

CREDIT ANALYSIS

Banco Popular Espanol, S.A.

Madrid, Spain

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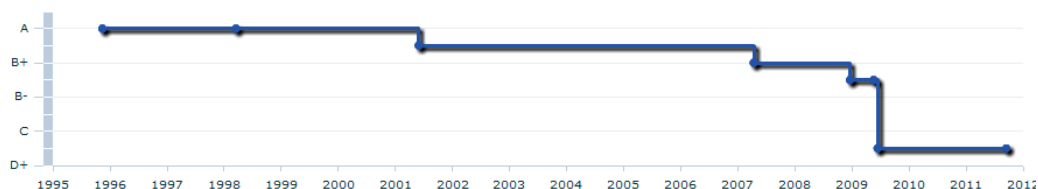
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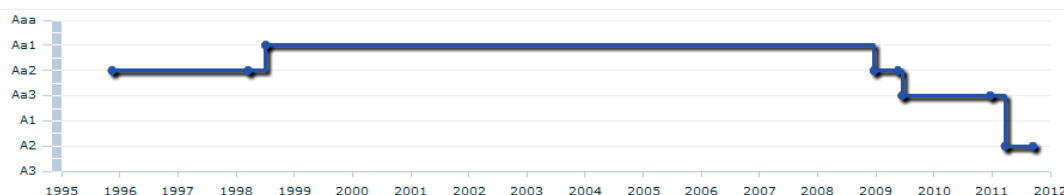
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Summary Rating Rationale

Rating history – Bank Financial Strength Rating



Rating history – Long-term Deposit Rating



Moody's assigns a standalone Bank Financial Strength Rating (BFSR) of C- to Banco Popular Español, S.A. (BPE), which maps to Baa1 on the long-term scale. The outlook on the BFSR is negative.

BPE's rating is supported by its strong franchise value in the SME market and solid financial fundamentals, namely, high earnings predictability and one of the strongest cost efficiency indicators among its European peers.

Key elements constraining BPE's BFSR, are (i) its high credit risk concentrations – by borrower and to the troubled domestic real estate sector – which has resulted in a very high level of non-earning assets; (ii) its high reliance on market-sensitive funding, although upcoming maturities are fully covered by BPE's liquidity buffer; and (iii) and the difficult operating environment in BPE's core market which continues to exert downward pressure on its recurrent profitability and asset quality indicators. The rating also reflects the fact that BPE's credit profile shows resilience to Moody's conservative expected scenarios, although it may not be entirely resilient to a more stressed scenario.

This Credit Analysis provides an in-depth discussion of credit rating(s) for Banco Popular Espanol, S.A. and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on [Moody's website](#).

An upgrade of BPE's ratings is currently unlikely given the negative outlook on the BFSR and the long-term debt and deposit ratings. Any upward pressure on the BFSR would be dependent on the bank (i) achieving stronger Tier 1 and tangible common equity (TCE) ratios, (ii) further offsetting estimated credit losses under our anticipated scenario, and (iii) displaying a lower transition risk to a more severe scenario.

In addition, upward pressure could be exerted on BPE's ratings if the bank: (i) maintains sound earnings growth and high recurrent profitability in a very challenging operating environment of very weak credit trends, increased funding costs and slow business growth; (ii) re-balances its funding sources by increasing retail deposit funding, and reduces its reliance on wholesale funding, particularly short-term instruments; and (iii) significantly improves the risks associated with its exposure to real estate and construction.

Conversely, downward pressure could be exerted on BPE's ratings due to any of the following: (i) inadequate loss-absorption capacity *vis-à-vis* our scenario analysis, (ii) ongoing weakening recurring earnings power; and/or (iii) inability to withstand Moody's liquidity stress test.

The deposit rating of A2 is based on BPE's C- BFSR, which maps to Baa1 on the long-term scale, and Moody's judgment that BPE would likely benefit from a high probability of systemic support in periods of financial distress. As a result, Moody's rates BPE's deposit rating two notches higher than the bank's standalone credit strength (see the section "Discussion of Support Considerations" for a detailed rationale).

