

2008 CORPORATE GOVERNANCE REPORT



BANCO POPULAR ESPAÑOL, S.A.

CORPORATE GOVERNANCE REPORT FOR 2008

A STRUCTURE OF OWNERSHIP

A.1. Complete the following table on the capital stock of the company:

<u>Date of last change</u>	<u>Capital stock (€)</u>	<u>Number of shares</u>	<u>Number of voting rights</u>
11-10-2008	123,574,055.10 €	1,235,740,551	1,235,740,551

Indicate whether or not there are various classes of stock with different associated rights:

<u>Class</u>	<u>Number of shares</u>	<u>Unit par value</u>	<u>Yes</u>	<u>No</u>	<u>Different rights</u>
				Unit number of <u>voting rights</u>	

The economic rights corresponding to the 20,308,011 shares issued to cover the swap ratio for the absorption of Banco de Castilla, S.A., Banco de Crédito Balear, S.A., Banco de Galicia, S.A. and Banco de Vasconia, S.A. by Banco Popular Español, S.A. have been made equal to those corresponding to the remainder of the shares making up capital stock as from January 12, 2009.

A.2. Detail the direct and indirect owners of significant shareholdings in the company at year end, excluding the directors:

<u>Name of shareholder</u>	<u>Number of direct voting rights</u>	<u>Number of indirect voting rights (*)</u>	<u>% of total voting rights</u>
Topbreach Holding, B.V.	94,177,632	-	7.621
Unión Europea de Inversiones, S.A.	65,876,857	9,975,691	6.138
Casa Kishoo, S.A.	59,991,556	780,000	5.066

(*) Through:

Detail the most significant changes in the shareholder structure during the year:

<u>Name of the shareholder</u>	<u>Transaction date</u>	<u>Transaction description</u>
Casa Kishoo, S.A.	07-23-2008	5% of voting rights exceeded
Invernima, S.L.	10-31-2008	Stake reduced to under 3% of voting rights

A.3. Complete the following tables on directors of the company that hold voting shares in the company:

<u>Name of the director</u>	<u>Number of direct voting shares</u>	<u>Number of indirect voting shares (*)</u>	<u>% of total voting</u>
Allianz, SE	10	116.197.622	9,40
Aparicio, Francisco	380.560	0	0,03
Asociación de Directivos de BPE	40.000	0	0,00
Ferreira de Amorim, Americo	500	94.177.632	7,62
Gancedo, Eric	229.228	131.307	0,03
Herrando, Luis	3.950	4.000	0,00
Higuera, Roberto	67.000	0	0,01
Lucía, José María	14.108	0	0,00
Molins, Casimiro	22.000	0	0,00
Montuenga, Luis	83.479	0	0,01
Morillo, Manuel	50	0	0,00
Nigorra, Miguel	517.003	2.608.747	0,25
Osuna, Nicolás	0	34.218.232	2,77
Revoredo, Helena	0	5.671.840	0,46
Rodríguez, José Ramón	146.364	132.402	0,02
Ron, Ángel	62.554	0	0,01
Santana, Vicente	11.000	1.403.140	0,11
Sindicatura de Accionistas de BPE	16.236.760	159.682.473 (1)	14,24
Solís, Miguel Ángel	763.805	308.935	0,09
Tardío, Vicente	15.690	0	0,00
Total (direct and indirect)	18,594,061	414,536,330	35,05
Voting rights habitually represented (2)			5,57
Total rights			40,62

(1) **Indirect shareholding owned by Sindicatura de Accionistas de BPE:** This includes the shares held at December 31, 2008 by Unión Europea de Inversiones, S.A. which are either directly or indirectly syndicated, representing 5.421% of capital stock. 600,482 shares held directly by other Directors have been deducted. Without this deduction, Sindicatura's indirect shareholding amounts to 160,282,955 shares and its total shareholding to 176,519,715 shares (14.285%).

(2) **Shares represented:** This table does not include the breakdown of shares habitually represented by Board Members, which amount to approximately 5.57% of capital stock. This percentage includes most notably the following shareholdings: 1.20% owned by the Gancedo family and represented by Mr. Eric Gancedo; 1.04% represented by Mr. Luis Montuenga; 0.83% owned by the Solís family and represented by Mr. Miguel Ángel de Solís; 0.75% represented by Mr. Vicente Santana.

(*) Through:

Director's name:

Allianz, SE

<u>Name of the direct owner of the shareholding</u>	<u>Number of direct voting rights</u>	<u>% of total voting rights</u>
Dresdner Holding B.V. Amsterdam	77,829,354	6.298
Otros	38,368,268	3.105
Total:	116,197,622	9.403

Director's name:

D. Americo Ferreira de Amorim

<u>Name of the direct owner of the shareholding</u>	<u>Number of direct voting rights</u>	<u>% of total voting rights</u>
Topbreach Holding, B.V.	94,177,632	7.621
Total:	94,177,632	7.621

Director's name:

SINDICATURA DE ACCIONISTAS DE BPE

<u>Name of the direct owner of the shareholding</u>	<u>Number of direct voting rights</u>	<u>% of total voting rights</u>
Pluralidad de inversores particulares	92,685,368	7.500
Unión Europea de Inversiones, S.A.	66,997,105	5.421
Total:	159,682,473	12.921

% Total voting rights held by the Board of directors 35.05% ()**

(**) This percentage does not include the shares habitually represented by Board Members, amounting to approximately 5.57% of the capital stock.

Total capital stock represented by the Board of Directors, taking into account directly and indirectly owned and habitually represented shares, amounts to 40.62%.

Complete the following tables about Board members holding rights on company shares:

<u>Director's name</u>	<u>Number of direct option rights</u>	<u>Number of indirect option rights</u>	<u>Equivalent number of shares</u>	<u>% of total voting rights</u>
-	-	-	-	-

A.4. If there are family, commercial, contractual or corporate relationships between owners of significant shareholdings, to the extent that the company has knowledge of them, detail them below unless they are scantily relevant or arise from ordinary commercial transactions:

<u>Related entity's name</u>	<u>Type of relationship</u>	<u>Brief description</u>
Topbreach Holding, B.V. y Unión Europea de Inversiones, S.A.	Corporate	Topbreach Holding, B.V. owns a significant stake in Unión Europea de Inversiones, S.A.

A.5. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantily relevant or arise from ordinary commercial transactions:

<u>Related entity's name</u>	<u>Type of relationship</u>	<u>Brief description</u>
Popular de Mediación, S.A. (wholly owned by BPE) and Allianz	Contractual	Marketing of Allianz's general insurance policies through the banks pertaining to Banco Popular Group.
Banco Popular - Allianz	Contractual	Contractual Externalization of pension commitments to serving and retired staff.
Grupo Banco Popular - Allianz	Contractual	Contractual Externalization of pension commitments to serving and retired staff.
Banco Popular - Allianz	Corporate	Eurovida, S.A., Cía Seguros y Reaseguros, a life insurance company in which the stake held is 49%-51% and Europensiones, S.A., a pension fund, in which the stake is 51%-49%.

