

Global Credit Research - 25 Mar 2011

Madrid, Spain

Ratings

Category	Moody's Rating
Outlook	Negative
Bank Deposits	A2/P-1
Bank Financial Strength	C-
Senior Unsecured MTN -Dom Curr	(P)A2
Subordinate -Dom Curr	A3
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
BPE Capital International Limited	
Outlook	Negative
Bkd Subordinate MTN	(P)A3
Popular Capital Europe B.V.	
Outlook	Negative
Bkd Subordinate MTN -Dom Curr	(P)A3
Popular Finance Europe B.V.	
Outlook	Negative
Bkd Sr Unsec MTN -Dom Curr	(P)A2
Popular Preference (Cayman) Limited	
Outlook	Negative
Bkd Preference Stock	Ba2 (hyb)

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Key Indicators

Banco Popular Espanol, S.A (Consolidated Financials)[1]

	[2]12-09	[2]12-08	[3]12-07	[3]12-06	Avg.
Total Assets (EUR million)	129,290.1	110,376.1	107,169.4	91,650.4	[4]12.2
Total Assets (USD million)	185,497.9	153,427.9	156,687.2	120,855.1	[4]15.4
Tangible Common Equity (EUR million)	8,555.4	6,856.1	6,347.5	5,654.0	[4]14.8
Tangible Common Equity (USD million)	12,274.8	9,530.3	9,280.3	7,455.6	[4]18.1
PPI / Avg RWA (%)	3.0	2.5	2.7	2.7	[5]2.8
Net Income / Avg RWA (%)	0.5	1.0	1.6	1.4	[5]0.8
(Market Funds - Liquid Assets) / Total Assets (%)	26.2	32.5	34.8	35.8	[6]32.3
Core Deposits / Average Gross Loans (%)	62.4	56.8	51.4	47.8	[6]54.6
Tier 1 Ratio (%)	9.1	8.1	7.9	8.0	[5]8.6
Tangible Common Equity / RWA (%)	9.2	7.4	7.1	7.3	[5]8.3
Cost / Income Ratio (%)	32.8	36.7	35.9	36.7	[6]35.5
Problem Loans / Gross Loans (%)	5.5	3.1	0.9	0.8	[6]2.6
Problem Loans / (Equity + Loan Loss Reserves) (%)	46.1	30.3	9.6	8.1	[6]23.5

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] Basel II & IFRS reporting periods have been used for average calculation [6] IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of C- to Banco Popular Español, S.A. (Popular), which translates into a baseline credit assessment (BCA) of Baa1. The bank's rating is supported by its strong franchise value, adequate risk positioning (albeit with relatively high credit risk concentration by borrower and to the real estate sector) and solid financial fundamentals, including high earnings predictability and one of the strongest cost efficiency indicators among its European peers. The rating also reflects the fact that Popular's credit profile shows resilience to Moody's conservative expected scenarios, although it may not be entirely resilient to a stress scenario. However, the rating is constrained by the bank's rapidly deteriorating asset quality indicators and its sustained high reliance on short-term funding instruments, albeit declining from 2008 year-end levels.

Popular's long-term global local currency (GLC) deposit rating at A2 is based on our assessment of a high probability of systemic support, which results in a two-notch uplift from the Baa1 BCA.

Popular's debt rating is A2/Prime-1.

Credit Strengths

- Longstanding strategy of customer focus underpins a leading franchise in several retail market segments
- Strong commercial dynamism has translated into market share gains and customer growth
- High earnings predictability as evidenced by historic track record
- Profitability indicators above similarly rated Western European peers
- One of the most efficient branch-based retail banks globally
- More granular loan portfolio than domestic peers

Credit Challenges

- Continuing to achieve sound earnings growth in a more challenging operating environment of very weak credit trends, low interest rates and slow business growth.
- Managing downward pressure on capital adequacy ratios
- Cross-selling to the enlarged customer base
- Managing relatively high maturity concentrations in the short-term.
- Maintaining strong cost control amid business slowdown
- Containing the risks associated with large exposures to the real estate and construction sectors

Rating Outlook

The outlook on Popular's BFSR is negative. This outlook reflects Moody's view that Popular's BFSR could come under pressure if loss assumptions increase significantly above our current expectations or if other factors determining the bank's risk absorption capacity deteriorate to the degree that capital and earnings are affected.

