

Cédulas Hipotecarias BPE, S.A.

Q1 2011



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- 5. Ratings**

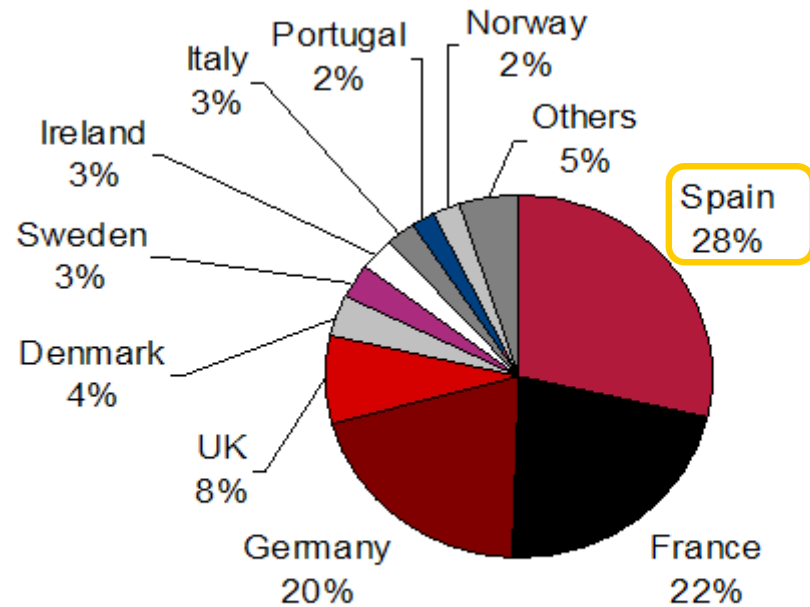
1. Executive summary

- Cédulas benefit from the highest available Overcollateralization amongst all covered bonds and a strong law-based framework.
- Cédulas consolidated within the covered bonds asset class and retains investors confidence throughout the crisis.
- Over 150 years of unblemished CH track-record
- After some recovery in CH volumes in 2010, we anticipate a net reduction in 2011 due to
 - Sector restructuring underway, which will limit the number of issuers
 - Too wide spreads, unaffordable for some business models
 - Decreasing loan books. Peak maturities in 2011 and 2012 are partly being tackled through de-leveraging.
- Structural reforms and disclosures prompted by Bank of Spain regarding specific information on land, construction and residential portfolios, will set the basis to strengthen confidence in the sector.
- CB favourable treatment under Basel III and Solvency II will provide additional support.
- Banco Popular has been one of the most active CH issuers. It´s Cédulas are rated Aaa/AAA by Moody´s and S&P.

2. Market overview

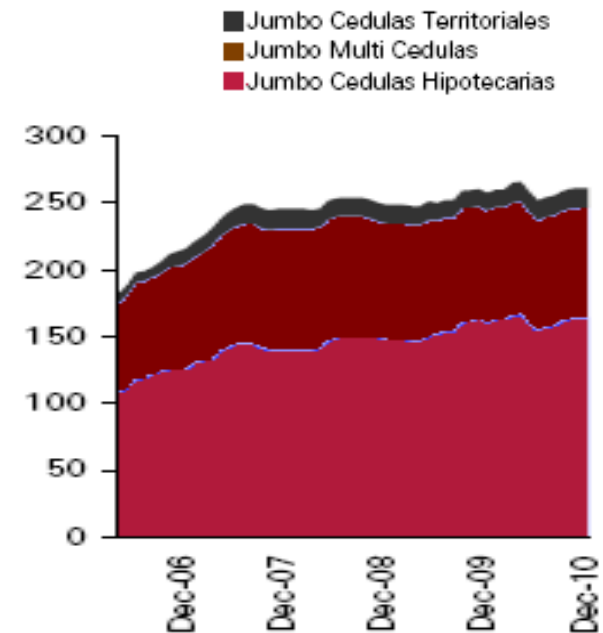
Cédulas is a consolidated asset class, #1 in terms of benchmark transactions outstanding