Group Structure

With total assets of €130 million at the end of June 2011, BPE is a medium-sized banking group with a domestic market share of 6.1% in loans and 6.2% in deposits at year-end 2010. Spain represents BPE's largest market, where it generates about 95% of its pre-provision income; the rest is originated in Portugal (5%) and, with effect from 2007, in the USA where BPE has established a presence in Miami with the acquisition of TotalBank (US\$2 billion in assets).

In June 2010, BPE and the French financial entity Crédit Mutuel, reached an agreement to create a new bank, each with a 50% stake. This bank has 123 branches and 505 employees. As part of the agreement, Crédit Mutuel acquired a 5% stake in BPE.

BPE's profit breakdown by business lines is as follows: 75% commercial banking; 14% asset management; 5.5% insurance, and 6% institutional & banking. The latter business line encompasses products in the centralised activities in addition to those not assigned to the previous lines. These activities include raising funds in the wholesale and interbank markets, its treasury activity, asset and liability management (ALM) and the impairment losses associated with BPE's real estate book.

The Group also has two specialist banks in the areas of private banking (Popular Banca Privada), and Internet banking (bancopopular-e).

Analysis of Rating Considerations

Discussion of Qualitative Rating Drivers

Franchise Value

A solid retail franchise underpinned by a long-standing strategy of customer focus

With total assets of €130 billion as of June 2011, BPE is a medium-sized commercial bank specialised in the SME segment. In the domestic market, BPE operates through an extensive and highly efficient network of 2,222 branches which enables it to work very closely with its 6.9 million customers – of whom 6.3 million are individuals or self-employed. Its extensive network is managed using a highly decentralised approach, whereby considerable autonomy resides at the branch level. BPE's long-standing, customer-oriented approach features a strong emphasis on client segmentation and close customer relationships. As a result of its strategy of segmenting its client base – both geographically and professionally – in terms of different banking needs, BPE has built a loyal client base to which it offers tailor-made financial services packages in a cost-effective and highly profitable manner.

MARKET SHARE AND SUSTAINABILITY

A leading player in the profitable SME market

The Group has particularly high market shares in those products traditionally linked to the SME segment. These include (i) bill discounting, in which the Group has a market share of 10.1% and represents 5.2% of its loan book; (ii) leasing, which has a 10.1% share and represents 3.3% of total loans; and (iii) factoring. BPE also has a market share of 4.54% of personal loans and overdrafts (30% of the loan book). In the mutual funds business, it has a market share of 4.71%.

BPE offers tailor-made financial services packages in a cost-effective and highly profitable manner, and has adopted a relatively successful cross-selling strategy, with around a third of all customers taking four or more of its products.

GEOGRAPHIC DIVERSIFICATION

A nationwide franchise with a foothold in the Portuguese market and an ambition to grow in Florida

BPE's domestic business accounts for about 95% of the Group's pre-tax profits and 91% of the Group's assets. Since 2003, BPE established a presence in Portugal through Banco Popular Portugal (BPP), formerly Banco Nacional de Crédito Imobiliário (BNC). BPP was initially a pure mortgage bank, but has shifted its focus to the SME segment by applying the business model of its parent (BPE). Although further acquisitions in Portugal cannot be ruled out in order to enhance BPP's retail franchise, its focus is currently on organic growth.

In light of the current weakened credit environment in Portugal, which is underlined by a deteriorating macro-economic outlook and the effects of the global liquidity crisis, we believe that BPP's earnings growth will witness lower business growth and increasing provisioning needs as problem loan levels rise. While we caution about rapid asset growth over the past few years, we acknowledge that asset quality deterioration should be manageable in the context of the Popular Group.

EARNINGS STABILITY

Revenue generation capacity relies on commercial banking which is experiencing downward pressure

The Group's strong profitability indicators, which are the result of a higher-than-average weight of loans-to-total assets and low cost-to-income ratios – an indicator for which BPE is a global benchmark for branch-based retail institutions – is underpinned by a strong focus on recurrence and predictability of earnings.