Pressure on asset quality across all asset classes is being exerted by the now deep recession in Spain, which we expect to continue throughout 2009 and into 2010. Specifically, asset quality is being affected by the recession-induced adverse prospects for the labour market and continued abrupt adjustments in the real estate and construction sector

Long-term debt and deposit ratings also have a negative outlook, reflecting the negative outlook on the sovereign rating and the negative outlook on Popular's standalone credit profile.

What Could Change the Rating - Up

Any upgrade of Popular's BFSR would require stronger Tier 1 and tangible common equity (TCE) ratios to offset estimated credit losses under our anticipated scenario, and a reduction in the risk that the bank might transition to a more severe scenario. Upward pressure on the ratings could also stem from materially lower expected losses driven by: (i) a materially lower credit risk concentration, both by borrower and to the real state and construction sectors; and (ii) a recovery of asset quality indicators.

We note that an upgrade of Popular's BFSR and long-term ratings is unlikely in the near future, given our negative outlook.

What Could Change the Rating - Down

Downward pressure on the ratings could ultimately result from: (i) a further deterioration of asset quality indicators in excess of our loss estimates; (ii) higher credit risk concentration - by borrower and to the real state and construction sector; (iii) downward pressure on capital adequacy ratios; and/or (iv) higher deterioration in recurring earnings power than that contemplated in our base scenario.

Recent Events

On 24 March 2011, Moody's concluded the review for possible downgrade, initiated on 20 December 2010, on Spanish banks that resulted in multiple rating actions, including downgrades by one or more notches of the senior debt and deposit ratings of 30 banks. The rating actions follows the downgrade of the debt rating of the Kingdom of Spain and also reflects a reassessment of the extraordinary level of systemic support that had been embedded in many Spanish banks' ratings, limiting support to more normalized levels. The key drivers for the rating actions include: (i) The combination of heightened financial pressures on the sovereign and many weak banks; (ii) Declining systemic importance of many smaller and regional banks as the sector consolidates; and (iii) Weakening future support environment for banks across Europe. The outlook on most banks' senior debt and deposit ratings remains negative, reflecting the negative outlook on the sovereign rating

and the negative outlook on banks' standalone credit profiles, given the challenging operating environment in Spain. Some bank ratings remain under review, mainly because these banks are currently involved in consolidation efforts that may affect their standalone credit strength and the systemic support which might be available to them. Additional information can be found on the Special Comment "Key Drivers of Moody's Rating Action on Spanish Banks".

In particular, Popular's long-term deposit and debt ratings were downgraded to A2 from Aa3, the institution's senior subordinated rating was downgraded to A3 from A1, and its government guaranteed debt was also downgraded to Aa2 from Aa1, all with a negative outlook.

The Spanish government has introduced a number of measures to support the Spanish financial system in accordance with the coordinated Eurozone plan (which was announced on 12 October 2008). These measures include: (i) the creation of a EUR 30 billion-EUR 50 billion emergency fund to provide liquidity to the financial system; (ii) the increase to EUR 100,000 of the bank deposit guarantee to be provided by the Deposit Guarantee Fund (Fondo de Garantía de Depósitos); (iii) the approval of up to EUR 100 billion of state guarantees for new financing made since 14 October 2008 (the maximum maturity of the guaranteed instruments is limited to five years and the granting of state guarantees will be finalized on 30 June 2010); and (iv) the authorisation, on an exceptional basis and until 31 December 2009, for the Ministry of Economy and Finance to acquire instruments in order to strengthen the equity of Spanish credit institutions. The instruments mentioned by the law include preferred shares and participation certificates ("cuotas participativas").

To date, Popular has issued backed debt for EUR 3.5 billion.

Recent Results

Popular posted net profits of EUR 651 million at end-September 2009, down by 32.1% from the same period last year. Pre-provision income increased by 16.6% year-on-year to EUR 2,068 million. Similar to its peers, asset quality indicators are rapidly deteriorating (problem loans as a percentage of total loans at 4.63% from 2.19% in the same period last year) and were 45.01% provided for (85.57% in September 2008). Asset quality indicators compare favourably with the average of the Spanish system, but are slightly weaker than the average for the banks sector. At end-June 2009, Popular reported a problem - loan ratio of 4.39%, whereas the problem - loan ratio for the Spanish banking system as a whole stood at 4.60%, and the problem loan ratio for the banks sector at 4.02%. The bank's Tier-1 ratio stood at 9.13% at end-September 2009 and its core capital was 7.85% (8.19% and 6.78% end-September 2008). We note Popular has issued mandatory convertible bonds for EUR 700 million in October 2009, which have raised its Tier 1 ratio to 9.90%.

