

Spain
Full Rating Report

Banco Popular Español S.A.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Individual Rating	B/C
Support Rating	2
Support Rating Floor	BBB
Sovereign Risk	
Foreign-Currency Long-Term IDR	AA+
Local-Currency Long-Term IDR	AA+

Outlooks

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

Financial Data

	31 Mar 10 ^a	31 Dec 09
Total assets (USDm)	171,831.9	186,254.0
Total assets (EURm)	127,480.4	129,290.1
Total equity (EURm)	7,832.4	7,748.0
Pre-impairment operating profit (EURm)	605.3	2,569.4
Operating profit (EURm)	311.2	817.0
Net income (EURm)	206.9	780.3
Pre-impairment ROAA (%)	1.91	2.15
Operating ROAA (%)	0.98	0.68
Operating ROAE (%)	16.20	11.00
Eligible capital/weighted risks (%)	9.95	9.82
Tier 1 ratio (%)	9.25	9.18

^a Unaudited

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Related Research

- Applicable Criteria**
- *Global Financial Institutions Rating Criteria* (December 2009)
- Other Research**
- *Equity Credit for Hybrids & Other Capital Securities* (December 2009)
 - *Rating Hybrid Securities* (December 2009)

Rating Rationale

- The ratings of Banco Popular Español S.A. (Popular) reflect its good domestic retail franchise, particularly with SMEs; consistently good pre-impairment ROAA and cost efficiency; its proactive management; and its improved deposit base and regulatory capital. They also consider its significant construction and real estate exposure, with some single-name concentration, weakening asset quality and wholesale funding reliance, as well as Spain's challenging environment and uncertainties about the pace of recovery for the economy and property sector.
- Popular's pre-impairment operating ROAA held up well in 2009 and Q110, benefiting from its good SME franchise, which support a wide but narrowing net interest margin (NIM) and good commission income, and strong cost efficiency (cost/income ratio consistently below 40%). These factors will continue to support pre-impairment operating profits. However, Fitch Ratings anticipates lower profits due to Spain's weak operating environment and the downfall of the property sector, which will keep loan and other impairment charges at high levels. The bank could rely on non-recurrent gains and generic reserves.
- Popular is mainly at risk of credit, largely to SMEs (44% of end-2009 domestic loans and guarantees) and individuals (28%), providing risk granularity. It has good-quality counterparty risks from client-driven treasury and ALM activities. While lower, it is significantly exposed to the construction/real estate sectors (25% of end-2009 loans). The impaired loans ratio was 5.6% at end-Q110 (8% with foreclosed assets). Asset quality pressure will remain in 2010.
- Popular's funding mix improved in 2009, aided by a 17% growth in deposits (54% of loans; 63% excluding securitisations). However, the bank is still reliant on wholesale funds, which poses liquidity and funding challenges due to present difficulties to access wholesale markets and stiff competition for deposits. Positive commercial gap in 2010 and sizeable liquid assets (13% of end-Q110 assets) mitigate risks. Regulatory capital ratios improved helped by EUR500m capital increase and EUR700m new convertible bonds in 2009.
- On 28 June 2010 Popular and the French Crédit Mutuel (CM) agreed to jointly create a new bank to seek business growth based on both banks' SME franchise. Popular will transfer 123 of its branches, 503 staff and EUR2bn assets to the new bank and CM will acquire a 5% stake in Popular. The operation is subject to regulatory approvals and Popular will book EUR367m gross capital gains.

Support

- Given Popular's key position within the Spanish banking system, Fitch considers that there is a high probability that support from the Spanish financial authorities would be forthcoming, if required.

Key Rating Drivers

- The Stable Outlook reflects Popular's recurrent good earnings capacity, strong cost efficiency and proactive management. This and improved capital levels should help the bank to face a challenging operating environment.

Profile

Popular is the parent of Spain's fifth-largest banking group by total assets, with a 4.55% market share for deposits. It provides a broad range of retail banking services.

- Strong retail franchise in Spain, particularly within SMEs and individuals
- International presence largely centred in Portugal

Profile

Popular's activities are predominantly orientated towards domestic retail banking. The bank's board of directors retains a significant stake in the parent bank (39.8% at end-2009; 9.4% in the case of Allianz SE). Institutional ownership was 39.9%; the balance was widely held by individual investors. At end-Q110, Popular had 2,379 branches (2,128 in Spain) and 14,386 staff.

At end-2009, the group's main components were Popular, the parent bank, Banco Popular Portugal (BPP; rated 'A'); Bancopopular-e, an independent internet bank; Banco Popular Hipotecario, a specialised mortgage bank; and a 60% controlling interest in Popular Banca Privada, a small private bank. Popular's life insurance and pension fund businesses are a joint venture with the German insurer, Allianz SE. Its international presence is centred in Portugal, through BPP, which had around 2% domestic market share in loans at end-2009 and accounted for 7% of Popular group's assets and 2.1% of its net income. It also has a small 15-branch retail bank in Florida focused on SMEs, Total Bank, which reported total assets of EUR1,234m at end-2009 and registered a loss EUR45.8m.