Spanish market share in Jumbo Covered Bonds



Source Unicredit 2011

Evolution of outstanding cédulas volume



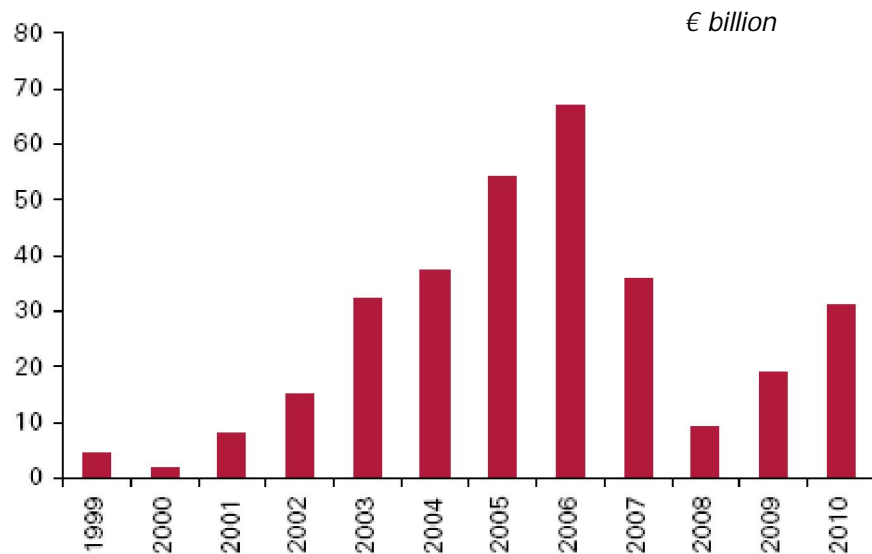
Source Deutsche Bank 2011

Started to be placed internationally in 1999, steadily gained support by Covered Bond investors

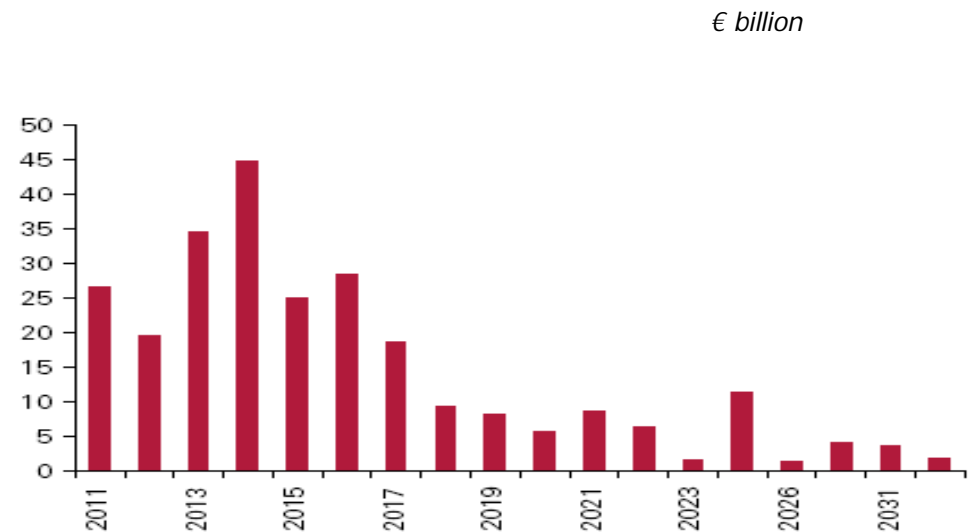
2. Market overview

Despite the collapse in issuance in 2008, the product retains investor's confidence and activity is being restored at normalised levels.

Total annual issuance of cédulas



Cédulas benchmark redemptions

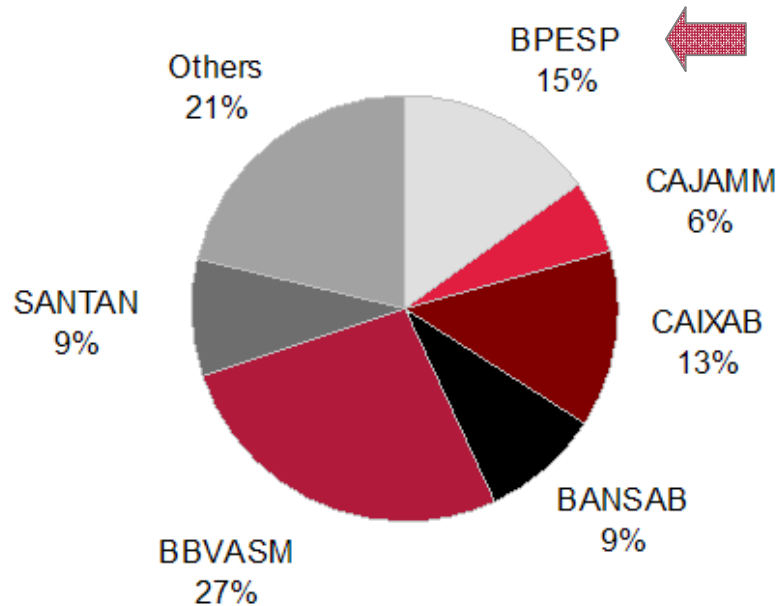


2011-2016 accumulates much of sector's maturities, we expect net reduction of outstanding volumes during this period

2. Market overview

Market composition: small issuers did not tap the market in 2010.