- A.6. Indicate whether any pact between shareholders affecting the company have been reported in accordance with the provisions of Article 112 of the Stock Market Act. If any, provide a brief description and list the shareholders bound by the pact:

<u>Parties to the pact</u>	<u>Yes</u>	<u>No</u>	<u>Brief description of the pact</u>
Multiple minority shareholders (2,619 a 31-12-2008)		% of capital stock affected 14.285	A gentleman's agreement by which the syndicated shareholders are bound for such time as they freely decide

Indicate whether or not there are any pacts regarding shares between shareholders of the company of which the company is aware:

<u>Parties to the pact</u>	<u>Yes</u>	<u>No</u>	<u>Brief description of the pact</u>
-		% of capital stock affected -	-

State below any change in or termination of such pacts or agreements or share pacts during the year:

-

- A.7. State whether there is any individual or legal entity that exercises or may exercise control over the company in the terms of Article 4 of the Securities Market Law. If so, indicate them:

<u>Name</u>	<u>Yes</u>	<u>No</u>	<u>Observations</u>
-			-

- A.8. Complete the following tables about the company's treasury stock:

At year end:

<u>Number of directly owned shares</u>	<u>Number of indirectly owned shares (*)</u>	<u>% of total capital stock</u>
1,987	10,114,385	0.82

(*) Through:

<u>Name of the direct owner of the holding</u>	<u>Number of directly owned</u>
Finespa, S.A.	277,332
Inmobiliaria Viagracia, S.A.	640,610
Gestora Popular, S.A.	9,196,443
Total:	10,114,385

Detail the significant variations, as defined in Royal Decree 1362/2007, during the year:

<u>Date reported</u>	<u>Total direct shares acquired</u>	<u>Total indirect shares acquired</u>	<u>% total of capital stock</u>
16-10-2008	11,101,304	1,139,207	1%
Capital gain/(Loss) on treasury stock sold during the period		957,130.02 €	

Treasury stock transactions are normally of minor amounts and form part of the ordinary operations of the Bank's Treasury area.

A.9. Detail the conditions and the period(s) of the authorization(s) granted by the Shareholders' Meeting to the Board of Directors for the purchases or sales of treasury stock.

The General Shareholders' Meeting held on May 30, 2008 authorized the Bank's Board of Directors to acquire treasury stock, in the forms permitted by law, subject to the limits and requirements stated below:

- * That the face value of the shares acquired, when added to that of those already owned by the Bank and its subsidiaries, does not at any time exceed 5% of the capital stock.
- * That the Bank and, where appropriate, the acquiring subsidiary, have the capacity to record the restricted reserve prescribed by law for such cases without reducing the capital or the legal reserve or the reserves which are restricted pursuant to the bylaws.
- * That the shares acquired have been fully paid.
- * That the acquisition price is not lower than the face value or 20% higher than the market price at the Stock Exchange session on the day of purchase.

This authorization, which is granted for the maximum legal period of 18 months, is without prejudice to the application of the cases addressed in the law as of free acquisition.

The Board of Directors is further authorized to dispose of the treasury stock acquired or that may be acquired in the future and to cancel the shares of treasury stock against equity and to make the consequent capital reduction and bylaw amendment, for such amount as may at any time be desirable or necessary, up to the maximum of the treasury stock held at any time, on one or several occasions and always within a maximum period of 18 months from the date of the Shareholders' Meeting.

A.10. Indicate the legal and bylaw restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock.

Indicate the legal and bylaw restrictions, if any, on the exercising of voting rights:

Yes

No

Maximum percentage of voting rights that may be exercised by a shareholder due to legal restrictions

Indicate whether or not there are legal and bylaw restrictions on the exercising of voting rights:

Yes

No

Maximum percentage of voting rights that may be exercised by a shareholder due to bylaw restrictions 10%

Describe any legal and bylaw restrictions on the exercising of voting rights

The Bylaws state that the maximum number of votes that may be cast by any one shareholder or companies belonging to any one group is 10% of the votes to be cast at the Shareholders' Meeting concerned.

Indicate whether or not there are legal restrictions on the purchase or sale of ownership interests in capital stock:

Yes

No

Describe the legal restrictions on the purchase or sale of ownership interests in capital stock

Legal restrictions on the purchase or sale of ownership interests in capital stock.

Articles 57, 58 and 60 of Law 26/1988 on Discipline and Intervention of Credit Institutions establishes a procedure for prior reporting to the Bank of Spain of the acquisition or sale of a significant holding in a Spanish credit institution or the increase or decrease thereof in excess of the percentages of capital stated in Article 57.2. The Bank of Spain will have a maximum period of three months from the date of its being notified to oppose, if appropriate, the intended acquisition.

A.11. Indicate whether or not the Shareholders' Meeting has adopted any measures to neutralize any public acquisition offer in accordance with the provisions of Law 6/2007:

Yes

No

Explain any measures approved and the terms under which the restrictions would become inefficient:

B STRUCTURE OF GOVERNANCE OF THE BANK

B.1 Board of Directors

B.1.1. Maximum and minimum number of directors per the bylaws:

Maximum number of directors	20
Minimum number of directors	12

B.1.2. Complete the following table with information regarding members of the Board:

<u>Name</u>	<u>Representative</u>	<u>Title</u>	<u>First appointed</u>	<u>Last appointed</u>	<u>Election procedure</u>
Allianz, SE	Herbert Walter	Director	12-15-2008	12-15-2008	Board
Aparicio, Francisco		Secretary	12-18-2003	05-30-2007	Shareholders Meeting
Asociación de Directivos de BPE	Roberto Higuera	Director	11-27-1980	05-30-2008	"
Ferreira de Amorim, Americo		Director	05-27-2003	05-30-2008	"
Gancedo, Eric		Director	06-20-2002	05-30-2008	"
Herrando, Luis		Vicepresident	06-21-2001	05-30-2007	"
Higuera, Roberto		Vicepresident and CEO	05-30-2008	09-11-2008	"
Lucía Aguirre, José María		Director	07-18-2007	05-30-2008	"
Molins, Casimiro		Director	11-24-1987	05-30-2008	"
Montuenga, Luis		Director	12-01-1987	05-30-2008	"
Morillo, Manuel		Director	06-23-1999	05-30-2008	"
Nigorra, Miguel		Director	12-19-1974	05-30-2008	"
Osuna, Nicolás		Director	05-30-2007	05-30-2007	"
Revoredo, Helena		Director	05-30-2007	05-30-2007	"
Rodríguez, José Ramón		Director	12-01-1987	05-30-2008	"
Ron, Ángel		Chairman	Consejero 03-14-2002 Presidente 10-19-2004	05-30-2008	"
Santana, Vicente		Director	05-27-2003	05-30-2008	"
Sindicatura de Accionistas de BPE	José María Mas	Director	06-28-1988	05-30-2007	"
Solís, Miguel Ángel		Director	12-18-1996	05-30-2008	"
Tardío, Vicente		Director	12-19-2007	05-30-2008	"