On 28 June 2010 Popular and the French financial group CM reached an agreement to jointly establish a new bank, with each holding a 50% stake. A total of 123 branches of Popular's current branch network, 503 staff and EUR2bn of assets will be transferred to the new bank. In addition, and as part of the agreement, CM will acquire a 5% stake in Popular. Popular will generate EUR367m gross capital gains from this operation. The new bank will have total assets of EUR2bn and a core capital ratio of above 13%. The operation is still subject to regulatory approvals. The aim of the creation of a new bank is twofold: i) complete Popular's own branch and staff restructuring process by transferring excess capacities to the new bank and ii) at the same time create a platform from which to seek growth opportunities, particularly in the SME market where the new entity could leverage on CM's customer base in France and Germany with business links in Spain, and benefiting from the fact that the Spanish savings banks system restructures and downsizes.

Performance

Popular maintained sound pre-impairment profitability in 2009 and Q110 (see Table 1 below), which continued to compare favourably with most of its domestic and international peers. This is largely supported by two factors: its niche business with SMEs and individuals, which has provided the institution with a recurrent source of earnings over the years (in the form of a wide NIM and good recurrent commission income); and its strong cost efficiency. However, the deteriorated economic environment in Spain and the collapse of the property sector negatively affected operating profits, in particular through higher loan and other impairment charges. This and higher provisions for foreclosed assets (recorded at non-operating level) were partly cushioned by significant extraordinary gains.

The rapid repricing of funding costs at lower interest rates supported Popular's 2009 NIM and fed into net interest revenue despite low loan growth. However, the repricing of loans at lower rates and intensified competition for deposits led to a narrower NIM in Q110, a trend expected to continue for the rest of the year. Popular should benefit from better pricing of loans to SMEs and interest rate floors on 50% of its loan book (36% of which were not yet activated at end-2009). In addition, in 2009 Popular built a EUR10bn ALM debt portfolio (see *Credit Risk* below) to support interest revenue and balance sheet liquidity.

Net commission income was particularly affected in 2009 by lower lending and a decline in funds under management. Nonetheless, at 0.63% of average earnings assets at end-Q110, Popular's level of commission income remained higher than that of most institutions in Spain owing to commissions charged on SMEs and a

- Consistently sound pre-impairment operating ROAA but loan impairment and other provisions affected net income
- Recurring earnings from its SME franchise and strong cost efficiency should support future pre-impairment profits

Table 1: Performance

(%)	Popular			Caja Madrid		Sabadell		Bankinter	
	Q1 10	2009	2008	2009	2008	2009	2008	2009	2008
Total assets (EURm)	127,480	129,290	110,376	191,904	180,971	82,823	80,378	54,468	56,470
Total equity (EURm)	7,832	7,748	7,058	10,298	10,040	4,797	4,448	2,553	1,963
Net interest margin	2.30	2.54	2.50	1.47	1.44	2.13	1.97	1.52	1.37
Cost/income ratio	35.22	34.35	37.27	48.96	55.26	54.49	53.33	52.83	54.13
Cost/average. assets	1.03	1.12	1.25	1.00	1.15	1.51	1.47	1.23	1.11
Pre-impairment op. ROAA	1.91	2.15	2.16	0.98	0.93	1.37	1.40	1.13	1.03
Operating ROAA	0.98	0.68	1.24	0.25	0.42	0.62	0.47	0.67	0.65
Operating ROAE	16.20	11.00	19.47	4.58	6.62	10.92	8.14	15.62	17.81
Net income/average total assets	0.65	0.65	1.03	0.14	0.50	0.53	0.65	0.47	0.50
Equity/total assets	6.14	5.99	6.39	5.37	5.55	5.79	5.53	4.74	3.67
Impaired loans (IL)/gross loans	5.60	5.47	3.07	6.17	5.38	4.17	2.51	2.66	1.44
Reserves for IL/IL	47.95	47.83	70.63	41.51	44.19	65.62	104.37	72.52	116.61
IL + foreclosed assets (FA)/gross loans + FA	8.18	8.05	4.73	7.95	6.08	6.15	3.67	3.22	1.56

Source: Banks' data adapted by Fitch

Table 2: Q110 Results

(EURm)	Q110	Q109
Net interest revenue	671	729
Net fees and commission	181	196
Other operating income	80	139
Non-interest expenses	328	369
Pre-impairment operating profit	604	695
Loan impairment and other charges	294	434
Operating profit	311	261
Other income and expenditure	-20	65
Pre-tax profit	291	326
Taxes	84	95
Net income	207	232

Source: Popular's quarterly report

- Main exposure is credit risk from lending to SMEs and individuals in Spain
- Significant risk concentration in construction/real estate
- Sharp deterioration in asset quality in 2009, particularly in H109 but slowed since then
- Low market risk appetite

relatively important fund management business. Despite subdued business volumes Popular should be able to continue exploiting its franchise, thereby maintaining sound fee income levels in 2010. Financial market revenue is a small contributor to earnings, as treasury activities are focused on ALM or on services for clients.

Popular remains one of the more cost efficient banks internationally with a cost/income ratio consistently below 40%. In the current difficult operating environment, cost control has become an even more important strategic objective for Popular. In 2009 the bank's number of branches was reduced by 144 and its headcount by 4.2%.

The specific loan impairment charge of close to EUR1.9bn in 2009 (including EUR335m in substandard provisions) was tempered by the release of around EUR446m in generic reserves. The group also wrote down its stake in two real estate companies (Metrovacesa and Colonial) to the amount of EUR229m and charged EUR202m of provisions for foreclosed real estate assets. The former charge was deducted from operating revenue in the attached spreadsheet, while the latter was recorded as non-operating expense. Extraordinary income included gains of EUR192m from debt buybacks and EUR458m from the sale and leaseback of buildings, mainly branches.