Benchmark cédules issued in 2010 by issuer



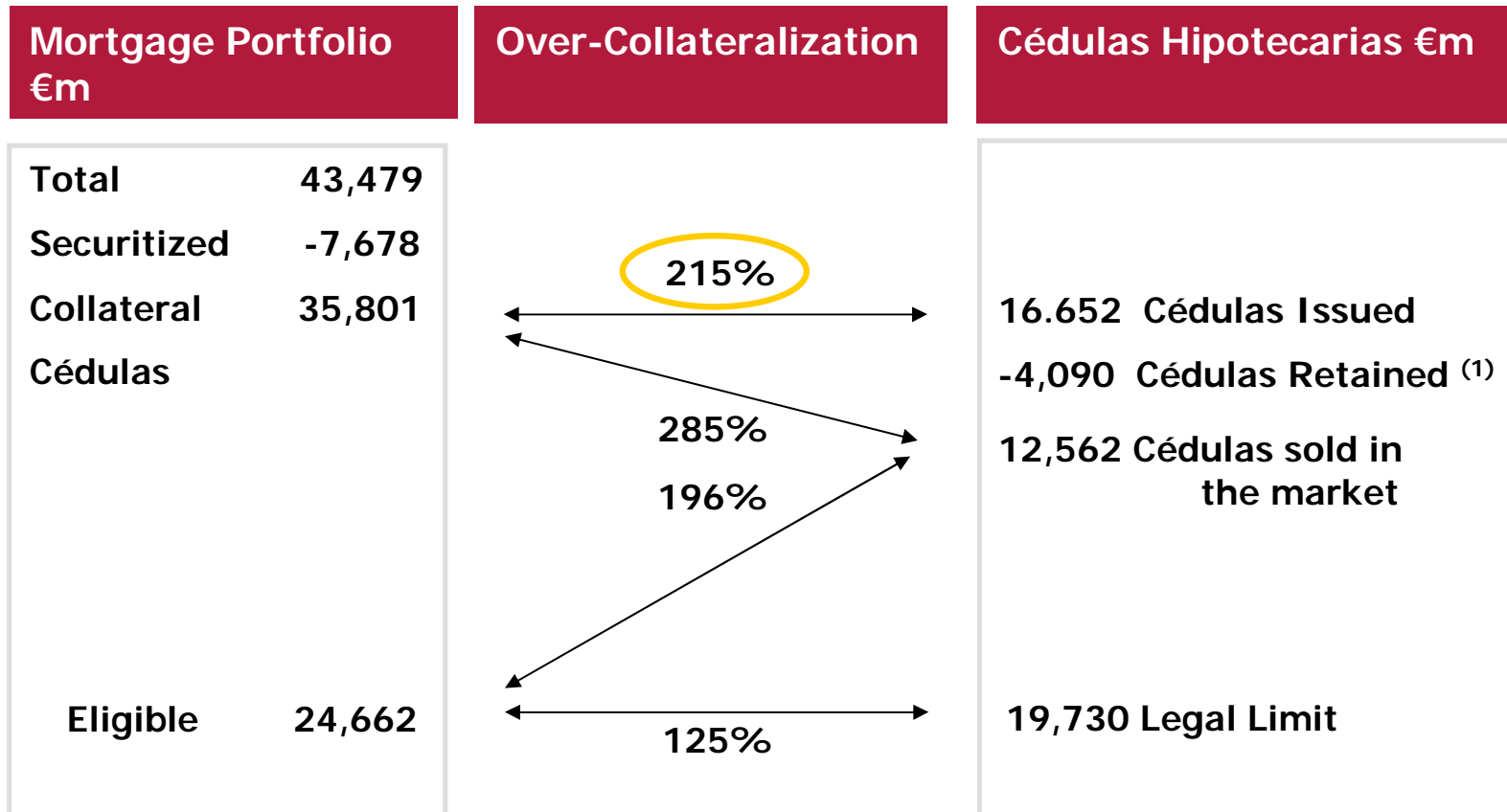
- Volume as of 31 Dec 2010: eur 256 bn⁽¹⁾
No. of issuers > 20
- Volume issued in 2010: eur 22.5 bn
No. of issuers 13

BPE has been one of the most active issuers in 2010

Source; Bloomberg Finance LP, Deutsche Bank
(1) Dealogic database . (2) Unicredit Research

3. B. Popular cédulas hipotecarias

Very strong over collateralization, even more considering cédulas sold and cédulas retained



⁽¹⁾ *We will cancel cédulas retained at the same pace as we place in the market*

Mortgage portfolio's data as of 31 March 2011
 Cédulas Hipotecarias' data as of 30 April 2011