Total number of directors **20**

Directors who left the Board during the year:

<u>Name</u>	<u>Board position at the time</u>	<u>Date of departure</u>
Herbert Walter	Domanial	12-15-2008

B.1.3. Complete the following tables about Board members and their classification:

EXECUTIVE DIRECTORS

<u>Name</u>	<u>Commission proposing Appointment</u>	<u>Profile</u>
Ron, Ángel	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Chairman Degree in Law. Has held various posts in the Bank and at Spanish financial entities since 1984; appointed General Manager of the Bank in 1998, CEO in March 2002. On October 19, 2004 he was appointed Chairman.
Higuera, Roberto	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Vice-chairman and CEO Aeronautical engineer Professional activity has been mainly with the Banco Popular, where he has held, among other positions, those of Manager of International Activities, General Manager of Banco Popular Hipotecario, and Chief Financial Officer. He was appointed Vice-chairman in May 2008 and CEO in September 2008.
Asociación de Directivos de BPE (representative Roberto Higuera)	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Director Associate. It gathers those employees part of the management team who have decided to join the association.
Aparicio, Francisco	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Secretary In practice since 1979. On joining the Bank he ceased to be a partner of an international law firm, of which he is still "off counsel" but unpaid.
Total number of Executive Directors % of the total Board		4 20%

EXTERNAL DOMANIAL DIRECTORS

<u>Name</u>	<u>Commission proposing Appointment</u>	<u>Name of significant shareholder or proposed appointment</u>	<u>Profile</u>
Ferreira de Amorim, Americo	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Topbreach Holding, B.V.	Businessman. Chairman of the Amorim Group, founded in 1870, world leader in the cork industry, with substantial investments in the property, tourism and financial areas. The Amorim Group operates in 32 countries.
Montuenga, Luis	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Unión Europea de Inversiones, S.A.	Businessman. He has held executive and corporate posts at chemical and pharmaceutical companies Ibérica, Naarden Internacional y Productos Orgánicos, S.A. He plays and active role in social-cultural projects such as the Youth Foundation.
Osuna, Nicolás	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Invernima, S.L.	Businessman. He is the Chairman of Noga Group, which is active in the real estate, hotel, agriculture and forestry sectors. It is one of the top three real estate development companies in Spain and through its subsidiary Hoteles Center; it has built and directly manages a hotel chain.
Sindicatura de Accionistas de BPE (representative José M ^a Mas)	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee		Association. Groups together small Bank shareholders, which allows them to be represented on the Board of Directors. José María Mas is the founding partner of MC&Co Asesores Legales, and has formed part of the Board of Directors of several companies such as, Banco Zaragozano and the Secretary to the Board of Telefónica. Among other companies, he is currently a Director of SOS Cuétara, Autopistas Aumar and Realía.

EXTERNAL DOMANIAL DIRECTORS

<u>Name</u>	<u>Commission proposing Appointment</u>	<u>Name of significant shareholder or proposed appointment</u>	<u>Profile</u>
Tardío, Vicente	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Grupo Allianz	Degree in Economics and Actuary, received from the University of Barcelona. He is the Chairman and CEO of Allianz Seguros and a member of the International Executive Committee of Allianz Group. Previously he held the position of CEO at Allianz Ras (1995-1998) and Vice Chairman and CEO of Allianz Seguros (1999-2005).
Allianz, SE (representative Herbert Walter)	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Grupo Allianz	<p>Allianz SE is one of the world's largest insurers and providers of financial services, in addition to being one of the first S.E. (Societas Europaea) companies. Founded in 1890, it currently has a presence in over 70 countries, with more than 170,000 employees. Allianz offers its customers worldwide - which number more than 80 million - a broad range of services in the Non-life, Life and Health insurance, banking and Asset management areas.</p> <p>Mr. Walter has a PhD in Business Administration. Since 1982 he has held several management positions in various companies, and at Deutsche Bank AG. Since March 2003 he has been a member of the Board of Directors of Allianz AG in Munich and Chairman of the Board of Directors of Dresdner Bank AG. He is also a Director of Banco Português de Investimento.</p>

Total number of Independent Directors	6
% of total Board	30%

EXTERNAL INDEPENDENT DIRECTORS

<u>Name</u>	<u>Profile</u>
Gancedo, Eric	Degree in Law. Businessman. Active in the fields of trade, wine-making and property. He is a member of the Bank's founding family which has always been represented on the Board.
Herrando, Luis	Vice-chairman. Doctorate in industrial engineering and economics degree. He commenced his professional career at Babcock & Wilcox, and in 1967 he joined Induban (Banco Vizcaya). He was CEO at Aurora Group (78-93), now AXA. Director of companies in the insurance, property and venture capital fields. Honorary President of the Asociación para el Progreso de la Dirección (APD) in northern Spain. Chairman of the Fundación del Instituto de Educación e Investigación and of the Fundación de la Escuela de Ingenieros de Bilbao.
Morillo, Manuel	Professional With long business experience, particularly in the textile, real estate and construction sectors, he has played a relevant role to develop assistance projects in co-operation with the Generalitat de Catalunya and the national government. He habitually represents the holding in Banco Popular's capital stock of 0.31% of the Carmen y M ^a José Godó Foundation, of which he is Chairman.
Revoredo, Helena	She holds a degree in Business Administration from Universidad Católica de Buenos Aires and a PADE masters from IESE in Madrid. From 2004 she is the Chairwoman of the Security Company Prosegur and Euroforum, and since 2006 she is a member of the International Consultation Committee at IESE. She is also the Chairwoman of the Prosegur Foundation since it was founded in 1997. Between 1997 and 2004, she was the Vice Chair of Prosegur and a member of the Executive Board at the Family Business Institute, and between 2002 and 2005 she was the Chair of Adefam (Family Business Development Association in Madrid).
Rodríguez, José Ramón	Engineer and Businessman. In addition to his professional activity as a Civil Engineer, he has held several executive posts and directorships at companies in the textile, food and construction sectors.
Santana, Vicente	Businessman. Degree in Law. Stockbroker. He commenced his career in 1971 as a stockbroker at the Barcelona Stock Exchange and between 1983-1989 continued as a stockbroker at the Madrid Stock Exchange. Director of Sociedad Rectora de la Bolsa de Madrid 1991-1994.
Solís, Miguel A. de	Businessman. Very active business involvement, particularly in the real estate, agriculture/livestock and tourism industries.
Total number of Independent Directors	7
% of total Board	35%