As seen in Table 2, Q110 profits were largely supported by good cost control (helped by a further reduction in branch numbers and headcounts) and a reduction in loan impairment charges, balanced by a narrowing NIM and lower non-interest income. Extraordinary gains compensated for further provisions for foreclosed assets (around EUR150m).

In Fitch's view, Popular will find it challenging to operate with subdued business activity in view of weak economic prospects in Spain, margin pressure from persistently low interest rates and higher deposit spreads due to competition, and balance sheet de-leveraging. These elements, combined with sustained high loan impairment charges and foreclosure-related provisions, will put downward pressure on net income in 2010. However, Popular has a good franchise from which to derive recurring earnings and strong cost efficiency to safeguard its good pre-impairment operating profitability.

Risk Management

Popular's main risk exposure is credit-related, primarily from its loan portfolio (75% of total assets at end-2009), guarantees, unused credit lines and increased money market counterparties from 2009. The bank uses the advanced methods under Basel II for measuring credit risk (for both its SME portfolio and retail mortgages; for the remaining portfolios, it applies the standardised approach). Popular has also strengthened its early-warning system as well as the recovery function to ensure

low loss severity. To measure operational risk, Popular uses the standardised approach.

The bank's appetite for market risk is low and primarily emanates from exposure to interest rate risk from structural balance-sheet mismatches. Interest rate, liquidity and foreign-exchange risks are managed and reviewed by the group's ALM committee, which comprises senior management and meets monthly. In line with the repricing structure of its assets and liabilities at end-2009, Popular's balance sheet was positioned to benefit from a decline in interest rates, as larger proportion of liabilities reprice more quickly than assets. Popular estimates that a 100bp decline in interest rates from end-2009 would have a 4.5% positive impact on its NIM. Treasury and capital markets activities are modest and are mainly linked to customer service and liquidity management. Derivatives are used principally for hedging purposes or offered as a service to customers.

Credit Risk

At end-2009, Popular's total credit risk (including loans and off-balance-sheet exposures) was mainly spread throughout Spain (93%), with the rest in Portugal (6%) and the US (1%). Loan growth slowed significantly, to 6% in 2008 and only 4% in 2009, largely driven by a significant rise in securities repurchase agreements (repos) with customers, mainly SMEs. At end-2009, the credit risk exposure in Spain (including loans and guarantees) was split between SMEs (44%), large corporates (28%) and individuals (28%). Corporate lending in Spain (total SMEs and large corporates) was mostly related to the following sectors: construction 20%; real estate development 17%; real-estate-related activities 3%; manufacturing 13%; services 15%; commerce 12%; and hotels and restaurants 6%. Popular continues to focus on its core SME business and, except for single-name concentration in the real estate development sector (see below), loans to SMEs tend to be diversified and partly collateralised by mortgages or other guarantees.

The loan/value ratio (LTV) limit for residential mortgages is generally set at 80%, 60% for real estate developers and 60% for land. Mortgage loans accounted for 49% of the group's loan portfolio at end-2009. The distribution of the mortgage portfolio was as follows: 47% to individuals (38% for residential purposes); 53% to SMEs and corporates (16% to real estate developments). At end-2009, the average LTV was around 57% for its retail residential mortgage book and 53% for mortgages to corporates in Spain.

Despite some reduction, Popular's direct and indirect exposure to the domestic construction and real estate sectors remains significant at 25% of total lending at end-2009. Exposure to construction companies is mitigated by collaterals and by the fact that construction lending tends to be to Spain's large construction companies, whose activities are diversified by business and by geography. In terms of real estate development exposure, this amounted EUR7.5bn at end-2009. Real estate development lending is closely monitored by a specialist team. Its 20 largest real estate loans accounted for around 40% of the lending to the real estate sector at end-2009, denoting single-name risk concentration.

In general, total lending remains diversified by individual name. The group's 20 largest credit risks at end-Q110 (including loans, guarantees and unused credit lines) accounted for only 8.8% of the total and a relatively low 118% of Fitch eligible capital (FEC). None of the largest exposures exceeded 10% of FEC. However, many of these names are exposures to the construction and real estate sectors, some of which related to participations in loan syndications or direct loans (guaranteed by shares) to finance large corporate M&A transactions in Spain.

Asset Quality

Popular's asset quality ratios have deteriorated sharply since end-2007, affected by Spain's recession and the collapse of the property sector, the latter resulting in

Table 3: Asset Quality

	2009	2008
Gross loans (EURm)	97,508	96,717
Gross loan growth (%)	4.05	6.13
Impaired loans (EURm)	5,334	2,853
Foreclosed assets (FA; EURm)	2,736	1,661
Loan impairment reserve (EURm)	2,551	2,015
Impaired loans (IL)/gross loans (%)	5.47	3.04
IL + FA/gross loans + FA	8.05	4.73
Loan impairment reserves/impairment loans (%)	47.83	70.63
Loan impairment reserves/total loans (%)	2.62	2.15
Net charge-offs/average gross loans (%)	0.88	0.56

Source: Popular

defaults of real estate companies to which Popular was exposed (e.g. Martinsa-Fadesa). Of total impaired loans at end-2009, around 64% related to real estate and construction companies and 18% to individuals. At end-2009, the group also had around EUR3.2bn loans classified as substandard, which were 19% covered by substandard loan impairment reserves. Refinanced loans were low.

