

Popular Capital Europe B.V.

Amsterdam

Annual Report 2008

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Annual Report of the Directors

The managing directors of Popular Capital Europe B.V. (hereinafter the 'Company') submit the annual report and the financial statements of the Company for the year ended December 31, 2008.

Principal activities and business review

The principal activities of the Company consist of financing of group companies.

Financing

The Company has entered into a programme for the issuance of euro medium term notes up to EUR 8 billion. Under this programme the Company may issue from time to time Notes. All amounts payable in respect of these Notes are irrevocable guaranteed by Banco Popular Español S.A. (the 'Parent Company'). In connection with the programme, on 22 August 2003, the Company issued Series 1 200,000,000 EUR Guaranteed Subordinated Callable Floating Rate Notes due August 2013 (the 'Notes'). The main portion of this amount was placed on a fixed deposit with Banco Popular Español S.A.

Results

During the year ending 31 December 2008, the Company realized a net profit of EUR 4,465

Future developments

The Company early redeemed the Notes on 22 August 2008, pursuant to condition 6(e) of the terms and conditions of the Notes included in the offering circular of the programme, and to condition 21 of the pricing supplement dated 20 August 2003. After the aforementioned redemption, it is intended to put the Company into voluntary liquidation, which is scheduled to take place in 2010.

Financial Risks

Interest rate risk

Interest rate risk the risk that fluctuations in the prevailing levels of market interest rates will affect the Company's financial position and cash flows.

Interest rate exposure on dividends of preference shares were mitigated by the placement and advances with its Parent Company. Interest rates both of preference shares and loans and advances were matched. At present no significant financial risks are to be disclosed.

Amsterdam, 27 August 2010

The Board of Management:

Mr. J. Perez Enriquez

Mr A.J. Pleguezuelo Witte

Mr. W.H. Kamphuijs

Equity Trust Co. N.V.

Balance Sheet as at 31 December 2008

(Before proposed appropriation of result)

	Notes	December 31, 2008		December 31, 2007	
		€	€	€	€
Current assets					
Time deposit (Banco Popular)		0		200,000,000	
Deferred Expenses Subordinated EMTN		0		268,639	
Interest Receivable on Deposits (Banco Popular)		2,825		1,099,951	
Interest Receivable on Deposits (Deutsche Bank)		296		1,249	
Receivable shareholder		11,533		11,533	
Cash at banks		2,246,909		2,229,353	
Total current assets			2,261,563		203,610,725
TOTAL ASSETS			2,261,563		203,610,725
<i>Shareholder's equity and liabilities</i>					
Shareholder's equity					
	4				
Share Capital		18,000		18,000	
Share Premium		1,982,000		1,982,000	
Accumulated Profits		187,038		116,068	
Result for the Financial Year		4,465		70,969	
			2,191,503		2,187,037
Current liabilities					
Loans Payable EMTN Programme		0		200,000,000	
Deferred Income Subordinated EMTN		0		268,639	
Interest Payable on Loans EMTN Programme		0		1,096,000	
Corporation Income Tax Payable		24,910		9,768	
Other Payables and Accrued Expenses		45,150		49,281	
			70,060		201,423,688
Total shareholder's equity and liabilities			2,261,563		203,610,725

Profit and Loss Account 2008

	Notes	2008	2007
		€	€
Financial income/(charges)			
Interest Income on Deposits EMTN Programme		6,494,058	9,243,360
Other Interest Income		3,192	5,398
Deferred Income Subordinated EMTN		268,639	47,561
Interest Expenses on Loans EMTN Programme		(6,396,000)	(9,040,000)
Deferred Expenses Subordinated EMTN		(268,639)	(47,561)
		<hr/>	<hr/>
Total financial income/(charges)		101,250	208,758
 Other income /(expenses)			
Commitment & Administration Fees		(34,189)	(23,015)
Legal Expenses		(73)	0
Professional Services Fees		(19,387)	(61,886)
Administration and Office Expenses		(1,915)	(499)
Bank Charges		(417)	(239)
Other charges		(1,605)	(233)
Other income /(expenses)		0	(39,308)
		<hr/>	<hr/>
Total other income /(expenses)		(57,586)	(125,180)
 Result before tax		43,664	83,578
 TAXATION			
Corporate tax	7	(24,776)	(28,384)
Corporate tax previous years		(14,423)	15,775
		<hr/>	<hr/>
Result after tax		4,465	70,969

Cash Flow Statement 2008

	2008		2007	
	€	€	€	€
Cash flow from operating activities				
Result after tax		4,465		70,696
Change in working capital:				
Change in current assets	5,721		36,849	
Change in interest receivable	1,098,079		(230,262)	
Change in interest on loans	(1,096,000)		228,000	
Change in current liabilities (exclusive of finance balances)	5,291		47,856	
		13,091		82,443
Cash flow from ordinary activities		17,556		153,412
Cash flow from investment activities				
Increase/(decrease) in financial fixed assets	(200,268,639)		0	
		(200,268,639)		0
Cash flow financial activities				
Increase/(decrease) liabilities	200,268,639		0	
		200,268,639		0
Net cash flow		17,556		153,412
Increase/(decrease) in cash and cash equivalents		17,556		153,412
The movements of funds can be specified as follows:				
Net cash used in financing activities		0		0
	2008		2007	
	€	€	€	€
Balance cash at banks as at 1 January		2,229,353		2,075,941
Movements during the year		17,556		153,412
Balance cash at banks as at 31 December		2,246,909		2,229,353

Notes to the annual accounts

1 General

1.1 Activities

Popular Capital Europe B.V., a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, with registered office at Strawinskylaan 3105 postal code 1077ZX, was incorporated under the laws of the Netherlands on 15 July 2003.