OTHER EXTERNAL DIRECTORS

<u>Name</u>	<u>Commission proposing Appointment</u>	<u>Profile</u>
Molins, Casimiro	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Businessman. In addition to his activity at Cementos Molins, S.A. and at various real estate and construction companies in Spain and America, between 1962 and 1983 he was the Chairman of Banco Atlántico.
Lucía, José María	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	has a degree in Business Studies. He is coordinating Lecturer of the "Risks Analysis" course in the CUNEF Master's Degree programme. He joined Banco Popular in 1965 and has held a variety of positions as Investments Director of the Subsidiary Banks, Assistant Director General of Banco de Andalucía, head of the Treasury area in Banco Popular and General Risks Manager for the Group. He held office as the Bank's CEO from July 2007 through to September 2008.
Nigorra, Miguel	Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	Businessman and professional Qualified Property Registrar; apart from posts in the Group, has been active in public bodies (Palma de Mallorca Harbor Works Board) and in companies (Mare Nostrum and Inmobiliaria Urbis).
Total number of Independent Directors		3
% of total Board		15%

State the reasons why they may not be regarded as domanial or independent directors and their relations with the company, its directors or its shareholders:

<u>Name</u>	<u>Reasons</u>	<u>Associated company, executive or shareholder</u>
Molins, Casimiro	His shareholding percentage is not sufficient to make him a Domanial director. He cannot be classed as an independent director in view of his family tie to a Director of Union Europea de Inversiones, S.A., which is a significant shareholder of the bank.	Unión Europea de Inversiones, S.A.
Nigorra, Miguel	Owing to the absorption of Banco de Crédito Balear, S.A. by Banco Popular Español, S.A., Mr. Nigorra no longer owns the significant interest which he held in that company; at the same time, his holding in the capital of Banco Popular is not sufficient to make him a domanial director. He cannot be classed as an independent director in view of his family tie to a Director of Union Europea de Inversiones, S.A., which is a significant shareholder of the entity, and because his directly-owned shares are syndicated within Sindicatura de Accionistas de BPE.	Unión Europea de Inversiones, S.A.
Lucía, José María	Mr. Lucía has resigned from his position as CEO, does not perform senior management duties and is not an employee of the Bank, and for these reasons cannot continue to be classed as an Executive. His shareholding percentage is not sufficient to make him a Domanial director.	

State any changes that have taken place during the period in status of each director:

<u>Name</u>	<u>Date of change</u>	<u>Prior status</u>	<u>Current status</u>
Nigorra, Miguel	12-15-2008	Domanial	Other External
Lucía, José María	09-11-2008	Executive	Other External

B.1.4. State any reasons for which domanial directors have been appointed at the request of shareholders with less than a 5% stake in capital stock.

<u>Name</u>	<u>Reason</u>
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State whether or not there have been formal requests for positions on the Board from shareholders whose interest is equal to or exceeds that of others who have been designated Domanial Directors. If appropriate, explain why such requests were denied.

Yes	No
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<u>Name of the shareholder</u>	<u>Explicación</u>
Ramchand Wadhupal Bhavnani	At the date of the application, in September 2008, there were no vacancies on the Board and the request could not be met for this reason.

B.1.5. State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

<u>Name</u>	<u>Reason</u>
Walter, Herbert	Internal restructuring in the Allianz Group. He continues to be the natural person representing the Director Allianz SE.

B.1.6. State the powers, if any, delegated to the CEO:

<u>Name</u>	<u>Brief description</u>
Ron Güimil, Angel	President
Higuera, Roberto	Vice-chairman and CEO

Without prejudice to the differing scope of action corresponding to them in the Board, each of them exercises his powers jointly and severally. For details of the attributional scope of the Chairman of the Executive Committee and of the CEO, see point B.10.21.

The powers delegated include all the faculties of the Board of Directors, except those which cannot legally be delegated and those that cannot be delegated in accordance with Article 5.2 of the Board Regulations.

B.1.7. List the Board members, if any, that are directors or executives of other companies included in the group of the listed company:

<u>Name</u>	<u>Name of the Group company</u>	<u>Title</u>
Aparicio, Francisco	Banco de Andalucía	Director
Gancedo, Eric	Bancopopular-e	Non-Executive Chairman
Herrando, Luis	Popular Banca Privada	Non-Executive Chairman
Higuera, Roberto	Banco Popular Hipotecario Popular de Mediación Popular de Factoring Totalbank	Director President President Director
Lucía, José María	Popular Banca Privada	Director
Montuenga, Luis	Banco de Andalucía	Director
Rodríguez, José Ramón	Banco Popular Hipotecario	Non-Executive Chairman
Santana, Vicente	Popular Banca Privada	Director
Solís, Miguel Ángel	Banco de Andalucía	President
Tardío, Vicente	Eurovida	President

B.1.8. Indicate whether or not any Directors at your company are members of the Board of Directors at other non-group companies listed on the official stock exchanges in Spain, as reported to the Company:

<u>Name</u>	<u>Name of the Group company</u>	<u>Title</u>
Ferreira de Amorim, Américo	Unión Europea de Inversiones, S.A.	Director
Mas Millet, José M ^a (representative of Sindicatura de Accionistas de BPE)	Realia, S.A.	Director
Molins, Casimiro	Cementos Molins, S.A.	President
Montuenga, Luis	Unión Europea de Inversiones, S.A.	President
Revoredo, Helena	Prosegur, S.A.	President

B.1.9. State and, if appropriate, explained that whether or not the Company has established rules regarding the number of Boards to which its Directors may pertain:

Yes

No

Explanation of the rules

The Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee, in accordance with Article 25.4 of the Board Regulations, verifies compliance with internal rules that have been established regarding the number of Boards to which Directors may form part, which are those established by Law 31/1968 (27 July) on the incompatibilities and limitations of senior management at private banks.

In addition, as it is stipulated by Article 18.2 of the Board Regulations, during the time the post is held a rector may accept any appointment as Director or Executive of another bank, Investment Services Company, insurance Company or any other financial entity without the express and prior authorization of the Full Board of Directors, when such an entity carries out its activities, in full or in part, within the area in which Banco Popular or its subsidiaries operate.

B.1.10. With regard to Recommendation 8 of the Unified Code, indicate the general policies and strategies at the Company which must be approved by the full Board:

	Yes	No
The policy of investments and financing	Yes	
The definition of the structure for the group of companies	Yes	
The corporate governance policies	Yes	
The corporate responsibility policy	Yes	
The strategic or business plan, as well as management and annual budget targets	Yes	
The policy for evaluating senior management performance and compensation	Yes	
The risk management and control policy, as well as regular monitoring of internal information and control systems	Yes	
The policy for dividends, as well as treasury stock and, in particular, their limits	Yes	

B.1.11. Show in the following tables the aggregate compensation of the directors earned during the year.