3. Total & Eligible cover pools

Data as of 31.03.11	Total cover pool	Eligible cover pool
Outstanding Amount €	35,801,037,850	24,666,279,570
Number of loans	191,745	174,396
Number of debtors	266,564	246,107
WA seasoning	2.73 years	3.13 years
Weighted Average Live (1)	18 years	18 years
WA time to maturity (2)	15.45 years	14.98 years
WA LTV	53.4%	44.4%

Just performing loans, as per internal policy

(1) Contractual life

(2) Current residual life

3. Total & Eligible cover pools; breakdown by type of collateral

Collateral	Total cover pool	Total C. Pool %	Eligible cover pool	Eligible C. Pool %
Residential (1)	13,562,585,586	38%	11,441,995,723	47%
Commercial (2)	12,185,433,512	34%	8,944,392,078	36%
Land (3)	4,851,852,071	14%	2,794,853,779	11%
Developments (4)	4,741,368,501	13%	1,125,822,346	5%
Others (5)	459,798,180	1%	355,215,643	1%
<hr/>	<hr/>		<hr/>	
Total	35,801,037,850		24,666,279,570	

(1) Residential: Individuals only. 1st home, 2nd home and reformed

(2) Commercial: SME and individuals. Commercial loan purpose (offices, commercial locals and industrial premises)

(3) Land: SME and Individuals. Urban land qualified for building (2,5bn land purposes and 2,3bn as guarantee for loans with other purposes –non land-)

(4) Developments: Performing developments

(5) Others: SME and individuals. Loan purpose not included in others categories

3. Residential cover pool

94.81%
first ranking
mortgages

General information

Outstanding amount	
Number of loans	
Loan average size	
Weighted average life	
Average LTV	

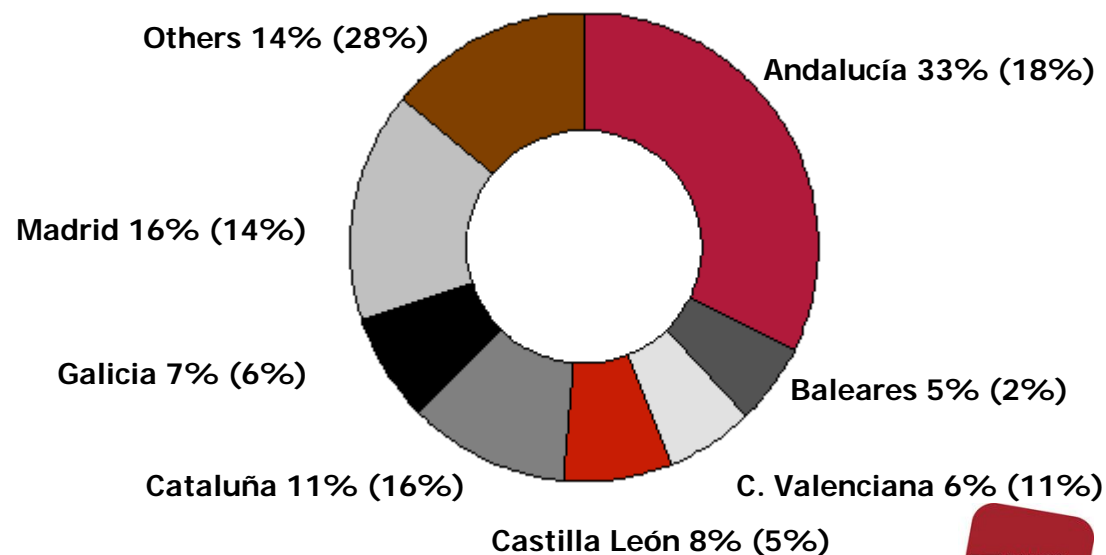
Residential Sub pool

Outstanding amount	13,562,585,586
Number of loans	142,863
Loan average size	94,900
Weighted average life	25 years
Average LTV	58%

Collateral type (mm)

