.5	0.61	763.4	0.64	864.5	0.84
14. Other Operating Income	46.3	32.6	0.11	126.3	0.10	113.2	0.10	123.5	0.12
15. Total Non-Interest Operating Income	326.6	229.9	0.77	1,044.7	0.86	1,060.2	0.89	1,085.7	1.05
16. Personnel Expenses	269.8	189.9	0.64	784.1	0.64	792.1	0.67	818.1	0.79
17. Other Operating Expenses	213.4	150.2	0.51	588.5	0.48	544.5	0.46	540.2	0.52
18. Total Non-Interest Expenses	483.2	340.1	1.14	1,372.6	1.13	1,336.6	1.12	1,358.3	1.32
19. Equity-accounted Profit/ Loss - Operating	14.1	9.9	0.03	14.4	0.01	15.4	0.01	53.7	0.05
20. Pre-Impairment Operating Profit	592.6	417.1	1.40	2,148.4	1.76	2,569.4	2.16	2,340.2	2.27
21. Loan Impairment Charge	580.5	408.6	1.37	1,106.3	0.91	1,520.0	1.28	905.2	0.88
22. Securities and Other Credit Impairment Charges	-8.8	-6.2	-0.02	169.2	0.14	232.4	0.20	93.0	0.09
23. Operating Profit	20.9	14.7	0.05	872.9	0.72	817.0	0.69	1,342.0	1.30
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
25. Non-recurring Income	753.8	530.6	1.78	518.0	0.43	650.4	0.55	233.0	0.23
26. Non-recurring Expense	606.6	427.0	1.44	569.2	0.47	345.1	0.29	84.5	0.08
27. Change in Fair Value of Own Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
28. Other Non-operating Income and Expenses	-8.7	-6.1	-0.02	10.8	0.01	-49.4	-0.04	-29.5	-0.03
29. Pre-tax Profit	159.4	112.2	0.38	832.5	0.68	1,072.9	0.90	1,461.0	1.41
30. Tax expense	-109.2	-76.9	-0.26	228.1	0.19	292.6	0.25	390.3	0.38
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	40.0	0.04
32. Net Income	268.6	189.1	0.64	604.4	0.50	780.3	0.66	1,110.7	1.08
33. Change in Value of AFS Investments	240.7	169.4	0.57	-583.1	-0.48	-56.5	-0.05	-4.6	0.00
34. Revaluation of Fixed Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	-21.9	-15.4	-0.05	13.1	0.01	-7.0	-0.01	24.2	0.02
36. Remaining OCI Gains/ (losses)	-26.6	-18.7	-0.06	13.3	0.01	n.a.	-	1.7	0.00
37. Fitch Comprehensive Income	460.9	324.4	1.09	47.7	0.04	716.8	0.60	1,132.0	1.10
38. Memo: Profit Allocation to Non-controlling Interests	4.7	3.3	0.01	14.3	0.01	14.2	0.01	58.6	0.06
39. Memo: Net Income after Allocation to Non-controlling Interests	264.0	185.8	0.62	590.1	0.48	766.1	0.64	1,052.1	1.02
40. Memo: Common Dividends Relating to the Period	78.1	55.0	0.18	179.0	0.15	409.5	0.34	592.9	0.57
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = EURO.70390

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

Banco Popular Espanol S.A. Balance Sheet

	31 Mar 2011		31 Dec 2010		31 Dec 2009		31 Dec 2008			
	3 Months - 1st Quarter USDm	3 Months - 1st Quarter EURm	As % of Assets	Average EURm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets										
A. Loans										
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	130,406.2	91,792.9	71.30	91,597.0	91,401.1	70.23	91,328.8	70.64	91,795.2	83.17
6. Less: Reserves for Impaired Loans/ NPLs	3,596.2	2,531.4	1.97	2,443.9	2,356.4	1.81	2,551.3	1.97	2,015.1	1.83
7. Net Loans	126,809.9	89,261.5	69.33	89,153.1	89,044.7	68.42	88,777.5	68.67	89,780.1	81.34
8. Gross Loans	130,406.2	91,792.9	71.30	91,597.0	91,401.1	70.23	91,328.8	70.64	91,795.2	83.17
9. Memo: Impaired Loans included above	8,581.6	6,040.6	4.69	5,933.5	5,826.4	4.48	5,334.3	4.13	2,853.0	2.58
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets										
1. Loans and Advances to Banks	2,981.5	2,098.7	1.63	2,427.3	2,755.9	2.12	2,347.4	1.82	2,920.6	2.65
2. Reverse Repos and Cash Collateral	12,476.2	8,782.0	6.82	9,534.3	10,286.5	7.90	11,173.5	8.64	3,906.1	3.54
3. Trading Securities and at FV through Income	974.6	686.0	0.53	600.5	514.9	0.40	937.0	0.72	427.4	0.39
4. Derivatives	2,378.5	1,674.2	1.30	1,946.9	2,219.6	1.71	2,303.6	1.78	1,899.4	1.72
5. Available for Sale Securities	15,323.8	10,786.4	8.38	10,981.0	11,175.6	8.59	11,030.1	8.53	3,440.4	3.12
6. Held to Maturity Securities	9,825.7	6,916.3	5.37	6,155.5	5,394.6	4.15	2,266.5	1.75	34.9	0.03
7. At-equity Investments in Associates	311.4	219.2	0.17	194.0	168.8	0.13	56.1	0.04	32.2	0.03
8. Other Securities	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
9. Total Securities	41,290.1	29,064.1	22.58	29,412.1	29,760.0	22.87	27,766.8	21.48	9,740.4	8.82
10. Memo: Government Securities included Above	14,137.1	9,951.1	7.73	7,957.0	5,962.8	4.58	5,867.9	4.54	1,442.4	1.31
11. Memo: Total Securities Pledged	8,167.9	5,749.4	4.47	3,973.1	2,196.7	1.69	8,269.7	6.40	2,805.8	2.54
12. Investments in Property	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
13. Insurance Assets	228.4	160.8	0.12	162.9	165.0	0.13	176.6	0.14	844.7	0.77
14. Other Earning Assets	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
15. Total Earning Assets	171,310.0	120,585.1	93.66	121,155.4	121,725.6	93.53	119,068.3	92.09	103,285.8	93.58
C. Non-Earning Assets										
1. Cash and Due From Banks	897.6	631.8	0.49	657.3	682.8	0.52	3,748.7	2.90	1,859.6	1.68
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	5,054.7	3,558.0	2.76	3,623.5	3,688.9	2.83	3,979.6	3.08	1,660.6	1.50
4. Fixed Assets	919.0	646.9	0.50	608.2	569.4	0.44	562.9	0.44	1,355.4	1.23
5. Goodwill	1,284.0	903.8	0.70	739.1	574.4	0.44	417.7	0.32	486.8	0.44
6. Other Intangibles	118.2	83.2	0.06	83.0	82.7	0.06	69.3	0.05	59.8	0.05
7. Current Tax Assets	180.1	126.8	0.10	105.7	84.5	0.06	34.5	0.03	319.5	0.29
8. Deferred Tax Assets	1,176.9	828.4	0.64	884.7	940.9	0.72	674.0	0.52	507.8	0.46
9. Discontinued Operations	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
10. Other Assets	1,956.4	1,377.1	1.07	1,583.9	1,790.6	1.38	735.1	0.57	840.8	0.76
11. Total Assets	182,896.9	128,741.1	100.00	129,440.5	130,139.8	100.00	129,290.1	100.00	110,376.1	100.00
Liabilities and Equity										
D. Interest-Bearing Liabilities										
1. Customer Deposits - Current	28,923.6	20,359.3	15.81	17,343.1	14,326.9	11.01	14,628.2	11.31	14,447.3	13.09
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	5,817.1	4.47	6,090.1	4.71	4,806.3	4.35
3. Customer Deposits - Term	54,911.4	38,652.1	30.02	38,697.7	38,743.3	29.77	31,753.4	24.56	25,719.5	23.30
4. Total Customer Deposits	83,834.9	59,011.4	45.84	58,949.4	58,887.3	45.25	52,471.7	40.58	44,973.1	40.75
5. Deposits from Banks	6,817.0	4,798.5	3.73	4,706.7	4,614.8	3.55	6,880.5	5.32	6,884.7	6.24
6. Repos and Cash Collateral	33,677.7	23,705.7	18.41	22,843.3	21,980.9	16.89	18,458.3	14.28	10,427.2	9.45
7. Other Deposits and Short-term Borrowings	4,861.2	3,421.8	2.66	3,545.1	3,668.3	2.82	11,970.6	9.26	13,450.3	12.19
8. Total Deposits, Money Market and Short-term Funding	129,190.8	90,937.4	70.64	90,044.4	89,151.3	68.50	89,781.1	69.44	75,735.3	68.62
9. Senior Debt Maturing after 1 Year	11,710.2	8,242.8	6.40	8,821.7	9,400.6	7.22	11,033.8	8.53	8,443.8	7.65
10. Subordinated Borrowing	968.0	681.4	0.53	689.0	696.5	0.54	602.1	0.47	328.8	0.30
11. Other Funding	20,442.5	14,389.5	11.18	14,860.8	15,332.0	11.78	12,976.5	10.04	11,958.4	10.83
12. Total Long Term Funding	33,120.8	23,313.7	18.11	24,371.4	25,429.1	19.54	24,612.4	19.04	20,731.0	18.78
13. Derivatives	2,136.0	1,503.5	1.17	1,707.1	1,910.6	1.47	1,793.0	1.39	2,109.4	1.91
14. Trading Liabilities	185.4	130.5	0.10	136.7	142.8	0.11	104.2	0.08	169.1	0.15
15. Total Funding	164,632.9	115,885.1	90.01	116,259.5	116,633.8	89.62	116,290.7	89.95	98,744.8	89.46
E. Non-Interest Bearing Liabilities										
1. Fair Value Portion of Debt	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
2. Credit impairment reserves	121.9	85.8	0.07	84.2	82.5	0.06	176.2	0.14	181.5	0.16
3. Reserves for Pensions and Other	362.4	255.1	0.20	257.4	259.6	0.20	300.6	0.23	293.0	0.27
4. Current Tax Liabilities	208.3	146.6	0.11	115.7	84.7	0.07	209.6	0.16	117.6	0.11
5. Deferred Tax Liabilities	257.7	181.4	0.14	270.4	359.3	0.28	182.9	0.14	68.1	0.06
6. Other Deferred Liabilities	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
7. Discontinued Operations	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
8. Insurance Liabilities	860.1	605.4	0.47	848.0	1,090.6	0.84	1,073.5	0.83	931.9	0.84
9. Other Liabilities	1,720.6	1,211.1	0.94	1,451.7	1,692.2	1.30	1,390.5	1.08	1,693.5	1.53
10. Total Liabilities	168,163.8	118,370.5	91.94	119,286.6	120,202.7	92.36	119,624.0	92.52	102,030.4	92.44
F. Hybrid Capital										
1. Pref. Shares and Hybrid Capital accounted for as Debt	2,373.2	1,670.5	1.30	1,677.7	1,684.8	1.29	1,218.1	0.94	1,288.0	1.17
2. Pref. Shares and Hybrid Capital accounted for as Equity	983.5	692.3	0.54	691.8	691.3	0.53	700.0	0.54	0.0	0.00
G. Equity										
1. Common Equity	11,871.0	8,356.0	6.49	8,220.2	8,084.3	6.21	7,715.9	5.97	6,734.4	6.10
2. Non-controlling Interest	126.3	88.9	0.07	69.0	49.1	0.04	47.8	0.04	292.5	0.27
3. Securities Revaluation Reserves	-654.6	-460.8	-0.36	-545.5	-630.2	-0.48	-47.1	-0.04	9.5	0.01
4. Foreign Exchange Revaluation Reserves	21.3	15.0	0.01	22.7	30.4	0.02	17.3	0.01	24.3	0.02
5. Fixed Asset Revaluations and Other Accumulated OCI	12.4	8.7	0.01	18.1	27.4	0.02	14.1	0.01	-3.0	0.00
6. Total Equity	11,376.3	8,007.8	6.22	7,784.4	7,561.0	5.81	7,748.0	5.99	7,057.7	6.39
7. Total Liabilities and Equity	182,896.9	128,741.1	100.00	129,440.5	130,139.8	100.00	129,290.1	100.00	110,376.1	100.00
8. Memo: Fitch Core Capital	9,780.5	6,884.5	5.35	6,837.0	6,789.4	5.22	7,176.4	5.55	6,426.9	5.82
9. Memo: Fitch Eligible Capital	13,137.2	9,247.3	7.18	9,206.4	9,165.5	7.04	9,094.5	7.03	7,714.9	6.99

Exchange rate

USD1 = EURO.70390

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

Banco Popular Espanol S.A. Summary Analytics

	31 Mar 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
	3 Months - 1st Quarter	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.07	3.88	5.03	6.70
2. Interest Expense on Customer Deposits/ Average Customer Deposits	2.24	1.72	2.29	4.40
3. Interest Income/ Average Earning Assets	3.60	3.49	4.55	6.16
4. Interest Expense/ Average Interest-bearing Liabilities	1.95	1.48	2.10	3.89
5. Net Interest Income/ Average Earning Assets	1.73	2.06	2.54	2.50
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.36	1.13	1.18	1.61
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.73	2.06	2.54	2.50
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	30.76	29.79	27.25	29.79
2. Non-Interest Expense/ Gross Revenues	45.51	39.14	34.35	37.27
3. Non-Interest Expense/ Average Assets	1.07	1.07	1.12	1.25
4. Pre-impairment Op. Profit/ Average Equity	21.73	27.58	34.59	33.96
5. Pre-impairment Op. Profit/ Average Total Assets	1.31	1.67	2.15	2.16
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	96.48	59.37	68.20	42.65
7. Operating Profit/ Average Equity	0.77	11.21	11.00	19.47
8. Operating Profit/ Average Total Assets	0.05	0.68	0.68	1.24
9. Taxes/ Pre-tax Profit	-68.54	27.40	27.27	26.71
10. Pre-Impairment Operating Profit / Risk Weighted Assets	1.87	2.29	2.78	2.54
11. Operating Profit / Risk Weighted Assets	0.07	0.93	0.88	1.46
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.85	7.76	10.50	16.12
2. Net Income/ Average Total Assets	0.59	0.47	0.65	1.03
3. Fitch Comprehensive Income/ Average Total Equity	16.90	0.61	9.65	16.43
4. Fitch Comprehensive Income/ Average Total Assets	1.02	0.04	0.60	1.05
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	0.59	0.47	0.65	1.02
6. Net Income/ Risk Weighted Assets	0.85	0.64	0.84	1.21
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.45	0.05	0.77	1.23
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	7.60	7.23	7.75	6.98
2. Fitch Eligible Capital/ Weighted Risks	10.21	9.77	9.82	8.37
3. Tangible Common Equity/ Tangible Assets	5.48	5.32	5.63	5.93
4. Tier 1 Regulatory Capital Ratio	9.93	9.63	9.19	8.12
5. Total Regulatory Capital Ratio	9.93	9.66	9.66	9.10
6. Core Tier 1 Regulatory Capital Ratio	8.64	8.39	8.57	6.86
7. Equity/ Total Assets	6.22	5.81	5.99	6.39
8. Cash Dividends Paid & Declared/ Net Income	29.09	29.62	52.48	53.38
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	16.95	375.26	57.13	52.38
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	6.79	5.63	4.79	7.34
E. Loan Quality				
1. Growth of Total Assets	-1.07	0.66	17.14	2.99
2. Growth of Gross Loans	0.43	0.08	-0.51	3.95
3. Impaired Loans(NPLs)/ Gross Loans	6.58	6.37	5.84	3.11
4. Reserves for Impaired Loans/ Gross loans	2.76	2.58	2.79	2.20
5. Reserves for Impaired Loans/ Impaired Loans	41.91	40.44	47.83	70.63
6. Impaired Loans less Reserves for Imp Loans/ Equity	43.82	45.89	35.92	11.87
7. Loan Impairment Charges/ Average Gross Loans	1.81	1.16	1.61	1.00
8. Net Charge-offs/ Average Gross Loans	1.02	1.37	0.90	0.57
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	10.07	10.01	9.77	4.83
F. Funding				
1. Loans/ Customer Deposits	155.55	155.21	174.05	204.11
2. Interbank Assets/ Interbank Liabilities	43.74	59.72	34.12	42.42
3. Customer Deposits/ Total Funding excl Derivatives	51.59	51.33	45.83	46.54

Banco Popular Espanol S.A. Reference Data

	31 Mar 2011		31 Dec 2010		31 Dec 2009		31 Dec 2008		
	3 Months - 1st Quarter USDm	3 Months - 1st Quarter EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	0.0	0.0	0.00	1.9	0.00	3.9	0.00	106.8	0.10
2. Other off-balance sheet exposure to securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Guarantees	18,450.9	12,987.6	10.09	12,928.4	9.93	13,520.0	10.46	14,460.3	13.10
4. Acceptances and documentary credits reported off-balance sheet	742.6	522.7	0.41	583.1	0.45	569.6	0.44	671.7	0.61
5. Committed Credit Lines	15,029.3	10,579.1	8.22	10,074.5	7.74	14,906.6	11.53	17,099.9	15.49
6. Other Contingent Liabilities	1,703.2	1,198.9	0.93	3,139.2	2.41	2,507.6	1.94	1,655.7	1.50
7. Total Business Volume	218,822.8	154,029.4	119.64	156,866.9	120.54	160,797.8	124.37	144,370.5	130.80
8. Memo: Total Weighted Risks	128,697.4	90,590.1	70.37	93,846.3	72.11	92,574.4	71.60	92,129.1	83.47
9. Fitch Adjustments to Weighted Risks.	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Fitch Adjusted Weighted Risks	128,697.4	90,590.1	70.37	93,846.3	72.11	92,574.4	71.60	92,129.1	83.47
B. Average Balance Sheet									
Average Loans	130,127.9	91,597.0	71.15	95,737.2	73.56	94,154.7	72.82	90,560.6	82.05
Average Earning Assets	172,120.2	121,155.4	94.11	119,546.8	91.86	111,449.3	86.20	102,438.3	92.81
Average Assets	183,890.5	129,440.5	100.54	128,715.8	98.91	119,316.6	92.29	108,239.5	98.06
Average Managed Securitized Assets (OBS)	1.4	1.0	0.00	2.9	0.00	55.4	0.04	135.7	0.12
Average Interest-Bearing Liabilities	165,164.8	116,259.5	90.30	115,808.2	88.99	106,581.0	82.44	96,589.8	87.51
Average Common equity	11,678.1	8,220.2	6.39	7,955.2	6.11	7,214.8	5.58	6,498.1	5.89
Average Equity	11,059.0	7,784.4	6.05	7,789.1	5.99	7,428.2	5.75	6,891.0	6.24
Average Customer Deposits	83,746.8	58,949.4	45.79	60,637.1	46.59	48,955.5	37.86	40,100.9	36.33
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	11,079.0	8.51	21,229.0	16.42	15,968.4	14.47
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	17,508.0	13.45	14,209.0	10.99	15,558.2	14.10
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	29,078.0	22.34	26,366.0	20.39	22,424.3	20.32
Loans & Advances > 5 years	n.a.	n.a.	-	44,422.0	34.13	40,495.0	31.32	37,753.6	34.20
Debt Securities < 3 Months	n.a.	n.a.	-	1,612.0	1.24	339.0	0.26	455.3	0.41
Debt Securities 3 - 12 Months	n.a.	n.a.	-	1,755.0	1.35	2,555.0	1.98	521.7	0.47
Debt Securities 1 - 5 Years	n.a.	n.a.	-	6,611.0	5.08	3,303.0	2.55	2,975.2	2.70
Debt Securities > 5 Years	n.a.	n.a.	-	7,106.0	5.46	8,980.0	6.95	2,506.6	2.27
Interbank < 3 Months	n.a.	n.a.	-	616.0	0.47	3,625.0	2.80	4,230.3	3.83
Interbank 3 - 12 Months	n.a.	n.a.	-	6.0	0.00	0.0	0.00	349.4	0.32
Interbank 1 - 5 Years	n.a.	n.a.	-	87.0	0.07	0.0	0.00	314.2	0.28
Interbank > 5 Years	n.a.	n.a.	-	346.0	0.27	382.0	0.30	11.4	0.01
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	968.0	681.4	0.53	696.5	0.54	602.1	0.47	328.8	0.30
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	11,376.3	8,007.8	6.22	7,561.0	5.81	7,748.0	5.99	7,057.7	6.39
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	983.5	692.3	0.54	691.3	0.53	700.0	0.54	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	12,359.9	8,700.1	6.76	8,252.3	6.34	8,448.0	6.53	7,057.7	6.39
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	11,376.3	8,007.8	6.22	7,561.0	5.81	7,748.0	5.99	7,057.7	6.39
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	1,284.0	903.8	0.70	574.4	0.44	417.7	0.32	486.8	0.44
5. Other intangibles	118.2	83.2	0.06	82.7	0.06	69.3	0.05	59.8	0.05
6. Deferred tax assets deduction	30.0	21.1	0.02	21.1	0.02	12.9	0.01	2.7	0.00
7. Net asset value of insurance subsidiaries	163.7	115.2	0.09	93.4	0.07	71.7	0.06	81.5	0.07
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	9,780.5	6,884.5	5.35	6,789.4	5.22	7,176.4	5.55	6,426.9	5.82
10. Eligible weighted Hybrid capital	3,356.7	2,362.8	1.84	2,376.1	1.83	1,918.1	1.48	1,288.0	1.17
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	13,137.2	9,247.3	7.18	9,165.5	7.04	9,094.5	7.03	7,714.9	6.99
13. Eligible Hybrid Capital Limit	4,191.6	2,950.5	2.29	2,909.7	2.24	3,075.6	2.38	2,754.4	2.50

Exchange Rate

USD1 = EURO.70390

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

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