The aggregate information provided in this section does not include that corresponding to Mr. José María Lucía Aguirre, who held office as CEO up to September 2008.

Note 10 of the Notes to the Financial Statements contained in the Annual report (page 235) provides individualised data on all remunerative items corresponding to the Board members, the remuneration of Mr. José María Lucía Aguirre being reported separately.

a) At the Company covered by this report:

<u>Compensation category</u>	<u>Thousand euros</u>
Fixed remuneration	2,116
Variable remuneration	851
Per diems	0
Directors' fees	0
Stock options and/or other financial instruments	0
Other	4
TOTAL:	2,971

<u>Other benefits</u>	<u>Thousand euros</u>
Advances	0
Loans granted	1,575
Pension plans and funds: Contributions	5,391
Pension plans and funds: Obligations	16,889
Life insurance premiums	10
Guarantees secured by the Company in favor of Directors	103

Mr. José María Lucía Aguirre resigned from his position as CEO and from his executive positions in the Group in 2008 for health reasons. During 2008 he received remuneration amounting in total to €754k, which is the amount of his retirement pension; he therefore received no variable remuneration. He is the beneficiary of life insurance premiums amounting to a total of €5k.

Mr. Roberto Higuera Montejo has held office as CEO since September 10, 2008. He has been Board Member and Vice-chairman of the Board of Directors since May 30, 2008. Prior to this, his participation in the Board had been limited to acting as the natural person representing the Bank's Asociación Profesional de Directivos. The preceding section indicates his overall remuneration for the entire year, although up to the time of his appointment as Board Member and Vice-chairman, he received his remuneration as General Finance Director and not as Board Member.

The figure of €5,391k includes the amounts corresponding to Executive Directors Messrs. Ron, Higuera and Aparicio. The breakdown of contributions to Pension Funds and Plans corresponding to current Directors, including that corresponding to Mr. José María Lucía Aguirre which amounts to €2,070k, are detailed in Note 10 of the Annual Report and amount to a total of €7,461k. The figure of €16,889k corresponds to vested rights and mathematical reserves linked to the pension rights of Directors Messrs. Ron, Higuera and Aparicio. A breakdown of these amounts is also provided in the Annual Report and makes up an aggregate sum of €25,294k, including the amounts corresponding to Mr. José María Lucía Aguirre which total €8,405k. The overall total corresponding to current and former Directors - who number 11 in total - is €56,132k.

b) For membership by Board members of other boards of directors and/or of senior management of Group companies:

<u>Compensation category</u>	<u>Thousand euros</u>
Fixed Remuneration	0
Variable remuneration	0
Per diems	0
Directors' fees	56
Stock options and/or other financial instruments	0
Other	0
TOTAL:	56

<u>Other benefits</u>	<u>Thousand euros</u>
Advances	0
Loans granted	8
Pension plans and funds: Contributions	0
Pension plans and funds: Obligations	0
Life insurance premiums	0
Guarantees secured by the Company in favor of Directors	102

c) Total remuneration by type of director:

<u>Type of director</u>	<u>By company</u>	<u>By group (€000)</u>
Executive	2,971	0
External domanial	0	0
External independent	0	0
Other external	0	56
Total	2,971	56

d) With respect to the attributed income of the parent company:

Total Director Compensation (thousand euros)	3,027
Total Director Compensation Profit attributed to the Parent Company (expressed in %)	0.2877%

Note 10 of the Annual Report sets the total remuneration figure at €3,023k, the sum of €19k corresponding to “life and health insurance premiums” being included separately. This Corporate Governance report breaks this amount of €19k down into: €15k corresponding to “life insurance”, including the €5k corresponding to the Director Mr. José María Lucía, and €4k for “other remunerative items”, which correspond to health insurance. In this Corporate Governance report, the sum of €4k is included in the total figure for remunerations (B.1.11.d), which therefore amounts to €3,027k.

B.1.12. List the members of senior management who are not executive directors and show the total remuneration earned by them during the year:

<u>Name</u>	<u>Title</u>
José Ramón Alonso Lobo	Sales Management
Jesús Arellano Escobar	General Directorate of Support Activities
Juan Echanojáuregui Soloaga	Business Development
Antonio Férez Pérez	Southern Management Office
Francisco Gómez Martín	Risk Management
José Fernando Martínez Isach	Network Address Bank of Castile
Rafael de Mena Arenas	Technical Secretariat
Eutimio Morales López	Comptroller
Alberto Muñoz Fernández	Chairman's Office
Tomás Pereira Pena	Legal Office
José Manuel Piñeiro Becerra	Asset Management
Antonio Pujol González	Central Management Office
Ernesto Rey Rey	Financial Management
Fernando Rodríguez Baquero	Technical Resources
Ángel Rivera Congosto	Sales Network Management
Jorge Rosell Granados	Totalbank
Francisco J.Safont Marco	Director for Cataluña, Aragón, Navarra and Rioja
Francisco Sancha Bermejo	Investor Relations
Fernando de Soto López-Doriga	Institutional Relations
Carlos Velázquez Gaban	Director for Mediterranean Area (Levante)
Total remuneration of members of senior management (€K)	7,066

This amount includes the cost of life and health insurance premiums, as disclosed in Note 10 to the 2008 Consoli-dated Financial Statements.

- B.1.13. State, on an aggregate basis, whether there are guarantee or protective measures in the event of dismissal or changes of control for members of the senior management, including executive directors, of the company or of its group. State whether these contracts have to be notified to and/or approved by the governing bodies of the company or of its group:

	Number of beneficiaries	-	
		<u>Board of Directors</u>	<u>Shareholders Meeting</u>
Body that approves the clauses	-	-	
		<u>YES</u>	<u>NO</u>
Is the general Meeting informed of clauses?	-	-	

- B.1.14. Describe the process for setting Board members' remuneration and the relevant Bylaw articles:

Process for establishing remuneration for the Members of the Board of Directors and the bylaws

Article 17 of the bylaws stipulates that the policy for remuneration of directors shall conform to the Bank's traditional criterion of not remunerating discharge of the office of Board Member.

The foregoing rule is compatible with receipt of such fees or salaries as may correspond to Board members that render professional or employment services, for other executive, advisory or representation functions, if any, which they perform other than those of supervision, deliberation, and adoption of resolutions that are proper to their status as directors.

Directors with no professional or employment relationship with the Bank shall have no remuneration except for group and third-party liability insurance for their actions as Directors.

Article 21 of the Board Regulations establishes that the Board of Directors shall review the policy of directors' remuneration, adopting such measures as it deems appropriate for the maintenance, correction or improvement thereof and, in particular, to conform it to the principles of moderation and relation to the earnings of the Bank. When establishing this policy, the Board will follow the recommendation of the Unified Code of Good Governance.

Remuneration and consultation policy for the Board of Directors

At the proposal of the Appointment, Remuneration, Corporate Governance and Conflict of Interest Commission, the Board of Directors shall approve the remuneration policy for Directors, which must cover at least the following matters: the amount of fixed components, broken down if appropriate, regarding the per diems paid for participation on the Board and its Commissions, and an estimate of the fixed annual remuneration they represent; variable remuneration, including in particular the main characteristics of the applicable retirement plans and the conditions that the agreements with those exercising these senior management duties of Executive Directors must meet.

The report approved by the Board of Directors regarding Director's remuneration policy is submitted by the Board to a vote by the General Meeting as a separate point of the agenda and on a consultation basis. This report is made available to shareholders, either separately or in any other manner that the Company considers advisable.

This report particularly focuses on the remuneration policy approved by the Board for the year already in progress, as well as any expected to be in force in future years. It covers all matters regarding the compensation policy, except for any that could involve the revelation of sensitive business information. It emphasizes the most significant changes in these policies compared with the policy applied last year to which the General Meeting refers. It also includes an overall summary of how the compensation policy was applied last year. The Board will also provide information of the role played by the Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission when preparing the compensation policy and, if any external advisory services were used, the identity of the external consultants will be revealed.

Information regarding Compensation.

This report particularly focuses on the remuneration policy approved by the Board for the year already in progress, as well as any expected to be in force in future years. It covers all matters regarding the compensation policy, except for any that could involve the revelation of sensitive business information. It emphasizes the most significant changes in these policies compared with the policy applied last year to which the General Meeting refers. It also includes an overall summary of how the compensation policy was applied last year. The Board will also provide information of the role played by the Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission when preparing the compensation policy and, if any external advisory services were used, the identity of the external consultants will be revealed.

Application of the Code of Good Governance

The rules regarding compensation set out in the Board Regulations and the General Meeting Regulations are applied and interpreted in accordance with the recommendations established in the chapter regarding compensation in the Unified Code of Good Governance dated May 22, 2006.

Indicate whether the Full Board approves the following decisions:

	Yes	No
At the proposal of the Chief Executive Officer, the appointment and dismissal of senior executives, as well as their indemnities.	Yes	
Compensation for Directors, as well as additional compensation for executive duties, in the case of Executive Directors, and any other conditions that their contracts must respect.	Yes	

B.1.15. Indicate whether or not the Board of Directors approves a detailed compensation policy and specify the matters it covers:

	<u>Yes</u>	No
A breakdown of any fixed components of the per diems paid for participation on the Board and its Commissions and an estimate of the fixed annual compensation they represent.	Yes	
Any variable compensation	Yes	
Main characteristics of retirement plans, including an estimate of their amount or equivalent annual cost.	Yes	
The conditions that must be respected by the contracts for members of senior management such as executive Directors, including the term, advance notice requirements and any other clause relating to contract bonuses such as indemnities or "golden parachutes" invoked upon early completion or termination of the contractual relationship.	Yes	

B.1.16. Indicate whether or not the Board submits a report regarding the compensation policy for Directors to a vote by the General Meeting. If so, explain the content of the report regarding the compensation policy approved by the Board for future years, the most significant changes in these policies compared with the policy applied during the year and an overall summary of how the compensation policy was applied during the year. Provide details of the role played by the Compensation Commission and whether or not external advisory services were used and if so, reveal the identity of the external consultants that rendered these services:

Yes

No

Matters covered by the compensation policy report

In line with the corporate culture at the Bank, the compensation policy for the year followed these principles:

1. No compensation is paid for the position of Director, but rather for the performance of other duties and services rendered to the bank that are performed by Executive Directors.
2. Transparency regarding compensation paid to Board Members.
3. Application of the principles of moderation and alignment with the performance of the Bank when establishing compensation for Executive Directors, which are reflected in the Bank's compensation policy for Senior Management.
4. Variable compensation must maintain a relationship with the professional performance of its beneficiaries and not be derived merely from the general development of markets or the sector, or other similar circumstances.
5. No compensation plan will be established that includes the delivery of shares in the Company or its Group of Companies, nor options or any other instruments indexed to the value of shares to Directors or the members of Senior Management.
6. No per diems will be established for participating in the Board of Directors and its Commissions.

No relevant changes in the compensation policy are expected to take place in future years.

Role played by the Compensation Commission

The Appointments, Compensation, Corporate Governance and Conflict of Interests Commission prepares the Report on the Compensation Policy for Directors and presents it to the Board of Directors so that it may be submitted to the General Meeting, as a separate point on the Agenda so that a consultation vote may be taken.

	<u>Yes</u>	<u>No</u>
Were external advisory	-	No
Identity of the external consultants	-	-

B.1.17. State the names of Board members, if any, that are also Board members or executives of companies with significant shareholdings in the listed company and/or in its Group companies:

<u>Director's name</u>	<u>Name of the significant shareholder</u>	<u>Title</u>
Ferreira de Amorim, Américo Montuenga, Luis Tardío, Vicente	Unión Europea de Inversiones, S.A. Unión Europea de Inversiones, S.A. Allianz, S.A., Cía.Seguros yReaseguros Allianz Group	Director Chairman Chairman-CEO Member of International Executive Committee Director

State the relevant relationships, if any, other than those addressed above, of Board members linking them with the significant shareholders and/or Group entities:

<u>Name of the Associated Director</u>	<u>Name of the relevant associated share of holder</u>	<u>Relationship</u>
Ferreira de Amorim, Américo Molins, Casimiro Nígorra, Miguel	Topbreach Holding, B.V. Unión Europea de Inversiones, S.A. Unión Europea de Inversiones, S.A.	Controlling shareholder Related to a Director Related to a Director

B.1.18. Indicate whether or not there has been any modification made to the Board Regulations during the year.

Yes No

Description of modifications

In its meeting of September 11, 2008, the Board of Directors approved the amendment of Article 18 relating to the duties of Directors.

Specifically, stricter requirements relating to the Directors' duty of loyalty have been imposed, with new communication obligations in respect of operations involving the Bank's shares performed by the Directors, as well as new requirements relating to their duty of secrecy, concerning the external disclosure of the Bank's institutional information.

B.1.19. Indicate the procedures for appointing, reelecting, evaluating and removing Directors. List the competent bodies, the procedures to be followed and the criteria to be employed within the each procedure.

The procedures for the appointment, re-election, evaluation and dismissal of Directors are regulated in detail in the Bylaws and Board Regulations.

Appointment

The Appointment of Directors and the determination of their number, between twelve and twenty in accordance with the bylaws, is the responsibility of the General Meeting, such that due representation and efficient operations are guaranteed.