1st home	11,224,710,184	82.76%
2nd home	2,287,899,319	
reformed	49,976,083	

Regional distribution

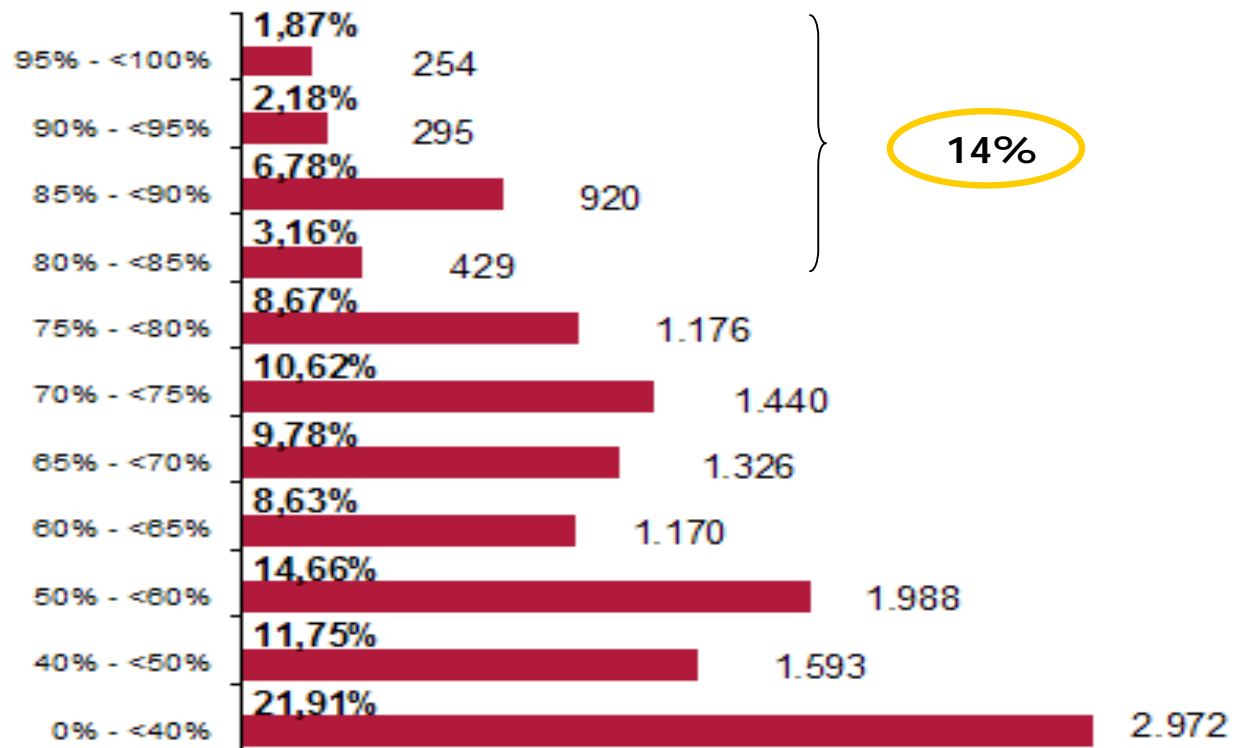


(1) Percentages in brackets represent the weight of that region in terms of population (INE)

3. Residential cover pool

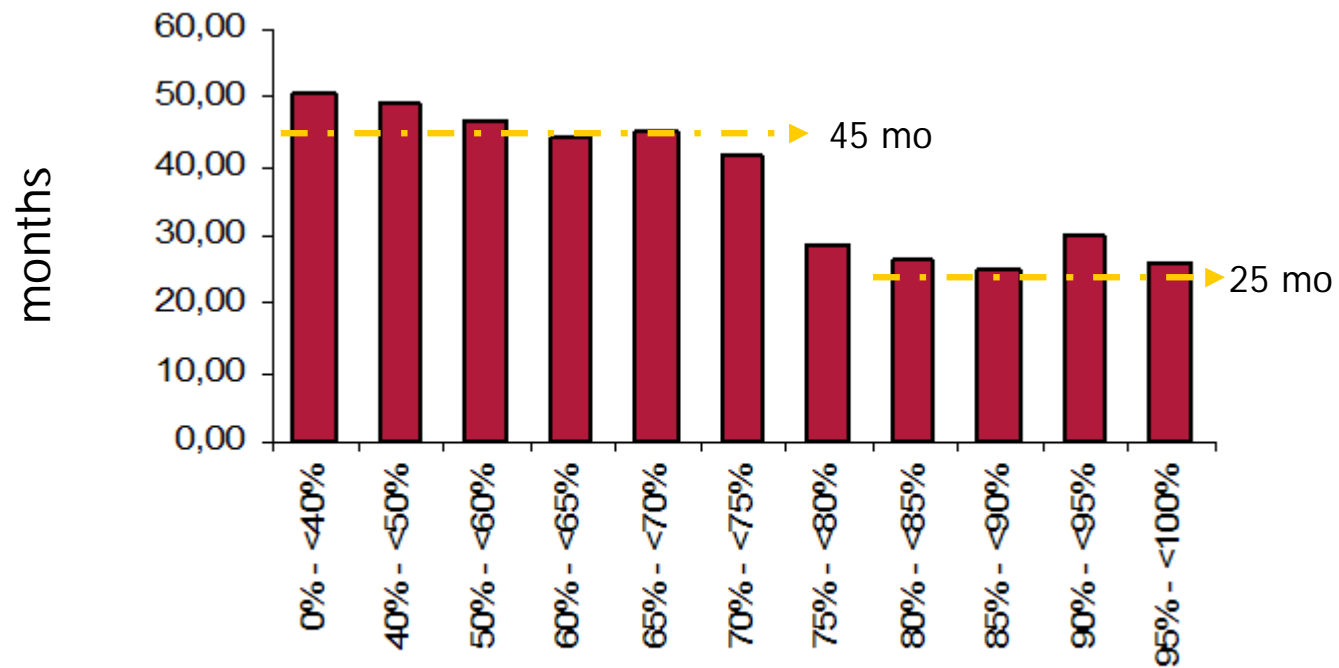
Portfolio volume per LTV

€ million



3. Residential cover pool

WA seasoning per bucket LTV (months)



3. Commercial cover pool

General information

Outstanding amount
 Number of loans
 Loan average size
 Weighted average life
 Average LTV