Since 2008, the bank has been active in foreclosing property assets to minimise loss severity. Foreclosed assets net of provisions rose to EUR2,736m at end-2009 (2.8% of gross loans) from EUR1,661m at end-2008, of which 51% related to land, 32% to completed residences and buildings and 17% to leased assets. By geography, these were distributed as follows: 33% in central Spain and the Canary Islands, 24% in Andalusia, 14% in Catalonia and the Balearic Islands, 19% on the Mediterranean coast and 10% in northern Spain. Fitch notes that it will be challenging for Popular to reduce the high level of foreclosed assets in the short-to-medium term, particularly land exposure, amid the still downfall of the Spanish property sector and uncertainties about the pace of its recovery.

Another means of managing problem exposures has been to swap debt for equity in a company. In April 2008, Popular transformed loans to different constituents of the Colonial group, including the former main shareholder, into a 7.5% stake in the company. This stake was valued at EUR75m at end-Q110. In February 2009, Popular also transformed its credit risk to different constituents of the Sanahuja group (Metrovacesa), another important Spanish real estate company, into a 10.92% stake in Metrovacesa, valued at around EUR238m at end-2009. By end-2009, accumulated write-downs on these securities amounted close to EUR319m.

Asset quality was well contained in Q110, with an impaired loans/total loans ratio of 5.6% (cover 48%; 50% as reported by the bank if contingent risks are included). This was helped by a slowdown of new impaired loans and continued recoveries. However, further asset quality deterioration can be expected due to weak economic prospects in Spain and uncertainties about the pace of recovery. Foreclosed assets remained broadly stable in gross terms, but coverage levels improved to 20% at end-Q110 from 16% at end-2009. Popular still had EUR724m in generic loan impairment reserves at end-Q110, despite having used a significant proportion of these reserves.

In 2009, Popular significantly increased its temporary acquisition of government and other fixed-interest securities from customers and other banks (repos): such securities accounted for EUR6,179m of "gross loans" (line A.8 in the attached *Balance Sheet*) at end-2009 and EUR4,994m of "loans and advances to banks" (line B.1). The rest of interbank lending was primarily short term and placed with Spanish and OECD banks. Asset repos, together with Popular's EUR10bn ALM debt securities portfolio built in 2009 (EUR2.4bn in the held-to-maturity portfolio and EUR7.8bn in the AFS portfolio), are mostly matched with government securities temporary sold to customers and banks (see *Funding and Capital*). The group's held-to-maturity portfolio largely comprised Spanish government debt and the EUR10bn total AFS debt portfolio largely consisted of 61% Spanish government securities, 15% covered bonds, 10% debt from financial institutions and 9% sovereign guaranteed debt; securities were rated investment grade.

Funding and Capital

Popular is mainly funded by customer deposits from individuals and SMEs, obtained from its franchise spread throughout Spain (see Table 4). Since the onset of the financial crisis, Popular had focused on increasing deposits: by around 14% in both 2008 and 2007, 17% in 2009 and 5.5% in the first three months of 2010. This improved its loans/deposits ratio to 175% at end-Q110 (164% excluding asset repos; around 137% also excluding securitisation) from 224% at end-2008. Some of Popular's short-term borrowing relates to treasury services for its retail customers (particularly SMEs), either in the form of repos (EUR6.8bn at end-Q110) or

- Liquidity supported by a large portfolio of liquid assets and active liquidity management
- Improved deposit base but still reliant on wholesale funds
- Adequate capital levels after share capital increase and hybrid capital issue

commercial paper (CP; EUR3.4bn at end-Q110). If CP placed through the branches were included – as they are seen as a substituted product for a short-term deposits and a relatively stable funding source – the loans/deposits ratio would be 165% of lending.

While reduced, Popular still has reliance on long- and short-term wholesale funding (44% of total liabilities and equity at end-Q110) for being a retail-orientated bank, which poses liquidity and funding challenges due to present difficulties affecting access to wholesale markets and strong competition for deposits. The bank's level of wholesale funding is largely the result of the mismatch between growth in loans and deposits before 2007. However, Popular's wholesale funding profile benefits from diversification by instrument, such as CP, senior and subordinated debt, covered bonds (cédulas hipotecarias, CH) and securitisations. In addition, greater preference for long-term instruments, particularly CHs, had helped to lengthen the maturity structure of its funding. In terms of long-term funding maturities, EUR3.3bn will mature in 2010 (already pre-funded), EUR3.1bn in 2011 and EUR7.5bn in 2012. The greater concentration in 2012 derives from the three year-state guaranteed notes issued in 2009. Comfort is provided by Popular's significant share of liquid assets (see below).

In 2009, Popular managed to issue in the capital markets EUR2.1bn of CH and EUR1bn in Q110, taking advantage of an opened window. It also issued state-guaranteed notes in H109 (EUR3.5bn), reflecting to some extent difficulties in accessing the unsecured wholesale markets. Popular could issue a further EUR4bn of state-guaranteed notes. The bank aims to generate a positive commercial gap of about EUR3bn in 2010.

In 2009, Popular increased the use of short-term instruments, mainly in the form of repos with banks, although this was partly to build up the EUR10bn ALM debt securities portfolio built in 2009 (see *Credit Risk*) as part of the bank's proactive liquidity management. As a result, short-term borrowing maturities (including net interbank position and institutional CP) for 2010 are significant (EUR10.6bn), but so far difficulties to roll over these funds have been limited, and this type of funding is mostly attached to short-term and liquid assets. Since 2008, the bank has significantly increased its liquid assets, which at end-Q110 amounted EUR16.2bn in cash basis, all of which are ECB-eligible.