If, during the term for which Directors were appointed any vacancy arises, the Board may designate from among shareholders the person that will occupy this post until the next General Meeting is held by Shareholders.

Furthermore, the full Board of Directors retains the authority to approve the Appointment of the Bank's CEO.

Requirements for appointment

Directors must necessarily be shareholders.

B.1.18. Indicate whether or not there has been any modification made to the Board Regulations during the year.Yes

No

Description of modifications

In its meeting of September 11, 2008, the Board of Directors approved the amendment of Article 18 relating to the duties of Directors.

Specifically, stricter requirements relating to the Directors' duty of loyalty have been imposed, with new communication obligations in respect of operations involving the Bank's shares performed by the Directors, as well as new requirements relating to their duty of secrecy, concerning the external disclosure of the Bank's institutional information.

Director nomination and reelection proposals submitted by the Board of Directors for the consideration of the General Meeting and Directors appointed through designation must involve individuals that not only meet legal and statutory requirements for the position concerned, but they also must be of recognized prestige and have professional and commercial honor as well as possess the knowledge and professional experience that is adequate to fulfilling their duties.

Procedure for appointment and re-election

The nomination and reelection of Directors is done through a formal and transparent procedure. Proposals to nominate or reelect Directors made by the Board of Directors to the General Meeting, as well as the appointment of Directors through designation, must be covered by a prior proposal from the Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission, in the case of independent Directors, or a report from that Commission in the case of all other Directors.

The Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission ensures that new vacancies are filled:

- a) By ensuring that selection procedures do not have any implicit bias that could raise obstacles to the selection of women Directors;
- b) By ensuring that the Company deliberately seeks, and includes among potential candidates, women that have the target professional profile.

Consideration shall be had in the appointment of directors to the conditions, experience and skills and, accordingly, the executive or external, independent or domanian nature of the Director appointed.

The Board of Directors shall exercise its powers of proposing appointments to the Shareholders' Meeting and of appointment by co-option in such a way that the external directors constitute an ample majority over the Executive Directors on the Board. The number of directors with executive functions shall not exceed one third of the members of the Board.

Also, the Board shall endeavor to ensure that the directors as a whole represent a relevant percentage of the capital stock.

Term of office, re-election and evaluation

The term of office of the directors is six years. At the end of this term, the directors may be re-elected for one or more periods of the same maximum duration, at the proposal of the Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee, evaluating the work done by the director and his effective commitment to the office during the latest period.

The Board may contract external consultants to carry out this evaluation process.

Removal

The Board of Directors is the competent body to determine the cause of termination of Directors and to accept resignations.

The Board of Directors will not propose the removal of any independent Director prior to the end of the statutory period for which they were appointed, unless there is just cause appreciated by the Board after having received a report from the Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission, or as a result of public share offerings, mergers or other similar corporate transactions.

B.1.20. Indicate cases in which Directors are obliged to resign.

Directors shall resign when the term of office for which they were appointed has elapsed or when the Shareholders' Meeting so decides, and in all such other cases as may be applicable by law or under the Bylaws.

Article 16 of the Board Regulations states that Directors must offer to resign and, if the Board considers it advisable, must formally submit their resignation in the following cases:

- a) In the case of executive directors, when they cease to occupy the posts to which their appointment as directors was connected.
- b) When they are affected by any of the legally envisaged situations of incompatibility or prohibition.
- c) If their continuation as Board members may negatively affect the functioning of the Board or the standing and reputation of the Bank in the marketplace, or may jeopardize its interests.

If a Director is prosecuted or if the opening of oral proceedings takes place with respect to any of the crimes indicated under Article 1 to four of the Spanish Companies Act, the Board will examine the case as soon as possible, and in the light of the specific circumstances at hand must reach a decision as to whether or not the Director will remain on the Board. Any such action will be explained by the Board in the Annual Corporate Governance Report.

- d) In the case of a domanial Director, when the shareholder whose interests are being represented on the Board disposes of its stake in the Company or significantly reduces that shareholding or reduces it below the percentage that the Board determines at any given moment, or to the point at which a reduction in the number of its domanial Directors is required, notwithstanding their possible reelection as Executive Director, independent Director or domanial Director representing another shareholder.

When a Director leaves the Board before the end of his/her term, whether due to resignation or any other reason, the reasons must be explained in a letter sent to all of the members of the Board of Directors.

In all cases in which a Director resigns or leads before the end of his/her term for any other reason, the Bank will report this decision under Relevant Events in the Annual Corporate Governance Report.

B.1.21. State whether the Bank's chief executive is also Chairman of the Board of Directors. If so, describe the measures taken to limit the accumulation of powers in a single person:

Yes

No

Measures to limit risks

Mr. Ángel Ron Güimil, Chairman of the Board of Directors, is the Bank's CEO.

The bylaws attribute different authorities to the Entity's governing bodies. On the one hand, the day-to-day management of the Bank is entrusted to the General Management, a body headed by the CEO. The governance of the Bank is the responsibility of the Board of Directors.

There is a clear distribution of authority between the Chairman and the CEO, Roberto Higuera Montejo. In the split of functions between the Chairman and the CEO, regard was had to the nature of Banco Popular's business and the increasing complexity and specialization demanded by the Group's financial activity and international presence. The commercial business and the directly related support units report to the CEO, who is also a member of the Executive Commission. All strategic, institutional and external representation areas are the responsibility of the Chairman.

The bylaws stipulate that in the event of the absence, illness, resignation or force majeure the Vice-Chairman, or one of them if there are more than one, will stand in for the Chairman. If no Vice-chairman has been appointed, or in the event of absence or impossibility of that or those appointed, the Chairman shall successively be replaced by the Chairman of the Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee and the Chairman of the Audit and Control Committee, who are independent directors.

Indicate and explain, if appropriate, whether or not rules have been established to facilitate the calling of a Board meeting or adding new points to the agenda by and Independent Director in order to coordinate and express the concerns of external Directors and to direct evaluations by the Board of Directors

Yes

No

Explanation of the rules

Article 7 of the Board Regulations stipulates that when the Chairman of the Board is also the Bank's CEO, the Board of Directors will authorize one of the independent Directors to call a meeting of the Board and include new points in the agenda in order to coordinate and express the concerns of external Directors and to direct evaluations by the Board of its Chairman. In the event that an independent Director has not been expressly authorized to exercise these powers, they will fall to the Vice-Chairman of the Board or, successively, the Chairman of the Appointments, Compensation, Corporate Governance and Conflicts of Interests Commission and the Chairman of the Audit and Control Commission, in the case of an absence of the first party.