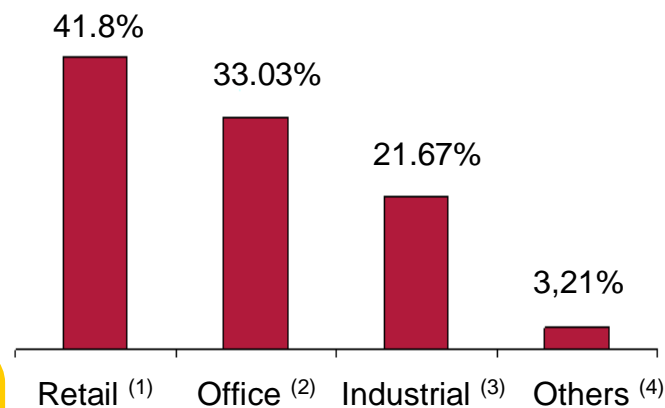
Commercial Sub pool

12,185,433,512
 38,490
 317,000
 13.4 years
 47%

Obligor concentration

TOP1 EXPOSURE 183,640,000
 TOP5 EXPOSURE 604,604,464
 TOP10 EXPOSURE 906,066,663
 TOP20 EXPOSURE 1,337,010,725

Type of Commercial property % of Commercial cover pool

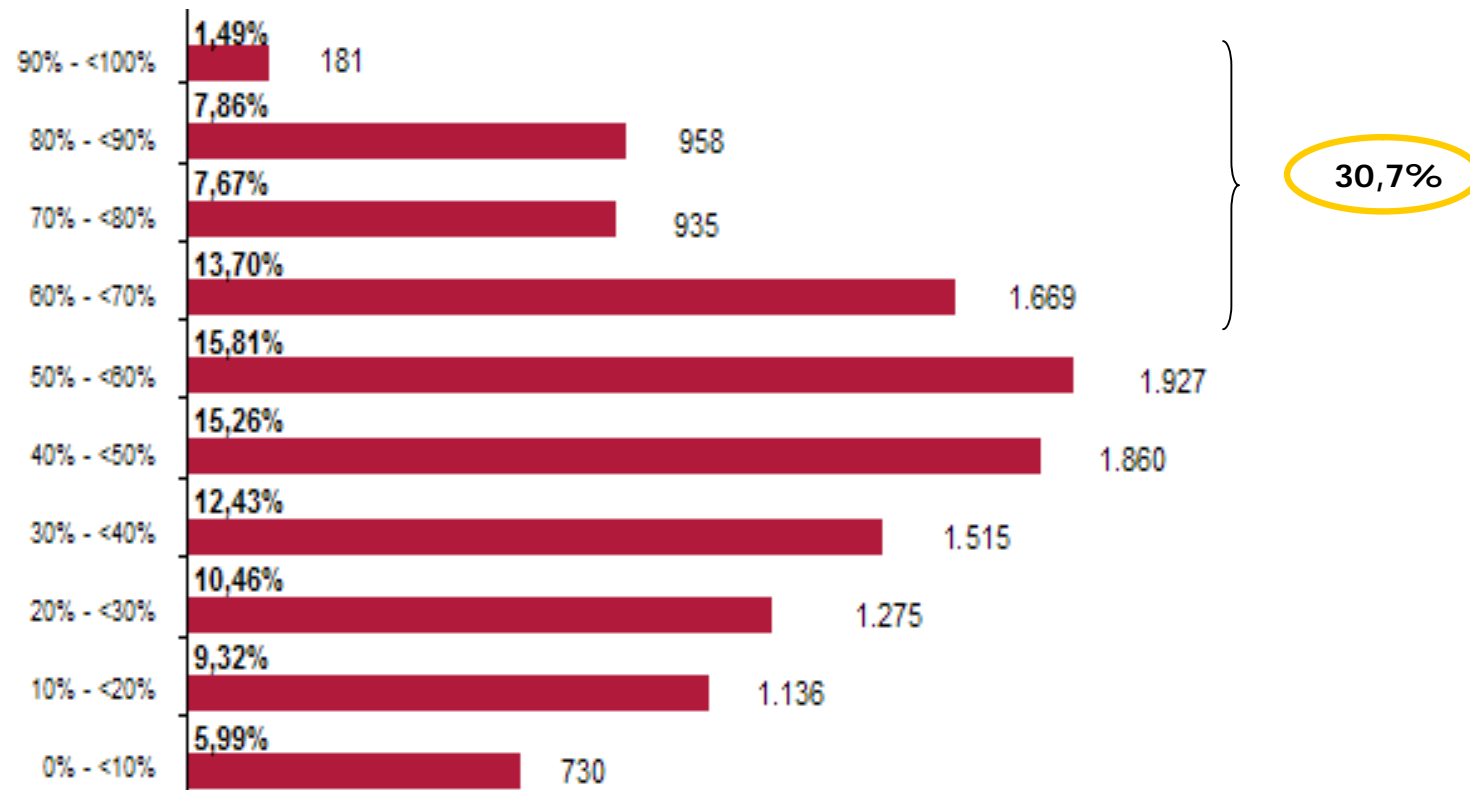


- (1) Retail: Individuals & SMEs for commercial locals
- (2) Office: Individuals & SMEs for offices
- (3) Industrial: Individual & SMEs for industrial premises and warehousing
- (4) Others: Individuals & SMEs, all other properties not included in previous categories

3. Commercial cover pool

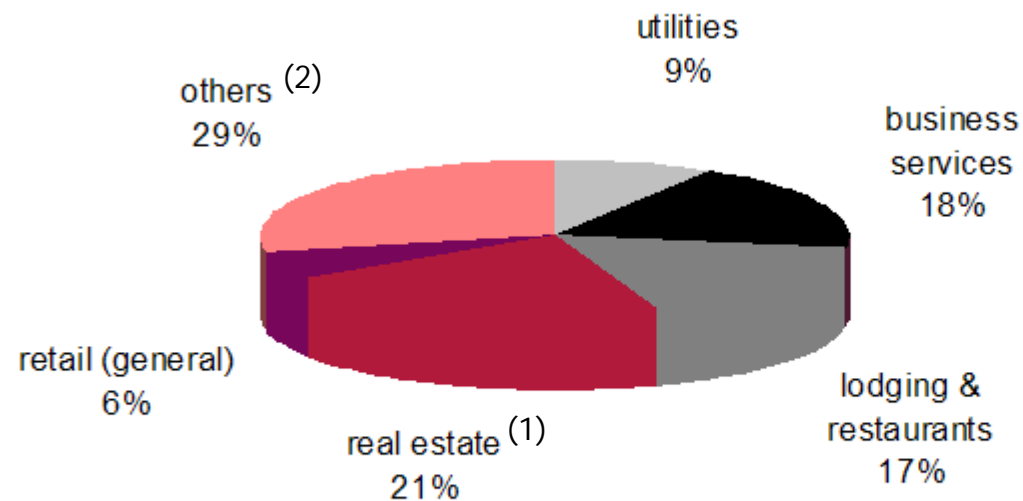
Portfolio volume per LTV bucket

€ million



3. Commercial cover pool

Concentration by Industry code



(1) Real estate: Individuals and SMEs & corporates which are involved in real estate, but for loan's purpose different from development (i.e. own offices, other activities, etc.)

(2) Others: Individuals and SMEs & corporates in several diversified industries such as healthcare, metals & mining, broadcasting & media, building & materials, banking & finance, telecommunications, computer & electronics, chemical, consumer products, energy, environmental services, farming & agricultural services, automobiles, textiles & furniture, transportation, aerospace & defense, industrial & manufacturing, paper & forest products, leisure & entertainment.