More specifically, commercial banking accounts for the bulk of BPE's earnings (75% of pre-tax profits at year-end 2010), with private individuals contributing to 23% of net interest income plus fee and commission income of this franchise, SMEs 45%, and small business and self-employed 13%. Other inherently stable revenue sources, such as asset management and bancassurance, contribute 14% and 6%, respectively, of pre-tax profits.

Notwithstanding the above-mentioned considerations, earnings generated by the commercial banking division continue to be under pressure – gross profits declined by 23% at year-end 2010 compared to the previous year – against the background of margin compression and sluggish business growth which we expect to remain (and even intensify) for domestic players. Moreover, we note that those costs associated with the group's wholesale funding as well as the impairments of its real estate assets are not included in the reporting of this business line.

EARNINGS DIVERSIFICATION

Good diversification by business lines

We consider a bank to be a monoline when more than 80% of its net income derives from a single business line. Traditional retail banking – which accounts for the bulk of BPE's earnings – is by its nature diversified, therefore BPE does not fit our monoline definition.

Risk Positioning

Risk positioning is constrained by high credit risk concentrations

The key constraining factors of BPE's risk positioning score include its relatively large credit risk concentrations from single-name exposures – although these are below the levels of its domestic peers – and its industry concentration to domestic real estate and construction, which are both undergoing a sharp correction. In terms of liquidity, we note BPE's high reliance on market-sensitive funding, although upcoming maturities are fully covered by BPE's liquidity buffer.

CORPORATE GOVERNANCE

Corporate governance is ratings-neutral. We see no issues related to ownership and organisational complexity, insider and related-party risks or depth of management ranks.

CONTROLS & RISK MANAGEMENT

BPE's risk management and control environment are commensurate with its risk profile.

Notwithstanding the above-mentioned considerations, the group's high credit-risk concentrations are a source of concern.

Since early 2007, BPE has had a Risk Committee that oversees credit, market and operational risk. This Committee analyses and evaluates all risk requests beyond the delegated powers of the organisation – i.e. €30 million. It is important to mention that all transactions discussed at the Risk

Committee are originated at the branch level and always go through the established approval circuit before they are discussed at the Risk Committee.

Moody's notes that the risk management function is increasingly involved in the business decision-making process of the Group, and tools such as scoring and internal ratings are now available at the branch network as part of the Basel Committee's 'use-test'.

FINANCIAL REPORTING TRANSPARENCY

BPE's statements are prepared under IFRS and audited by PricewaterhouseCoopers. BPE also reports on a quarterly basis, normally published within three weeks of the reporting date. In our view, its disclosure quality is good.

CREDIT RISK CONCENTRATION

We use two measures to calculate credit concentrations. The first captures the size of single group exposures, and the second captures industry concentrations.

Single group exposures: Similar to other domestic players, BPE displays a high level of credit risk concentration – measured as the 20 largest groups as a percentage of Tier-1 and of pre-provision income. Nevertheless, its internal limit is 10% of regulatory capital, well below the Bank of Spain's 25% ceiling, underpinning a more sound risk concentration than that displayed by its domestic peers.

Industry concentration: If BPE's exposure to real estate development and to construction is included under the same sector (according to Moody's criteria), the Group displays a relatively high exposure to this combined sector which exceeds 200% of its Tier 1 ratio.

LIQUIDITY MANAGEMENT

Since the beginning of the current global liquidity crisis, BPE has significantly increased its ECB-eligible collateral which stood at €11 billion (net of already "repo-ed" assets), as of the end of June 2011. Taking this liquidity buffer into account, and if wholesale markets remain closed for a period of 12 months, the bank's liquidity assets could be sufficient in a stressed scenario whereby none of its wholesale debt, including interbank and foreign and domestic commercial paper (CP), were rolled over. We note that this stress test does not include the net inflows arising from the reduction of its commercial gap – which BPE estimates at €2.5 billion for 2011 – nor BPE's capacity to further strengthen its liquidity buffer with additional securitisations and covered bond issuances.

Notwithstanding this positive positioning, we note, however, the group's high reliance on short-term funding. This reliance takes place primarily via repos in four European clearing houses which is a cheaper funding source than recourse to ECB but renders BPE vulnerable to market risks that could lead to collateral demands and/or to changes in clearing houses' collateral requirements. Other short-term maturities relate to interbank borrowings and CP (of which 50% is sold to domestic investors with long-established ties to the bank). Notwithstanding the above-mentioned considerations, we view positively BPE's focus on spreading the maturity profile of its wholesale debt, and we note its reduced reliance on unsecured short-term instruments which have significantly declined from pre-crisis levels. We also note BPE's commitment to further strength its ECB-liquidity buffer which mitigates some of the risks highlighted above.

The maturities of long-term wholesale debt – relating to BPE's European Medium-Term Notes (EMTN) and covered bonds – stand at €6.5 billion for 2012 which are relatively high compared to the

forthcoming years, but should be manageable in light of BPE's capacity to increase its ECB eligible asset pool.

BPE significantly increased its recourse to wholesale market funding during the boom years, as high levels of loan growth exceeded its ability to expand retail deposits. Reliance on wholesale funding is now diminishing -- in line with limited loan growth, increased deposit gathering and constrained access to wholesale markets -- but continues to exceed the group's share of retail funding according to Moody's criteria..

MARKET RISK APPETITE

Limited earnings volatility is underpinned by reduced exposure to market risk. BPE's strategy is characterised by a strong focus on the recurrence and predictability of earnings. As such, the Group's market risk is confined almost exclusively to interest-rate risk, as exchange rate and trading risks are minimal. The bank performs stress tests and back testing on its treasury activity. Derivatives, although high and increasing in terms of notional values, are used primarily for hedging or are customer-driven; positions are closed as soon as a certain volume is accumulated. These are plain-vanilla instruments whose risk is thus captured by BPE's value-at-risk (VaR) assessment.

Regulatory Environment

Spanish banks are tightly regulated

All Spanish banks are subject to the same assessment on the quality of the regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are (i) independent and credible; (ii) can demonstrate enforcement powers; and (iii) adhere to global standards of best practices for risk control. Refer to Moody's Banking System Outlook on Spain, published in December 2010, for a detailed discussion of the regulatory environment.

Operating Environment

Negative credit outlook

This factor is common to all Spanish banks. Refer to the Banking System Outlook on Spain, published in December 2010, for a detailed discussion of the country's operating environment. The direction of credit conditions over the next 12 to 18 months is negative.

Discussion of Quantitative Rating Drivers

Profitability

Despite downward pressure, BPE's profitability indicators continue to compare favourably with those of its domestic peers

BPE's recurring profitability indicator – measured as pre-provision income (PPI) as a percentage of average risk-weighted assets (RWA) – was at 2.35% at end-December 2010. This ratio continues to compare favourably with that of its domestic peers despite downward pressure caused by rising funding costs and high non-earning assets.

Thanks to BPE's efforts to pass higher deposit costs on to its loan book, customer spreads have been increasing since the beginning of 2011. Higher funding costs, derived from the bank's reliance on wholesale funding, increasing non-earning assets and subdued business growth, however, represent opposing forces, and recurrent profitability indicators remain under downward pressure.

Therefore, in June 2011, BPE's net interest income declined by 18% compared to the same period of 2010, despite 1.2% growth in its loan book. Net interest income has been declining on a quarterly basis since year-end 2009, and evidence of recovery of net interest margin was only apparent in the second quarter of 2011. Lower net-interest income and trading gains have been the drivers of the 24.9% decline in pre-provision income.

We expect profitability indicators to continue to decline, given our expectations of (i) further asset-quality deterioration, the associated increase in loan-loss provisions and the increasing pressure on funding costs – both for wholesale funds and for retail deposits and (ii) sustained weakness in the Spanish operating environment.

Liquidity

High reliance on wholesale funds

BPE's modest liquidity score reflects its high reliance on wholesale funds as explained above. Notwithstanding the above-mentioned considerations, and to better reflect the bank's refinancing risk, we have adjusted the liquidity score from C- to C+ by excluding long-term debt from market funds.

Capital Adequacy

Reinforced capital ratios

During 2010, BPE was particularly active in strengthening its regulatory capital levels with the issuance of €500 million of mandatory convertibles, €200 million subordinated debt and a €179 million capital increase acquired by Crédit Mutuel – a strategic partner that has a 5% stake in BPE, and with which the entity aims to create a common technological platform. Additionally, in 2011, BPE has successfully raised €450 million of lower Tier 2 capital.

As of end-June 2011, BPE reported a Tier 1 capital ratio of 9.84% and a total capital ratio of 9.90% (9.14% and 9.46%, respectively, in the same period in 2010). With these capital levels, BPE's credit profile shows resilience to Moody's base-case scenario, although it may not be entirely resilient to a more severe stress scenario.

Efficiency

The bank ranks as one of the most efficient branch-based retail banks globally

With a cost-to-income ratio of 40% at end-June 2011, BPE not only compares very favourably with its domestic peers, but also continues to rank as one of the world's most efficient branch-based retail banks. Despite its strong focus on cost control, the Group's cost efficiency has declined in the first half of 2011 compared to same period in the preceding year, against the background of weaker revenue growth. Going forward, we do not expect the bank to achieve material cost efficiency gains despite further reductions in operating expenses and cost control measures, as revenues will likely remain depressed for domestic players as a whole.

Asset Quality

Very high level of non-performing assets and single-group exposures to real estate and construction heightens the group's risk profile

BPE's asset quality indicators have rapidly deteriorated, primarily driven by the Group's exposure to the real estate development and construction sectors, which comprise around 25% of the Group's loan

book. Mortgages to individuals – which account for 17% of the loan book – are, however, displaying a more moderate deterioration.

At end-June 2011, BPE reported a problem loan ratio (problem loans as a percentage of total loans) of 6.50%, compared with 5.95% a year before. Over the same period, the coverage ratio was 40.12% (49.21%). In addition to the relatively high level of problem loans, BPE has other non-earning assets – related to real estate acquisitions – that represented more than 6% of its total loan book. This results in a very high non-performing asset ratio of around 13% (problem loans + real estate as a percentage the loan book).

In light of its exposure to the real estate development and construction sectors, and a generally weak Spanish economy, we expect BPE's asset quality to deteriorate further, albeit at a slower rate than in previous years.

Discussion of Support Considerations

EXHIBIT 1

Mapping the BFSR to the Baseline Credit Assessment (BCA)

The discussions of qualitative and quantitative rating drivers presented in this report forms the analytical basis for assigning a Bank Financial Strength Rating (BSFR) of “C-” to **Banco Popular Espanol, S.A.**

BFSRs are Moody’s opinions on the intrinsic safety and soundness of a bank enterprise and, in effect, address the susceptibility of a particular institution to financial distress.

The BFSR array of ratings is not on Moody’s traditional rating scale (Aaa, Aa, etc.). However, there is a useful method for translating BFSRs to Moody’s traditional scale – the baseline credit assessment, which, in effect, measures a bank’s standalone default risk assuming there is no systemic or other external support.

Banco Popular Espanol, S.A.’s “C-” BFSR maps to a baseline credit assessment of Baa1; however, considering external support factors, its deposit ratings are A2.

BFSR/Baseline Credit Assessment Mapping for Banco Popular Espanol, S.A.

BFSR	Baseline Credit Assessment (BCA)
A	Aaa
A-	Aa1
B+	Aa2
B	Aa3
B-	A1
C+	A2
C	A3
C-	Baa1
C-	Baa2
D+	Baa3
D+	Ba1
D	Ba2
D-	Ba3
E+	B1
E+	B2
E+	B3
E	Caa1
E	Caa2
E	Caa3

Company Annual Statistics

Banco Popular Espanol, S.A.