DETAILED RATING CONSIDERATIONS

Detailed considerations for Popular's ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a BFSR of C- to Banco Popular Español, S.A. (Popular), translating to a BCA of Baa1. The rating outlook is negative.

The BFSR is supported by the bank's strong franchise value, adequate risk positioning profile and solid financial fundamentals, including high earnings predictability and one of the strongest cost-efficiency indicators among its global peers. These elements are enhanced by management's continued commitment to improving Popular's financial strength. The rating also reflects the fact that Popular's credit profile shows resilience to Moody's conservative expected scenarios, although it may not be entirely resilient to a stressed scenario of further significant asset quality deterioration and declining earnings. Key elements constraining the BFSR are the rapid deterioration in asset quality indicators, credit risk concentration (i) by borrower although this below the average of rated banks in Spain, and (ii) to the real estate and construction sectors that are experiencing a sharp correction, and a relatively high concentration of funding maturities in the short-term.

As a point of reference, the assigned BFSR is four notches below the B- outcome of Moody's bank financial strength scorecard, which is a reflection of the bank's most recent performance (average 2006-08) and does not incorporate a forward-looking analysis of its credit fundamentals. The assigned BFSR is the result of incorporating our expected loss scenarios for Popular and our estimation of higher credit losses in 2009 and 2010.

Qualitative Rating Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

Popular is the third-largest financial group in Spain, albeit considerably smaller than the two largest. Popular operates through an extensive and highly efficient network of 2,377 branches (2,510 at end-September 2008). These allow it to work very closely with its 6.8 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 lies at the branch level.

While having a market share in loans of around 5% and in deposits of close to 4.4% in the overall Spanish banking system (including both commercial banks and savings banks), the group enjoys particularly high market shares in those products traditionally linked to the SME segment. These include (i) bill discounting, which has a 10.1% market share and represents 7.3% of its loan book; (ii) leasing, which has a 10.5% share and represents 4.2% of total loans; and (iii) factoring. Popular also has 5.1% market share of personal loans and overdrafts (34% of the loan book). In the mutual funds business, Popular has a market share of 4.9%.

Popular's longstanding customer-oriented approach is characterised by a strong emphasis on client segmentation, close customer relationships and high quality of service. Popular's strategy of segmenting - both geographically and professionally - has enabled it to build a loyal client base which continues to grow. The bank offers tailor-made financial services packages in a cost-effective and highly profitable manner and tends to have a relatively high share of its customers' wallets, with around a third of all customers taking four or more of its products.

The above-mentioned characteristics are appropriately captured by B score for franchise value.

Factor 2: Risk Positioning

Trend: Neutral

While Popular has a longstanding conservative and prudent risk positioning, taking minimal market risk, Basel II provides a good opportunity for the bank to enhance its risk management practices to ensure they are commensurate with its risk profile. Notwithstanding the above, a key constraining factor of Popular's risk positioning score is its relatively large credit risk concentration from single-names exposures - although these are below the levels of its domestic peers - as well as its industry concentration to the domestic real estate and construction sectors that are undergoing a sharp correction. On the liquidity front we note maturity concentrations in the short term.

As discussed, Popular's strategy is characterised by its strong focus on 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. Stress tests and back tests are performed on the 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 VaR. Risk management and the control environment are commensurate with the group's risk profile.

Popular significantly increased its recourse to wholesale market funding over the past few years, as high loan growth exceeded its ability to expand retail deposits. However, this reliance in wholesale funding decreased in last quarters, in line with the slowdown in loan growth and higher deposit growth. Despite Popular's ongoing focus to spread the maturity profile of its wholesale debt, concentrations of maturities in the short-term remain relatively high.

Notwithstanding the above, a risk-mitigating factor is the fact that close to 20% of the paper maturing in less than a year is commercial paper sold via the bank's retail network or to domestic investors with long-established ties to the bank. The bulk of this source of funding has been relatively stable over the course of this crisis. The rest of short-term wholesale funds relates to a EUR 5.206 billion outstanding in ECP, recourse to ECB for EUR 2.5 billion and interbank funding. Maturities of long-term wholesale debt are manageable for the next 12 months and relate to Popular's EMTN and covered bonds.

Since the beginning of the current global liquidity crisis, Popular has significantly increased its ECB-eligible collateral to close to EUR 16 billion at end-September 2009. Taking this liquidity buffer into account - net of already repo-ed assets - if wholesale markets remain closed for a period of 12 months, the bank's liquidity assets could be sufficient in a stressed scenario where none of its wholesale debt, including interbank and domestic CP, were rolled over. During 2009, Popular has issued close to EUR 3.5 billion of backed debt and has used the recourse to FAAF auctions to obtain additional liquidity of around EUR 1 billion.