3. Total pool, Origination profile

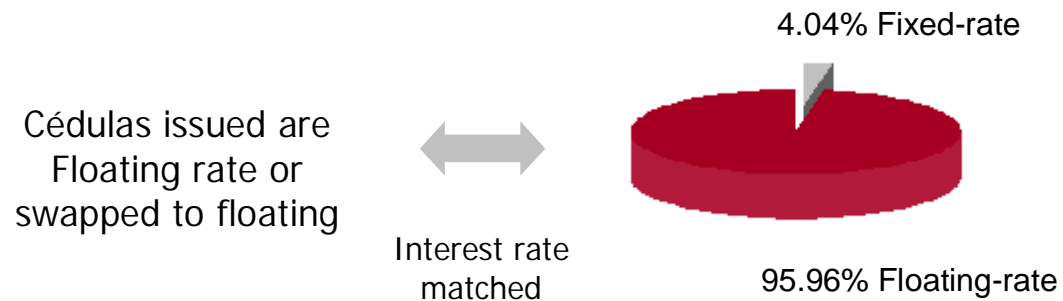
	Origination year	N. Loans	Amount eur.
Total pool	1999 and earlier	10.050	167.800.456
	2000	3.688	110.916.235
	2001	5.013	206.844.089
	2002	7.802	470.162.864
	2003	10.039	818.816.987
	2004	13.587	1.198.350.828
	2005	18.527	2.404.509.707
	2006	18.070	2.615.021.773
	2007	18.010	3.668.490.581
	2008	18.427	4.205.684.999
	2009	33.082	10.489.171.253
	2010	29.918	8.029.059.764
	2011	5.532	1.416.208.314

Loans originated in the last few years, benefit from more conservative property valuations and scoring

3. Flow matching of the mortgage portfolio

Interest rate risk is negligible and maturity of the portfolio much longer than that of cédulas

Mortgage Portfolio Interest Rates



Mortgage Portfolio much longer Than Cédulas sold

	<u>WA Maturity</u>
Mortgage Portfolio (contractual)	18 Years
Cédulas Hipotecarias (sold)	3.77 Years

4. Regulatory update

Some reminders about cédulas legal framework

- On November 22nd, 2007 the Spanish Parliament passed amendments to the Mortgage Market Law that clarify the position of the holders of cédulas.
- Holders enjoy a privilege claim over cover pool. No single payment shall come out of the pool before repayment in full.
- Timely payment: in case of liquidation the administrator shall establish credit lines in order to comply with payments due.
- Unlike other jurisdictions that allows loans of even 100% LTV to become eligible if only the first 60% percent of the value is included in the cover pool, in the Spanish law mortgages are only eligible if the whole loan does not exceed 60% LTV for non-residential and 80% for residential.
- If the value of pledged property falls below 80% of its originated value, additional collateral could be required.
- CH may be secured by replacements assets up to 5% of the total principal amount of all the cédulas issued.
- The Cover assets are not transferred to a different legal entity (on balance sheet). Issuers must maintain an accounting registry of the collateral pool related to issue limits.
- On 30 November 2010 Bank of Spain enforced transparency into CH Spanish market when announced some mandatory regulating measures to adopt by banks and saving banks.

4. Regulatory update

Basel III and Solvency II will have an impact on the way banks and insurance companies behave

Basel III

- Although the LCR ⁽¹⁾ will be introduced in 2015, the observation period will begin soon by year-end .
- Additional Covered Bonds (CB) are expected to be included in LCR if rated AA- or higher.
- CB are regarded as “level 2” liquid assets. They are limited to 40% of total liquid assets and will face a haircut of 15%.
- CB have to be issued on the back a special law to be eligible under the LCR.
- Structured CB without a special legal backing and legally based supervision will not be eligible under LCR

Solvency II

- CB will be eligible, at a disadvantage to sovereigns although compared well with senior bonds.
- Regarding to Spread risk module, CBs benefit from preferential treatment only if they are UCITS compliant and rated AAA. But just AAA rating because CRD equivalent risk weight almost doubles after a downgrade to AA+.
- Solvency II will introduce risk based capital requirements for insurance companies.
- Implementation for Solvency II expected for 2013

(1) *Liquidity coverage ratio (LCR). Stock of high quality liquid assets / net cash outflows over a 30-day time period > = 100%*

(2) *Net stable funding ratio (NSFR). Available amount of stable funding / required amount of stable funding > 100%*

5. Ratings

Cédulas Hipotecarias Programme has the **highest ratings from the Rating Agencies:**

Moody's ⁽¹⁾

- The credit strength of the issuer (A2 / P-1/ C-)
- The structure created by the transaction documents in combination with the legal framework for Spanish covered bonds.
- The credit quality of the underlying assets
- The over-collateralisation level

Aaa

TPI Leeway: 1 notch

S&P ⁽²⁾

- Credit Rating on Popular (A-/Negative/A-2)
- High degree of over-collateralisation that covers for cash flow & market value risk
- Low asset-liability mismatch risk and program categorization commensurate with AAA rating

AAA

Stable

(1) EMEA Covered Bonds: 2011 Outlook & 2010 Review

(2) S&P, Global Covered Bond Characteristics and Rating Summary. 29 December 2010



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