Popular's Basel II regulatory Tier 1 and total capital ratios were 9.2% and 9.6%, respectively, at both end-2009 and end-Q110, improved on 2009 due to contained risk-weighted assets, internal capital generation and, most notably, a EUR500m share capital increase and a EUR700m convertible securities issue in H209. The latter is included in the bank's regulatory core capital ratio of 8.7% at end-Q110 (7.1% at end-2008). The bank's Fitch eligible capital/total assets ratio was 9.95% at end-Q110. Eligible capital includes hybrid instruments in the form of perpetual non-cumulative preference shares (EUR1.2bn at end-Q110) and convertible bonds, which are classified as class E (100% equity credit) and are within Fitch's limit of 30% of Fitch eligible capital. However, these instruments are not included in Fitch's core capital calculation and, in the case of the convertible securities, these are only added to core capital when conversion has been exercised (in 2013). While Fitch welcomes Popular's capital improvement, this was needed due to the bank's deteriorated asset quality and risk concentration in the construction and real estate sectors. Any proposed changes to the current Basel II framework are unlikely to have a significant impact on Popular's capitalisation.

Table 4: Funding Breakdown

(EURm)	2009	2008
Customer deposits	52,908	44,973
Deposits with banks	6,881	6,885
Short-term borrowing	30,429	23,878
Of which CP	8,839	9,806
Of which repos	18,458	10,427
Of which ECB	3,131	3,645
Long-term borrowing	23,574	20,537
Of w/c securitisation	5,934	2,846
Of w/c covered bond	6,605	9,112
Of which senior debt	8,955	8,444
Of which ICO loans	2,079	n.a.
Subordinated debt	602	328
Preference shares	1,218	1,289
Convertible bonds	700	0.0
Total	116,312	97,890

Source: Popular

Banco Popular Espanol S.A
Income Statement

	31 Mar 2010			31 Dec 2009			31 Dec 2008			31 Dec 2007			31 Dec 2006		
	3 Months - 1st Quarter	3 Months - 1st Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of		
	USDm	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning		
	Unaudited	Unaudited	Assets	Unqualified	Assets	Unqualified	Assets	Assets report not seen	Assets report not seen	Assets report not seen	Assets	Assets			
1. Interest Income on Loans	1,405.3	1,042.6	3.60	4,731.3	3.97	6,064.1	5.87	5,096.7	4.98	3,698.5	4.21				
2. Other Interest Income	n.a.	n.a.	-	327.8	0.28	225.2	0.22	116.4	0.11	21.0	0.02				
3. Dividend Income	3.2	2.4	0.01	7.8	0.01	23.8	0.02	55.4	0.05	37.0	0.04				
4. Gross Interest and Dividend Income	1,408.5	1,045.0	3.61	5,066.9	4.26	6,313.1	6.11	5,268.5	5.15	3,756.5	4.27				
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	1,121.9	0.94	1,763.0	1.71	1,161.1	1.13	830.0	0.94				
6. Other Interest Expense	504.8	374.5	1.29	1,114.6	0.94	1,991.0	1.93	1,768.4	1.73	859.1	0.98				
7. Total Interest Expense	504.8	374.5	1.29	2,236.5	1.88	3,754.0	3.63	2,929.5	2.86	1,689.1	1.92				
8. Net Interest Income	903.8	670.5	2.31	2,830.4	2.38	2,559.1	2.48	2,339.0	2.29	2,067.4	2.35				
9. Net Gains (Losses) on Trading and Derivatives	36.3	26.9	0.09	37.4	0.03	35.2	0.03	45.0	0.04	18.8	0.02				
10. Net Gains (Losses) on Other Securities	10.0	7.4	0.03	126.0	0.11	49.5	0.05	12.5	0.01	8.2	0.01				
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	0.6	0.00	-10.2	-0.01	n.a.	-	0.0	0.00				
12. Net Insurance Income	9.0	6.7	0.02	19.6	0.02	23.2	0.02	53.4	0.05	45.2	0.05				
13. Net Fees and Commissions	244.4	181.3	0.63	763.4	0.64	864.5	0.84	883.6	0.86	880.5	1.00				
14. Other Operating Income	46.9	34.8	0.12	113.2	0.10	123.5	0.12	105.1	0.10	105.4	0.12				
15. Total Non-Interest Operating Income	346.5	257.1	0.89	1,060.2	0.89	1,085.7	1.05	1,099.6	1.07	1,058.1	1.20				
16. Personnel Expenses	254.6	188.9	0.65	792.1	0.67	818.1	0.79	755.9	0.74	706.0	0.80				
17. Other Operating Expenses	185.7	137.8	0.48	544.5	0.46	540.2	0.52	495.7	0.48	473.7	0.54				
18. Total Non-Interest Expenses	440.4	326.7	1.13	1,336.6	1.12	1,358.3	1.32	1,251.6	1.22	1,179.7	1.34				
19. Equity-accounted Profit/ Loss - Operating	5.9	4.4	0.02	15.4	0.01	53.7	0.05	43.6	0.04	37.6	0.04				
20. Pre-Impairment Operating Profit	815.9	605.3	2.09	2,569.4	2.16	2,340.2	2.27	2,230.6	2.18	1,983.4	2.26				
21. Loan Impairment Charge	354.4	262.9	0.91	1,520.0	1.28	905.2	0.88	299.5	0.29	326.7	0.37				
22. Securities and Other Credit Impairment Charges	42.1	31.2	0.11	232.4	0.20	93.0	0.09	n.a.	-	n.a.	-				
23. Operating Profit	419.5	311.2	1.07	817.0	0.69	1,342.0	1.30	1,931.1	1.89	1,656.7	1.89				
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
25. Non-recurring Income	109.3	81.1	0.28	650.4	0.55	233.0	0.23	15.1	0.01	34.1	0.04				
26. Non-recurring Expense	200.6	148.8	0.51	408.0	0.34	84.5	0.08	n.a.	-	n.a.	-				
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
28. Other Non-operating Income and Expenses	63.4	47.0	0.16	13.5	0.01	-29.5	-0.03	-2.3	0.00	32.6	0.04				
29. Pre-tax Profit	391.6	290.5	1.00	1,072.9	0.90	1,461.0	1.41	1,943.9	1.90	1,723.4	1.96				
30. Tax expense	112.7	83.6	0.29	292.6	0.25	390.3	0.38	607.3	0.59	632.2	0.72				
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	40.0	0.04	n.a.	-	n.a.	-				
32. Net Income	278.9	206.9	0.71	780.3	0.66	1,110.7	1.08	1,336.6	1.31	1,091.2	1.24				
33. Change in Value of AFS Investments	n.a.	n.a.	-	-25.1	-0.02	-4.6	0.00	-15.2	-0.01	-2.0	0.00				
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
35. Currency Translation Differences	n.a.	n.a.	-	-7.0	-0.01	24.3	0.02	n.a.	-	n.a.	-				
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	20.1	0.02	-11.0	-0.01	n.a.	-	n.a.	-				
37. Fitch Comprehensive Income	278.9	206.9	0.71	768.3	0.65	1,119.4	1.08	1,321.4	1.29	1,089.2	1.24				
38. Memo: Profit Allocation to Non-controlling Interests	3.9	2.9	0.01	14.2	0.01	58.6	0.06	76.4	0.07	65.2	0.07				
39. Memo: Net Income after Allocation to Non-controlling Interests	275.0	204.0	0.70	766.1	0.64	1,052.1	1.02	1,260.2	1.23	1,026.0	1.17				
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	475.4	0.40	643.9	0.62	597.9	0.58	505.6	0.58				
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				

Exchange rate

USD1 = EURO.74190

USD1 = EURO.69416

USD1 = EURO.71855

USD1 = EURO.67930

USD1 = EURO.75930

Banco Popular Espanol S.A
Balance Sheet

	31 Mar 2010		As % of Assets	31 Dec 2009		As % of Assets	31 Dec 2008		As % of Assets	31 Dec 2007		As % of Assets
	3 Months - 1st Quarter USDm	3 Months - 1st Quarter EURm		Year End EURm	Year End EURm		Year End EURm	Year End EURm				
Assets												
A. Loans												
1. Residential Mortgage Loans	64,349.2	47,740.7	37.45	47,655.7	36.86	44,331.6	40.16	46,860.4	43.73	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.	-	24,600.8	26.84	
4. Corporate & Commercial Loans	6,451.4	4,786.3	3.75	5,038.5	3.90	n.a.	-	n.a.	-	52,698.6	57.50	
5. Other Loans	61,014.2	45,266.4	35.51	44,813.6	34.66	49,385.0	44.74	41,446.4	38.67	114.3	0.12	
6. Less: Reserves for Impaired Loans/ NPLs	3,537.3	2,624.3	2.06	2,551.3	1.97	2,015.1	1.83	1,664.4	1.55	1,515.8	1.65	
7. Net Loans	128,277.5	95,169.1	74.65	94,956.5	73.44	91,701.5	83.08	86,642.4	80.85	75,897.9	82.81	
8. Gross Loans	131,814.8	97,793.4	76.71	97,507.8	75.42	93,716.6	84.91	88,306.8	82.40	77,413.7	84.47	
9. Memo: Impaired Loans included above	7,376.5	5,472.6	4.29	5,334.3	4.13	2,853.0	2.58	820.6	0.77	610.9	0.67	
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	5,817.2	4,315.8	3.39	7,341.9	5.68	4,905.3	4.44	9,456.1	8.82	7,715.1	8.42	
2. Trading Securities and at FV through Income	784.2	581.8	0.46	937.0	0.72	427.4	0.39	717.6	0.67	2,175.4	2.37	
3. Derivatives	3,507.8	2,602.4	2.04	2,303.6	1.78	1,899.4	1.72	571.7	0.53	618.9	0.68	
4. Available for Sale Securities	16,199.5	12,018.4	9.43	11,030.1	8.53	3,440.4	3.12	3,804.0	3.55	297.7	0.32	
5. Held to Maturity Securities	3,561.5	2,642.3	2.07	2,266.5	1.75	34.9	0.03	0.6	0.00	0.4	0.00	
6. At-equity Investments in Associates	72.1	53.5	0.04	56.1	0.04	32.2	0.03	20.4	0.02	17.5	0.02	
7. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
8. Total Securities	24,125.1	17,898.4	14.04	16,593.3	12.83	5,834.3	5.29	5,114.3	4.77	3,109.9	3.39	
9. Memo: Government Securities included Above	11,179.4	8,294.0	6.51	5,821.3	4.50	1,461.9	1.32	292.2	0.27	146.3	0.16	
10. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
11. Insurance Assets	234.9	174.3	0.14	176.6	0.14	844.7	0.77	1,117.5	1.04	1,027.7	1.12	
12. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	129.0	0.14	
13. Total Earning Assets	158,454.8	117,557.6	92.22	119,068.3	92.09	103,285.8	93.58	102,330.3	95.48	87,879.6	95.89	
C. Non-Earning Assets												
1. Cash and Due From Banks	4,222.5	3,132.7	2.46	3,748.7	2.90	1,859.6	1.68	1,955.2	1.82	1,502.2	1.64	
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
3. Foreclosed Real Estate	3,716.4	2,757.2	2.16	2,735.7	2.12	1,660.6	1.50	228.1	0.21	n.a.	-	
4. Fixed Assets	2,585.1	1,917.9	1.50	1,806.8	1.40	1,355.4	1.23	729.6	0.68	707.4	0.77	
5. Goodwill	572.7	424.9	0.33	417.7	0.32	486.8	0.44	476.6	0.44	341.6	0.37	
6. Other Intangibles	93.5	69.4	0.05	69.3	0.05	59.8	0.05	48.2	0.04	27.7	0.03	
7. Current Tax Assets	98.0	72.7	0.06	34.5	0.03	319.5	0.29	22.8	0.02	36.4	0.04	
8. Deferred Tax Assets	1,041.9	773.0	0.61	674.0	0.52	507.8	0.46	503.4	0.47	519.6	0.57	
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
10. Other Assets	1,044.6	775.0	0.61	735.1	0.57	840.8	0.76	875.2	0.82	635.9	0.69	
11. Total Assets	171,829.6	127,480.4	100.00	129,290.1	100.00	110,376.1	100.00	107,169.4	100.00	91,650.4	100.00	
Liabilities and Equity												