The principal activities of the Company consist of financing of group entities.

1.2 Related parties

The Company is considered a subsidiary of Grupo Banco Popular, Madrid, Spain. As a result the figures of the Company are consolidated in the consolidated financial statements of Grupo Banco Popular. Therefore Grupo Banco Popular is considered a related party.

1.3 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks and in hand and the bank overdraft forming part of the current liabilities.

Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

2 Principles of valuation of assets and liabilities

2.1 General

The annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in euro.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 Financial fixed assets

Other receivables disclosed under financial fixed assets include loans and bonds, which will be held to maturity date. These receivables are stated at nominal value. If debentures are acquired or loans are issued at a discount or premium, the discount or premium is taken to the profit and loss account over the term of the debentures or loans. Fair value of the loans and bonds is the nominal value including accrued interest and without deferred expenses.

2.4 Deferred expenses

Deferred expenses are amortised on a pro-rata basis over the period to maturity of the underlying bond or note.

2.5 Receivables

Trade debtors are carried at the nominal value of the consideration, usually its face value. A provision is made for doubtful debts.

2.6 Cash at bank and in hand

Cash represents cash in hand, bank balances and deposits with a maturity of less than twelve months. Current account overdrafts at banks are included under debts to credit institutions under the heading current liabilities.

2.7 Long-term liabilities

Long-term liabilities are valued at notional value.

2.8 Deferred income

Deferred income is amortised on a pro-rata basis over the period to maturity of the underlying bond or note.

3 Principles for determination of result

3.1 General

Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

3.2 Financial income and expense

Interest income and expense is recognised on a pro-rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising the interest charges, the transaction cost on the loans received is taken into account.

3.3 Tax on profit/(loss) on ordinary activities

Corporate tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

Notes to the balance sheet and profit and loss account

4 Shareholders' equity

The authorised share capital of the Company consists of 900 shares of EUR 100 each, of which 180 shares have been issued and fully paid-up.

	31-Dec-2008	31-Dec-2007
Issued share capital	18,000	18,000
Share premium	1,982,000	1,982,000
Accumulated deficit at beginning of year	187,038	116,069
Profit/(Loss) for the year	4,465	70,969
Accumulated Result at end of year	191,503	187,038
Capital and reserves	2,191,503	2,187,038

5 Average number of employees

During the year 2008, the average number of employees calculated on a full-time-equivalent basis was 0 (2007: 0). Of these employees 0 is employed abroad (2007: 0).

6 Directors

The Company had four directors during the year under review. Two of them received EUR 7,216 for their activities (2007: EUR 7,612).

7 Taxation on result on ordinary activities

The Company has obtained a tax ruling from the Dutch tax authorities stipulating that certain minimum taxes be paid in respect of its finance activities and a maximum of expenses is deductible. In view of the early redemption and the taxable income ruling for past and future years a compromise was reached with the tax authorities and in 2008 an adjustment remuneration of Euro 57,568 was reported in the taxable income of 2008, resulting in taxation for the year of Euro 24,776.

Amsterdam, 27 August 2010

The Board of Management:

Mr. J. Perez Enriquez

Mr A.J. Pleguezuelo Witte

Mr. W.H. Kamphuijs

Equity Trust Co. N.V.

Other information

Profit appropriation according to the Articles of Association

According to article 19 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders. If and to the extent that a loss sustained in any fiscal year is not recovered from a reserve or made up in some other way, no distribution of profit shall be made in subsequent years as long as such loss has not been recovered. Article 19 of the Articles of Association provides that, insofar as there is a profit in the Company, The Board of Directors may declare an interim dividend.

Proposed appropriation of profit

The Board of Management proposes to transfer the profit for the year 2008 in the amount of EUR 4,465 to the accumulated results and proposes that consequently no dividend will be declared and paid.

Post balance sheet events

The Company early redeemed the Notes on 22 August 2008, pursuant to condition 6(e) of the terms and conditions of the Notes included in the offering circular of the programme, and to condition 21 of the pricing supplement dated 20 August 2003. It is the intention to liquidate the Company in the course of 2010.

To: the General Meeting of Shareholders of Popular Capital Europe B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of Popular Capital Europe B.V. , Amsterdam as set out on pages 3 to 12 which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

The Board of Management's responsibility

The Board of Management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Annual Report of the Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by The Board of Management, as well as evaluating the overall presentation of the financial statements.

Reference: RvA/e0179768

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Popular Capital Europe B.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Annual Report of the Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 27 August 2010

PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA