

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

PricewaterhouseCoopers
Accountants N.V.

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Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Popular Capital Europe B.V., Amsterdam as set out on pages 6 to 19 which comprise the balance sheet as at 31 December 2006, the profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, 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 directors, as well as evaluating the overall presentation of the financial statements.

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 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

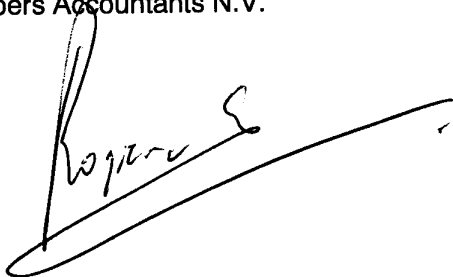
Report on other legal and regulatory requirements

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

Amsterdam, 6 July 2007

PricewaterhouseCoopers Accountants N.V.

R. van Adrichem RA



Popular Capital Europe B.V.

Amsterdam

Annual Report 2006

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26-07-07

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Annual report of the directors

Popular Capital Europe B.V., Amsterdam

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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, 2006.

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 ('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. In 2003 the Company has issued Notes for a total amount of EUR 2,500,000,000. The main portion of this amount was placed on a fixed deposit with Banco Popular Español S.A.

Results

During the year ending December 31, 2006, the company realized a net profit of €52,686.

Future developments

For the year 2007, the Managing Directors expect virtually no change in the nature and size of business of the Company.

Financial Risks

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flows. The currency risk of the Company is limited to one foreign currency bank account with a balance of US \$ 50 thousands at December 31, 2006.

Interest rate risk

Interest rate risk is 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 is mitigated by the placement and advances with its Parent Company (Note 4). Interest rates both of preference shares and loans and advances are matched.

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Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The Company's credit risk is concentrated with Banco Popular Español, S.A., its Parten company, which is a high credit quality financial institution in Spain:

Agency	Global	Short term	Long term
Fitch IBCA	A	F1+	AA
Moody's	A-	P1	Aa1
Standard & Poor		A1+	AA

The Company has not entered into other transactions that might generate credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and other due from parent balances, the availability of funding through an adequate amount of commitment credit facilities and the ability to close out market positions.

Due to the nature of the Company's business, its exposure to liquidity risk is not significant.

Amsterdam, 07 July 2007

The Board of Management:

Mr. J. Perez Enriquez

Mr A.J. Pleguezuelo Witte

Mr. W.H. Kamphuijs

Equity Trust Co. N.V.

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Company annual accounts

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Balance sheet as at 31 December 2006

(before proposed appropriation of result)

		31 December 2006		31 December 2005	
Assets	Ref.	€	€	€	€
Financial Fixed assets					
Time deposit Banco Popular	4	200,000,000		200,000,000	
Deferred expenses subordinated EMTN	4	268,650		316,200	
			200,268,650		200,316,200
Current assets					
Interest receivable on deposits		870,938		591,953	
Deferred expenses subordinated EMTN	4	47,550		47,550	
Accrued interest bank	5	1,419		-	
Taxation		15,783		868	
Receivable Banco Popular Español		65,151		67,519	
			1,000,841		707,890
Time deposit (Banco Popular)	4	1,886,148		1,833,320	
Cash at bank (Deutsche Bank)		189,793		-	
Cash at bank (ABN AMRO Bank)		-		191,509	
			2,075,941		2,024,829
			203,345,432		203,048,919

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		31 December 2006		31 December 2005	
	Ref.	€	€	€	€
Shareholders' equity and liabilities					
Shareholders' equity					
	6				
Issued share capital		18,000		18,000	
Share premium		1,982,000		1,982,000	
Accumulated results		63,382		16,956	
Result for the year		52,686		46,426	
			2,116,068		2,063,382
Creditors: amounts falling due more than one year					
Loan payable EMTN Programme	8	200,000,000		200,000,000	
Deferred income	8	316,200		363,750	
			200,316,200		200,363,750
Creditors: amounts falling due within one year					
Interest payable on EMTN loans		868,000		590,000	
Corporate Income tax payable		31,243		10,411	
Accruals	9	13,921		21,376	
			913,164		621,787
			203,345,432		203,048,919

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Profit and loss account 2006

	2006	2005
Ref.	€	€
<i>Interest income</i>		
-Interest income on deposit Banco Popular	6,565,813	5,043,618
-Interest income on bank	4,348	3,012
-Deferred income on deposit	47,550	47,550
<i>Interest expense</i>		
-Interest expense on EMTN notes	(6,512,000)	(4,993,988)
-Deferred expenses on EMTN notes	(47,550)	(47,550)
Interest Margin	58,161	52,642
<i>Other income</i>	57,409	67,519
<i>Operational costs</i>		
-legal	-	(603)
-bank	(234)	(248)
-general	(41,819)	(51,663)
Result before tax	73,517	67,647
Corporate income tax	12 (20,831)	(20,287)
Corporate income tax previous years	-	(934)
Result after tax	52,686	46,426

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Cash flow statement 2006

		2006	2005
Ref.	€	€	€
Cash flow from operating activities			
Operating result (net sales margin)		52,686	46,426
Changes in working capital:			
Depreciation current assets	33,584	(19,379)	
Changes in interest receivable	(278,985)	23,942	
Changes in interest on loans	278,000	40,000	
Current liabilities (exclusive of finance balances)	(34,173)	(103,199)	
		(1,574)	(58,636)
Cash flow from ordinary activities		51,112	(12,210)
Net cash flow		51,112	(12,210)
Increase/(decrease) in cash and cash equivalents		51,112	(12,210)

The movement of funds can be specified as follows:

	2006	2005
	€	€
Balance as at 1 January	2,024,829	2,037,039
Movements during the year	51,112	(12,210)
Balance as at 31 December	2,075,941	2,024,829

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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, 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.

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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.

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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

Profit 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 Financial fixed assets

Per 31 December 2006 under financial fixed assets there was one deposit, the interest on the time deposits is floating under the same conditions as on the loans (Euribor + margin), outstanding with Banco Popular Español S.A.

<u>Amount</u>	<u>Interest rate at year end</u>	<u>Effective interest rate</u>	<u>Maturity date</u>
EUR 200,000,000	3.903%	3.256%	22/08/2013

Per 31 December 2006 under current assets there was one deposit outstanding with Banco Popular Español S.A.:

<u>Amount</u>	<u>Contract interest rate</u>	<u>Effective interest rate</u>	<u>Maturity date</u>
EUR 1,886,148	3.7900%	2,90%	17/06/2007

	Time deposit Banco Popular	Deferred expenses
Book value	200,000,000	476,000
Accumulated amortisation		(112,250)
Balance as at 1 January	200,000,000	363,750
Movements during the year		
- amortisation	-	(47,550)
Balance as at 31 December	200,000,000	316,200
Long term portion	200,000,000	47,550
Short term portion	-	268,650

	<u>Present value</u>		<u>Nominal value</u>	
	<u>31-12-2006</u>	<u>31-12-2005</u>	<u>31-12-2006</u>	<u>31-12-2005</u>
	€	€	€	€
Time Deposit	200,551,800	200,226,250	200,000,000	200,000,000

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5 Receivables

Accrued interest bank

	31-12-2006	31-12-2005
	€	€
Accrued interest bank	1,419	-
	1,419	-

6 Shareholders' equity

	Issued share capital	Share premium	Accumula- ted results	Result for the financial year	Total
	€	€	€	€	€
Balance as at 1 January 2006	18,000	1,982,000	16,956	46,426	2,063,382
Movements					
Appropriation of result	0	0	46,426	(46,426)	0
Result for the financial year	0	0	0	52,686	52,686
Balance as at 31 December 2006	18,000	1,982,000	63,382	52,686	2,116,068

7 Share capital

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.

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8 Long-term liabilities

Per 31 December 2006, the company has 1 issue under the programme for the issuance of euro medium term notes (Offering Circular). The principal and interest of this issue is unconditionally and irrevocably guaranteed by Banco Popular Español, S.A. The ratings assigned to the Euro notes issues under this programme are as follows:

Fitch Ratings:	AA-
Moody's:	Aa2
Standard & Poor's:	AA-

The details of the issued note are as follows:

<u>Currency</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Maturity</u>
EUR	200,000,000	Euribor 3m + 0,3%	22/08/2013

	<u>Present value</u>		<u>Nominal value</u>	
	<u>31-12-2006</u>	<u>31-12-2005</u>	<u>31-12-2006</u>	<u>31-12-2005</u>
	€	€	€	€
EMTN Programme	200,551,800	200,226,250	200,000,000	200,000,000

9 Current liabilities

Accruals

	<u>31-12-2006</u>	<u>31-12-2005</u>
	€	€
Audit expenses	9,520	9,520
General expenses	4,401	11,856
	<u>13,921</u>	<u>21,376</u>

10 Average number of employees

During the year 2006, the average number of employees calculated on a full-time-equivalent basis was 0 (2005: 0). Of these employees 0 is employed abroad (2005: 0).

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11 Directors

The Company had four directors during the year under review. Two of them received EUR 3,681 each for their activities.

12 Taxation on result on ordinary activities

The taxation on result on ordinary activities amounting to € 52,686 can be specified as follows:

	2006	2005
	€	€
Result from ordinary activities before taxation	73,517	67,647
Taxation on result on ordinary activities	(20,831)	(20,287)
Effective tax rate	28,33%	29,99%
Applicable tax rate	27,55%	29,25%

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.

Amsterdam, 07 July 2007

The Board of Management:

Mr. J. Perez Enriquez

Mr A.J. Pleguezuelo Witte

Mr. W.H. Kamphuijs

Equity Trust Co. N.V.

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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 2006 in the amount of EUR 52,686 to the accumulated results and proposes that consequently no dividend will be declared and paid.

Post balance sheet events

No other events have occurred since 31 December 2006 that would make the present financial position substantially different from that shown in the balance sheet at the balance sheet date, or which would require an adjustment to or disclosure in the annual accounts.

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Auditors' report

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