D. Interest-Bearing Liabilities												
1. Customer Deposits - Current	28,580.4	21,203.8	16.63	14,628.2	11.31	14,447.3	13.09	15,535.6	14.50	14,817.5	16.17	
2. Customer Deposits - Savings	n.a.	n.a.	-	6,090.1	4.71	4,806.3	4.35	5,578.8	5.21	5,966.7	6.51	
3. Customer Deposits - Term	46,707.9	34,652.6	27.18	32,190.1	24.90	25,719.4	23.30	18,300.1	17.08	13,547.3	14.78	
4. Total Customer Deposits	75,288.3	55,856.4	43.82	52,908.4	40.92	44,973.0	40.75	39,414.5	36.78	34,331.5	37.46	
5. Deposits from Banks	8,015.9	5,947.0	4.67	6,880.5	5.32	6,884.7	6.24	8,174.5	7.63	7,792.8	8.50	
6. Other Deposits and Short-term Borrowings	37,929.9	28,140.2	22.07	30,428.9	23.54	23,877.5	21.63	20,094.3	18.75	13,198.1	14.40	
7. Total Deposits, Money Market and Short-term Funding	121,234.1	89,943.6	70.55	90,217.8	69.78	75,735.2	68.62	67,683.3	63.16	55,322.4	60.36	
8. Senior Debt Maturing after 1 Year	29,058.8	21,558.7	16.91	23,573.6	18.23	20,536.7	18.61	26,313.8	24.55	25,041.6	27.32	
9. Subordinated Borrowing	835.3	619.7	0.49	602.1	0.47	328.3	0.30	506.0	0.47	475.1	0.52	
10. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
11. Total Long Term Funding	29,894.1	22,178.4	17.40	24,175.7	18.70	20,865.0	18.90	26,819.8	25.03	25,516.7	27.84	
12. Derivatives	2,695.0	1,999.4	1.57	1,793.0	1.39	2,109.4	1.91	1,396.3	1.30	758.6	0.83	
13. Trading Liabilities	182.5	135.4	0.11	n.a.	-	34.6	0.03	97.8	0.09	202.0	0.22	
14. Total Funding	154,005.7	114,256.8	89.63	116,186.5	89.86	98,744.2	89.46	95,997.2	89.58	81,799.7	89.25	
E. Non-Interest Bearing Liabilities												
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
3. Reserves for Pensions and Other	614.1	455.6	0.36	476.8	0.37	426.6	0.39	430.7	0.40	448.8	0.49	
4. Current Tax Liabilities	398.0	295.3	0.23	209.6	0.16	117.6	0.11	210.0	0.20	192.9	0.21	
5. Deferred Tax Liabilities	358.8	266.2	0.21	182.9	0.14	110.0	0.10	70.7	0.07	74.4	0.08	
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
8. Insurance Liabilities	1,462.9	1,085.3	0.85	1,073.5	0.83	931.9	0.84	970.2	0.91	844.4	0.92	
9. Other Liabilities	1,853.3	1,375.0	1.08	1,494.7	1.16	1,699.6	1.54	1,553.9	1.45	1,375.1	1.50	
10. Total Liabilities	158,692.8	117,734.2	92.35	119,624.0	92.52	102,029.9	92.44	99,232.7	92.59	84,735.3	92.45	
F. Hybrid Capital												
1. Pref. Shares and Hybrid Capital accounted for as Debt	1,636.1	1,213.8	0.95	1,218.1	0.94	1,288.5	1.17	1,288.5	1.20	988.0	1.08	
2. Pref. Shares and Hybrid Capital accounted for as Equity	943.5	700.0	0.55	700.0	0.54	n.a.	-	n.a.	-	n.a.	-	
G. Equity												
1. Common Equity	10,539.7	7,819.4	6.13	7,715.9	5.97	6,734.4	6.10	6,224.4	5.81	5,529.2	6.03	
2. Non-controlling Interest	51.6	38.3	0.03	47.8	0.04	292.5	0.27	402.3	0.38	361.2	0.39	
3. Securities Revaluation Reserves	-72.1	-53.5	-0.04	-47.1	-0.04	9.5	0.01	14.0	0.01	29.2	0.03	
4. Foreign Exchange Revaluation Reserves	38.0	28.2	0.02	17.3	0.01	24.3	0.02	n.a.	-	n.a.	-	
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	14.1	0.01	-3.0	0.00	7.5	0.01	7.5	0.01	
6. Total Equity	10,557.2	7,832.4	6.14	7,748.0	5.99	7,057.7	6.39	6,648.2	6.20	5,927.1	6.47	
7. Total Liabilities and Equity	171,829.6	127,480.4	100.00	129,290.1	100.00	110,376.1	100.00	107,169.4	100.00	91,650.4	100.00	
8. Memo: Fitch Core Capital	9,771.9	7,249.8	5.69	7,172.7	5.55	6,511.1	5.90	n.a.	-	n.a.	-	
9. Memo: Fitch Eligible Capital	12,351.5	9,163.6	7.19	9,090.8	7.03	7,799.1	7.07	n.a.	-	n.a.	-	