	31-Dec- 2010 Euro (Millions) Basel II IFRS	31-Dec- 2009 Euro (Millions) Basel II IFRS	31-Dec- 2008 Euro (Millions) Basel II IFRS	31-Dec- 2007 Euro (Millions) Basel I IFRS	31-Dec- 2006 Euro (Millions) Basel I IFRS
Analyst-Adjusted - Consolidated Financials					
BALANCE SHEET					
ASSETS					
Cash and Balances with Central Bank	682.81	3,748.70	1,859.58	1,955.18	1,502.26
Loans due from banks and other financial institutions	6,054.77	7,341.91	4,905.28	9,691.92	7,715.12
Securities and Investments	18,266.41	15,067.46	5,466.13	5,885.68	3,686.46
Financial Assets held for trading	1,231.42	1,353.90	1,334.20	1,173.71	2,588.38
Other financial assets designated at fair value through profit or loss (FVTPL)	464.77	416.97	336.67	500.16	400.25
Financial Investments/ Investment Securities	16,570.21	13,296.58	3,795.26	4,211.81	697.83
Available for sale securities	11,175.59	11,030.06	3,760.41	4,211.25	697.39
Investment securities (held to maturity)	5,394.62	2,266.52	34.85	0.56	0.44
Fair value of hedging derivative financial instruments / Portfolio hedge valuation adjustment (IFRS)	1,038.30	1,469.70	992.63	115.61	205.75
Loans and advances to Customers (Gross) - Net of Allowance for Loan Losses	96,032.31	94,956.49	91,701.52	87,048.07	75,897.90
Loans to Customers (Gross)	98,212.60	97,362.92	93,452.62	88,513.56	77,327.86
Allowance for loan losses	2,356.45	2,551.34	2,015.14	1,664.39	1,515.79
Other deductions from Gross Loans	-176.16	-144.91	-264.04	-198.90	-85.83
Property, plant and equipment, net	569.35	562.95	654.44	661.96	628.21
Investments in associates and joint ventures	168.75	56.15	32.15	20.39	17.49
Goodwill and other intangible assets	657.08	486.93	546.58	524.79	369.23
Other assets - Total	6,670.06	5,599.86	4,217.75	1,265.75	1,628.01
Total Assets	130,139.85	129,290.15	110,376.05	107,169.35	91,650.43
LIABILITIES					
Due to Customers	79,383.52	59,557.59	51,665.41	42,614.41	36,985.02
Due to Banks and other Financial Institutions	12,649.75	23,899.95	14,263.88	9,417.40	8,393.08
Fair value of derivative financial instruments used for hedging / Portfolio hedge valuation adjustments (IFRS)	764.14	597.36	414.22	914.31	338.69
Trading liabilities	1,160.74	1,195.64	1,729.74	670.36	511.24
Other financial liabilities at fair value through profit and loss	128.45	104.17	134.52	289.77	-
Short-term Borrowings	478.27	8,839.49	9,805.97	15,610.99	10,098.91
Senior Bonds, Notes and Other Long-term Borrowings	21,372.55	21,494.33	20,402.20	26,270.38	24,997.83
Other Capital Qualifying Debt Instruments (Hybrids)	-	-	-	-	439.96
Debt securities - hybrids	337.35	609.21	644.00	644.00	494.00
Other liabilities - Total	3,568.78	3,333.42	3,285.70	2,942.74	2,947.96
Subordinated Debt (IFRS)	1,031.91	601.80	328.76	506.54	35.16
Minority interest - liability	49.05	47.78	292.49	402.27	361.18
Total Liabilities	120,924.52	120,280.74	102,966.89	100,283.17	85,603.03
CAPITAL/SHAREHOLDERS' EQUITY					
Minority interest	0.00	0.00	0.00	0.00	0.00
Common shares	2,100.23	2,024.78	1,513.70	1,337.83	1,337.83
Retained earnings - Total	6,101.44	5,847.17	5,301.82	4,900.21	4,192.81
Treasury stock	-117.34	-156.09	-81.13	-9.83	-1.44
Hybrid equity credit	1,712.06	1,309.21	644.00	644.00	494.00
Accumulated other comprehensive income	-572.36	-15.65	30.77	13.97	24.20
Foreign currency translation adjustments	30.44	17.26	24.29	0.05	0.00
Unrealized gains/(losses) on securities	-630.24	-47.06	9.40	14.09	29.18
Cash flow hedging reserve	27.43	14.15	2.96	7.45	7.46
Accumulated other comprehensive income - Other	0.00	0.00	-5.87	-7.62	-12.44
Other components of stockholders' equity	-8.70	0.00	-	-	-
Total Capital / Shareholders' Equity	9,215.33	9,009.41	7,409.16	6,886.18	6,047.40
Total Liabilities, Mezzanine and Shareholders' Equity	130,139.85	129,290.15	110,376.05	107,169.35	91,650.43

Banco Popular Español, S.A.

	31-Dec- 2010 Euro (Millions) Basel II IFRS	31-Dec- 2009 Euro (Millions) Basel II IFRS	31-Dec- 2008 Euro (Millions) Basel II IFRS	31-Dec- 2007 Euro (Millions) Basel I IFRS	31-Dec- 2006 Euro (Millions) Basel I IFRS
Analyst-Adjusted - Consolidated Financials					
INCOME STATEMENT					
Interest income	4,163.42	5,059.07	6,289.25	5,216.41	3,719.56
Interest expense	1,654.01	2,204.35	3,736.69	2,911.23	1,673.53
Net interest income (expense)	2,509.42	2,854.72	2,552.57	2,305.18	2,046.03
Net fee and commission income (IFRS)	746.52	763.44	864.55	882.79	880.58
Income from Trading activities / Gains (Losses) on financial instruments through profit and loss (IFRS)	70.19	67.44	16.49	55.22	26.29
Net Gains (Losses) on financial instruments designated at fair value through profit and loss (IFRS)	-2.19	0.57	-10.23	0.02	-0.02
Gross dividends from investment securities (IFRS)	9.63	7.77	23.84	58.76	37.00
Non-interest income	272.96	461.71	254.36	203.24	274.30
Foreign Exchange Income	53.70	48.34	54.23	52.64	51.17
Net Insurance Income - reported under Non-interest income	26.64	19.62	23.26	27.90	45.16
Other income	192.62	393.75	176.87	122.70	177.97
Total non-interest income	1,097.11	1,300.94	1,149.00	1,200.04	1,218.15
Personnel Expense (IFRS)	784.12	792.05	818.14	747.31	705.97
Administrative and Other Operating Expense (IFRS)	518.92	466.54	439.48	410.30	390.31
Other operating (non-interest) expense	96.33	104.09	100.79	99.64	103.13
Depreciation and Amortization	96.33	104.09	100.79	99.64	103.13
Loan Loss Provisions (IFRS)	1,106.27	1,520.04	905.17	289.84	302.58
Other Provisions (IFRS)	-43.32	-13.48	29.51	12.56	39.04
Total other operating expenses / charges	1,399.37	1,362.68	1,358.41	1,257.26	1,199.42
Share of associates profit/Joint venture profit (IFRS)	-1.52	0.81	14.36	3.92	3.10
Non-recurring charges / unusual items (as reported) (IFRS)	771.05	640.16	177.50	33.24	43.28
Pre-tax income (loss)	371.63	647.07	1,245.33	1,916.25	1,682.96
Income tax (benefit) expense	72.70	155.16	348.40	598.35	622.16
Net Profit (Loss) After-tax Before Unusual Items	298.94	491.91	896.92	1,317.89	1,060.80
Income (loss) from discontinued operations, net of tax	0.00	0.00	0.82	7.27	-
Net income (loss)	298.94	491.91	897.75	1,325.16	1,060.80
Cumulative effect of Moody's unusual items adjustments to net income (loss), net of tax	362.60	320.60	230.26	33.62	45.92
Net income (loss) after unusual items adjustments	661.54	812.51	1,128.01	1,358.78	1,106.72
Minority interest expense (income)	14.29	14.21	58.63	76.51	65.18
Preferred dividends declared	57.08	32.17	17.31	17.31	15.50
Income available / (Loss attributable) to common shareholders	590.16	766.13	1,052.07	1,264.96	1,026.03

Banco Popular Espanol, S.A.

	31-Dec- 2010 Euro (Millions) Basel II IFRS	31-Dec- 2009 Euro (Millions) Basel II IFRS	31-Dec- 2008 Euro (Millions) Basel II IFRS	31-Dec- 2007 Euro (Millions) Basel I IFRS	31-Dec- 2006 Euro (Millions) Basel I IFRS
Analyst-Adjusted - Consolidated Financials					
RATIOS					
ASSET QUALITY					
Loan Loss Provisions / Gross Loans	1.13%	1.56%	0.97%	0.33%	0.39%
Loan Loss Provisions / Pre-Provision Profit	50.12%	54.42%	38.63%	12.89%	14.65%
Allowance for Loan Losses / Gross Loans	2.40%	2.62%	2.16%	1.88%	1.96%
Problem Loans & Leases / Gross Loans	5.93%	5.48%	3.05%	0.93%	0.79%
Problem Loans & Leases / Shareholders' Equity + Loan Loss Reserves	50.35%	46.14%	30.27%	9.60%	8.08%
PROFITABILITY					
Return on Average Assets (after Tax before Unusual Items)	0.23%	0.41%	0.82%	1.33%	1.16%
Return on Average Shareholders' Equity (after Tax before Unusual Items)	3.28%	5.99%	12.55%	20.38%	17.54%
Net Income / Average RWA - Basel I	-	-	-	1.60%	1.38%
Net Income / Average RWA - Basel II	0.32%	0.53%	0.97%	-	-
Pre-Provision Income / Average RWA - Basel I	-	-	-	2.71%	2.68%
Pre-Provision Income / Average RWA - Basel II	2.37%	3.02%	2.54%	-	-
CAPITALISATION					
Tier 1 Capital / RWA - Basel I	-	-	-	7.92%	8.02%
Tier 1 Capital / RWA - Basel II	9.63%	9.13%	8.12%	-	-
Total Capital / RWA - Basel I	-	-	-	9.67%	9.87%
Total Capital / RWA - Basel II	9.66%	9.60%	9.10%	-	-
TCE / RWA - Basel I	-	-	-	7.14%	7.33%
TCE / RWA - Basel II	9.77%	9.24%	7.44%	-	-
Shareholders' Equity / Total Assets	7.08%	6.97%	6.71%	6.43%	6.60%
EFFICIENCY					
Cost / Income Ratio	38.80%	32.79%	36.70%	35.87%	36.74%
LIQUIDITY AND FUNDING					
(Market Funds - Liquid Assets) / Total Assets	13.63%	25.06%	31.59%	34.69%	35.57%
Total Liquid Assets / Total Assets	15.51%	19.29%	11.64%	16.00%	13.87%

Source: Moody's

Moody's Related Research

Credit Opinions:

- » [Banco Popular Espanol S.A.](#)
- » [Spain](#)

Analysis:

- » [Spain, March 2011 \(131724\)](#)

Banking System Outlook:

- » [Spain, December 2010 \(128367\)](#)

Special Comments:

- » [Moody's Estimates of Spanish Banks' Capital Positions – Rationale, Results and Sensitivity Analysis \(133535\)](#)
- » [Key Drivers of Moody's Rating Actions on Spanish Banks, March 2011 \(131889\)](#)
- » [Spanish Banks: Restructuring Delays May Weigh on Debt/Deposit Ratings If Financial Fundamentals Fail to Strengthen As Expected, March 2010 \(123587\)](#)
- » [Spanish Savings Bank Sector Likely to Undergo Needed Restructuring Process, February 2010 \(123174\)](#)
- » [Spain's New Restructuring Fund for its Banking System, June 2009 \(118348\)](#)
- » [How Moody's Estimates Credit Losses for Spanish Banks, May 2009 \(117448\)](#)
- » [Moody's Maintains Negative Outlook on Spanish Banking System – Further Rating Implications Likely, March 2009 \(115091\)](#)
- » [Calibrating Bank Ratings in the Context of the Global Financial Crisis, February 2009 \(114705\)](#)

Rating Methodologies:

- » [Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt, November 2009 \(120307\)](#)
- » [Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology, March 2007 \(102639\)](#)
- » [Bank Financial Strength Ratings: Global Methodology, February 2007 \(102151\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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