Popular has established contingency plans that incorporate the analysis of net funding requirements under both bank-specific and market-related crises.

Popular's scorecard outcome for risk positioning is C+.

Factor 3: Regulatory Environment

This factor does not address bank-specific issues; instead it evaluates whether regulatory bodies are independent and credible, have demonstrable enforcement powers and adhere to global standards of best practices for risk control.

Refer to Moody's Banking System Outlook for Spain, last published in October 2009, for a detailed discussion of the Spanish regulatory environment.

Factor 4: Operating Environment

Trend: Neutral

This factor is also common to all Spanish banks. Moody's assigns a B- score for the overall operating environment. Refer to Moody's most recent Banking System Outlook on Spain, published in October 2009, to obtain a detailed discussion of the operating environment.

Quantitative Rating Factors (50%)

Factor 5: Profitability

Trend: Weakening

Popular's net interest income (NII) sustained the growth experienced in recent quarters and grew by 11% at end-September 2009, compared to the same period last year. This upward trend is mainly due to (i) lower funding costs and the re-pricing of the loan book to reflect the riskier environment, as the cost of funds fell to a greater extent than the yield on loans; (ii) resilience of floors in the loan book (around 50% of the loan book); and (iii) decrease in the reliance in wholesale funding. The growth recorded over the past few quarters in net interest margins has offset the downward pressure on bottom line-profitability, which has been driven by the need to allocate greater loan loss provisions.

Popular displays profitability ratios within the C range, which are above the median for C- rated peers in Western Europe. The bank's profitability indicators have been consistently declining over the past few years due to the bank's strong business growth and market share gains in an environment of declining interest rates and heightened domestic competition.

Over the past two years, however, management has prioritised profitability and growth in higher-margin and low capital-consumption products over gains in market share. Moreover, on the back of a more pronounced correction of the Spanish economy than initially anticipated, strategic objectives have been further simplified to target profitability, asset quality and deposit gathering.

We expect profitability indicators to continue to decline given our expectations of further asset quality deterioration, the associated loan loss provisions, the low interest rate environment, and increased pressure on funding costs as well as our expectations of sustained weakness in the Spanish operating environment. All these factors reflect the assigned weakening trend.

Factor 6: Liquidity

Trend: Weakening

In common with its domestic peers, Popular's reliance on wholesale funds has decreased over the last few quarters due largely to a slowdown

in assets growth. In addition, Moody's acknowledges that the dependence on market funds is well diversified. We note, however, Popular's recourse to short-term funds in the form of domestic "pagarés" (whilst proving to be a relatively stable source of funding during this crisis) weaken the bank's liquidity position given their short-term nature and the fact that this stability has not been tested in the case of a "name crisis" scenario.

A C score on Popular's liquidity ratio reflects the bank's modest performance in financing its own growth. However, to better reflect the position of the bank, we have adjusted the market funds by excluding securitisation bonds and covered bonds as well as long-term debt, which results in a score of C+.

(See the discussion on liquidity management in the Risk Positioning section, above, for additional information on liquidity)

Factor 7: Capital Adequacy

Trend: Weakening

Despite high levels of lending growth experienced in the past few years and a consequent increase in risk-weighted assets, Popular has managed to increase its capital ratios. Moreover, since June 2008, these ratios have been reinforced thanks to the slowdown in risk-weighted assets and application of Basel II criteria. The bank has also raised capital for an amount up to EUR 500 million on September 2009.

As of end-September 2009, Popular has reported a Tier 1 capital ratio of 9.13% and a total capital ratio of 9.68%, significantly higher than a year before (8.19% Tier 1 and 9.63% total capital ratio). We note Popular has issued mandatory convertible bonds for EUR 700 million in October 2009, which have raised its Tier 1 ratio to 9.90%.

The scorecard outcome is B, but, after incorporating our baseline estimation of losses, the result is a D+ score for capital, which we consider to be more appropriate.

Factor 8: Efficiency

Trend: Neutral

With a cost-to-income ratio of 36% at year-end 2008, Popular 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. Improving cost-efficiency indicators are driven primarily by increased revenues; costs - although well under control - are moderately rising, reflecting the bank's growth strategy, IT investments and the integration of Banco Popular Portugal (a less cost-efficient institution). As of end-September 2009, costs are being slightly reduced. Going forward, ongoing cost efficiency gains are expected on the back of further reductions in operating expenses and cost control measure while revenues remain depressed for the system as a whole.