Exchange rate USD1 = EUR0.74190 USD1 = EUR0.69416 USD1 = EUR0.71855 USD1 = EUR0.67930 USD1 = EUR0.75930

Banco Popular Espanol S.A
Summary Analytics

	31 Mar 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
	3 Months - 1st Quarter	Year End	Year End	Year End	Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	4.33	4.94	6.67	6.11	6.86
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	2.29	4.40	3.31	2.41
3. Interest Income/ Average Earning Assets	3.58	4.55	6.16	5.64	6.14
4. Interest Expense/ Average Interest-bearing Liabilities	1.32	2.10	3.89	3.31	2.27
5. Net Interest Income/ Average Earning Assets	2.30	2.54	2.50	2.50	3.38
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.40	1.18	1.61	2.18	2.85
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.30	2.54	2.50	2.50	3.38
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	27.72	27.25	29.79	31.98	33.85
2. Non-Interest Expense/ Gross Revenues	35.22	34.35	37.27	36.40	37.74
3. Non-Interest Expense/ Average Assets	1.03	1.12	1.25	1.26	1.83
4. Pre-impairment Op. Profit/ Average Equity	31.51	34.59	33.96	35.71	35.53
5. Pre-impairment Op. Profit/ Average Total Assets	1.91	2.15	2.16	2.25	3.08
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	48.59	68.20	42.65	13.43	16.47
7. Operating Profit/ Average Equity	16.20	11.00	19.47	30.91	29.68
8. Operating Profit/ Average Total Assets	0.98	0.68	1.24	1.95	2.57
9. Taxes/ Pre-tax Profit	28.78	27.27	26.71	31.24	36.68
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.67	2.78	2.54	2.51	2.57
11. Operating Profit / Risk Weighted Assets	1.37	0.88	1.46	2.17	2.15
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	10.77	10.50	16.12	21.40	19.55
2. Net Income/ Average Total Assets	0.65	0.65	1.03	1.35	1.69
3. Fitch Comprehensive Income/ Average Total Equity	10.77	10.34	16.24	21.15	19.51
4. Fitch Comprehensive Income/ Average Total Assets	0.65	0.64	1.03	1.33	1.69
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	0.91	0.85	1.21	1.50	1.41
7. Fitch Comprehensive Income/ Risk Weighted Assets	0.91	0.83	1.22	1.49	1.41
D. Capitalization					
1. Fitch Eligible Capital/ Fitch Adjusted Weighted Risks	9.95	9.82	8.47	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	5.78	5.64	5.93	5.58	5.85
3. Tangible Common Equity/ Total Business Volume	4.58	4.52	4.51	4.24	4.37
4. Tier 1 Regulatory Capital Ratio	9.25	9.18	8.12	7.92	8.02
5. Total Regulatory Capital Ratio	9.61	9.66	9.10	9.67	9.87
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	107.66	107.50	102.49	n.a.	n.a.
7. Equity/ Total Assets	6.14	5.99	6.39	6.20	6.47
8. Cash Dividends Paid & Declared/ Net Income	n.a.	60.93	57.97	44.73	46.33
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	61.88	57.52	45.25	46.42
10. Net Income - Cash Dividends/ Total Equity	10.71	3.94	6.61	11.11	9.88
E. Loan Quality					
1. Growth of Total Assets	-1.40	17.14	2.99	16.93	17.96
2. Growth of Gross Loans	0.29	4.05	6.13	14.07	16.69
3. Impaired Loans(NPLs)/ Gross Loans	5.60	5.47	3.04	0.93	0.79
4. Reserves for Impaired Loans/ Gross loans	2.68	2.62	2.15	1.88	1.96
5. Reserves for Impaired Loans/ Impaired Loans	47.95	47.83	70.63	202.83	248.13
6. Impaired Loans less Reserves for Imp Loans/ Equity	36.37	35.92	11.87	-12.69	-15.27
7. Loan Impairment Charges/ Average Gross Loans	1.09	1.59	1.00	0.36	0.61
8. Net Charge-offs/ Average Gross Loans	0.73	0.88	0.56	0.16	0.24
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	8.18	8.05	4.73	1.18	0.79
F. Funding					
1. Loans/ Customer Deposits	175.08	184.30	208.38	224.05	225.49
2. Interbank Assets/ Interbank Liabilities	72.57	106.71	71.25	115.68	99.00

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