Factor 9: Asset Quality

Trend: Weakening

Popular's asset quality indicators are rapidly deteriorating primarily driven by the group's exposure to the real estate developer and construction sectors which comprise close to one-third of the group's private sector residents loan book. Mortgages to individuals - that account for 18% of the loan book - are, however, displaying a more moderate deterioration.

At end-September 2009, the problem loan ratio stood at 4.63%, compared with 2.19% a year earlier. The increase in problem loans translated into a decline of the ratio of problem - loan - coverage - by - loan - loss - provisions to 45.01%, down from a 85.57% at end-September 2008. Asset quality indicators have compared last quarters favourably with the average of the Spanish system, but slightly weaker than the average for the banks sector. At end-June 2009, Popular reported a problem loan ratio of 4.39%, while the problem loan ratio for the Spanish system as a whole stood at 4.60% and the problem loan ratio for the banks sector at 4.02%. However, in addition to the non - performing loans (NPLs), Popular has other non-earning assets - related to real estate acquisitions - that amounted to 3 % of the total loan book at year-end 2008 (0% year-end 2007).

We expect asset quality to deteriorate further in the coming months based on the very adverse prospects for the real estate sector and a weakening Spanish economy in general. In addition, rapidly rising unemployment rates will have an adverse effect on households' debt servicing capacity.

The B score is not a good reflection of Popular's current asset quality. If we were to use simply 2008 asset quality indicators instead of the 2006-08 average, the score would be C. This, together with our expectations of further deterioration in asset quality, justifies the weakening trend for this factor.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a GLC deposit rating of A2 to Popular.

In accordance with Moody's Joint Default Analysis (JDA) methodology, the GLC deposit rating is supported by Popular's BCA of Baa1 and by the Aa1 systemic support indicator of the underlying support provider, Spain. The bank receives a two-notch uplift from its BCA, bringing the GLC to A2.

The probability of systemic support in the event of a stress situation is judged to be high. This is based on Popular's nationwide market shares. Spain is characterised as a medium - support country.

Notching Considerations

Following Moody's notching guidelines published in April 2007, Popular's dated subordinated debt is rated at A3, that is, one notch below the bank's senior debt rating. The bank's preferred shares are rated at Ba2, four notches below the bank's Adjusted BCA, in line with the revised Guidelines for Rating Bank Hybrids and Subordinated Debt, published in November 2009.

Foreign Currency Deposit Rating

Popular's foreign currency deposit ratings are A2/Prime 1.

Foreign Currency Debt Rating

Popular's foreign currency debt ratings are A2/Prime 1.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Risk Assessment. In calculating the GLC rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of government support for the bank in case a stress situation occurs and the degree of dependence between the issuer rating and the LCDC.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. An Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to a high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be reminded that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt obligations may also be constrained by the country ceiling for foreign currency bonds and notes, however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

Rating Factors

Banco Popular Español, S.A

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						B-	
Factor: Franchise Value						B	Neutral
Market Share and Sustainability		x					
Geographical Diversification		x					
Earnings Diversification		x					
Earnings Diversification [2]							
Factor: Risk Positioning						C+	Neutral

Corporate Governance [2]							
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
Controls and Risk Management		x					
- Risk Management			x				
- Controls	x						
Financial Reporting Transparency	x						
- Global Comparability	x						
- Frequency and Timeliness	x						
- Quality of Financial Information	x						
Credit Risk Concentration	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management		x					
Market Risk Appetite	x						
Factor: Operating Environment						B-	Neutral
Economic Stability		x					
Integrity and Corruption			x				
Legal System		x					
Financial Factors (50%)						B-	
Factor: Profitability						C+	Weakening
PPP % Avg RWA - Basel II		2.56%					
Net Income % Avg RWA - Basel II			1.22%				
Factor: Liquidity						C	Weakening
(Mkt funds-Liquid Assets) % Total Assets					36.73%		
Liquidity Management		x					
Factor: Capital Adequacy						B	Weakening
Tier 1 ratio (%) - Basel II			8.04%				
Tangible Common Equity / RWA - Basel II	7.57%						
Factor: Efficiency						A	Neutral
Cost/income ratio	36.31%						
Factor: Asset Quality						B	Weakening
Problem Loans % Gross Loans		1.60%					
Problem Loans % (Equity + LLR)		15.72%					
Lowest Combined Score (15%)						C	
Economic Insolvency Override						Neutral	
Aggregate Score						B-	
Assigned BFSR						C-	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral



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