B.1.22. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

Yes

No

State how the Board adopts resolutions, indicating at least the minimum quorum and types of majority for adoption of resolutions:

Quorum of attendance

B.1.26. State whether the Bylaws or the Board Regulations set a limited term of office for independent directors:

Yes

No

Maximum years of term of office

Article 15 of the Board Regulations stipulates that in the event a Director holds his/her position for 12 or more years the Board of Directors, based on a Report from the Appointments, Compensation, Corporate Governance and Conflicts of Interests Commission will decide, at the time the Annual Corporate Governance Report is issued for the period in which this deadline is reached, whether or not circumstances are in place that make it advisable to change the category of that Director or whether it is appropriate for that Director to maintain his/her classification as Independent. When evaluating independence the Director's dedication and performance in the post without receiving any compensation whatsoever, maintaining a continuous and considerable stake in capital stock as compared with all of his/her financial investments and precise compliance with all other independence conditions mentioned in this Article will all be taken into consideration.

B.1.27. In the event that there are few or no women Directors, explain the reasons and the initiatives taken to correct this situation:

Explanation of the reasons and the initiatives

Article 14.5 of the Board Regulations stipulates that the Appointments, Compensation, Corporate Governance and Conflicts of Interests Commission will ensure that selection procedures to fill vacancies will not be biased in such a way that raises obstacles for the selection of women which the Company deliberately seeks to include, and does include among potential candidates women that meet the target professional profile.

During 2008 no vacancies have been created within the independent Directors that would have allowed the appointment of woman Directors.

In particular, indicate whether or not the Appointments, Compensation, Corporate Governance, and Conflicts of Interest Commission has established procedures to prevent selection processes from being implicitly biased and raising obstacles for the selection of women Directors and that it deliberately seeks candidates that meet the required profile:

Yes

No

Indicate the main procedures

In accordance with Articles 14 and 25 of the Board Regulations, the Appointments, Compensation, Corporate Governance and Conflicts of Interest Commission assists the Board with its duties to nominate and reelect Directors and therefore it must ensure the integrity of the process for selecting Directors, and ensure that candidacies are offered to persons that meet the profile of the vacancy.

The directors must be persons of recognized commercial and professional honorability with the appropriate knowledge and experience for the discharge of their duties.

This Commission evaluates the knowledge and experience of Directors and defines the duties and aptitudes that are necessary for candidates, evaluates the time and dedication necessary for the tasks to be successfully discharged and ensures that the procedures established for the selection process do not have any implicit biases that could raise obstacles against the selection of women Directors and that the Bank deliberately seek and include women that meet the desired professional profile among the potential candidates.

B.1.28. State whether or not there are formal processes for delegating votes within the Board of Directors. Briefly explain any that exist.

Article 17 of the Bylaws envisages the possibility for Directors to appoint another Director to represent them at Board meetings.

Article 12 of the Board Regulations stipulates that: Directors will make all efforts to attend Board meetings and ensure that any absences are absolutely essential, and that all such absences be reported in the Annual Corporate Governance Report. If a meeting cannot be attended, another member of the Board may be appointed representative and communicate all relevant instructions. Notification of representation may be given in writing by any means, including telegram, fax or e-mail, to the Chairman or Secretary of the Board.

B.1.29. Indicate the number of meetings that have been held by the Board of Directors during the year. Also indicate any meetings that were held in the absence of the Chairman:

Number of Board meetings	9
Number of meetings held in the absence of the Chairman	0

State how often the various Board committees met during the year:

Meetings of the Executive Committee	30
Number of meetings of the Audit Committee	7
Number of meetings of the Appointment, Remuneration, Corporate Governance and Conflicts of Interest Committee	11

B.1.30. Indicate the number of meetings held by the Board of Directors during the year that were not attended by all members. The calculation will take into consideration all representation without specific instructions as absences:

Number of absences of Directors during the year	2
% of absences compared with total votes during the year	1,14

B.1.31. State whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:

<u>Yes</u>	No
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The Bank's general management, as its technical and executive governance body, pursuant to Article 25 of the bylaws, is responsible for the preparation and submission of all the financial documentation included in the financial statements. Also, the Chief Financial Officer, as the person with maximum responsibility for financial reporting, signs and certifies the accuracy of the financial statements.

The Audit and Control Committee assists the Board of Directors with supervising the financial statements and the Bank's internal control systems in place within its Financial Group and the Board of Directors prepare the financial statements that are signed by all Directors.

State, if appropriate, the person(s) that certified the company's individual and consolidated financial statements for formulation by the Board:

<u>Name</u>	<u>Title</u>
Ernesto Rey	Finance Director

B.1.32. Describe the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared and submitted to the Shareholders' Meeting from containing qualifications in the auditors' report.

The Board of Directors tries to ensure that the individual and consolidated financial statements that it prepares and submits to the General Meeting do not contain any reservations or qualifications in the Audit Report, and when it must be so both the Chairman of the Audit and Control Committee and the external auditor will clearly explain to shareholders the content and scope of the discrepancies and these reservations or qualifications.

The mechanisms established by the Board of Directors are, among others, the following:

1. With respect to the Bank's Internal Services.

The Bank's Internal Services will prepare the individual and consolidated financial statements with rigor and in accordance with generally accepted accounting principles and standards, ensuring:

- a) That the financial statements give a true and fair view of the net worth, financial position and results of operations and contain the necessary information sufficient for understanding thereof.
- b) An adequate definition of the scope of consolidation and the proper application of accounting standards.
- c) That they clearly and simply explain economic, financial and legal risks that may be incurred.
- d) That the principles and standards applied are in line with those applied in the previous year.

2. With respect to the Audit and Control Committee.

That the Audit and Control Committee assist the Board of Directors with its duties to supervise and control the Bank through:

- a) The review of the individual and consolidated financial statements prepared by the Bank's Internal Services and the monitoring of the operation of procedures and internal financial control manuals adopted by the Bank.
- b) Regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- c) Hold meetings with the external auditor to receive any information relating to the audit process that is necessary, as well as to analyze and review any matters that are considered to be of special importance.

B.1.33. Is the Secretary of the Board a Director?:

Yes

No

B.1.34. Explain the procedures for appointing and removing the Secretary to the Board, indicating whether or not the appointment and removal have been reported by the Appointments Committee and approved by the full Board of Directors.

Procedure for appointment and removal

The position of Secretary is regulated by Article 9 of the Board Regulations, which establishes the authorities granted and procedure for the appointment of a Secretary.

To safeguard the independence, impartiality and professionalism of the Secretary, the appointment to and removal from this position must be the subject of a prior report from the Appointments, Compensation, Corporate Governance and the Conflicts of Interest Committee. When the Board does not follow the recommendations of this Committee, reasons for justifying this action must exist and be formally stated in the minutes to the meeting concerned.

Proposals for nominations or reelections must involve candidates holding a Degree in Law and they must also comply with the legal and statutory requirements for the position, be of recognized prestige and possess the knowledge and professional experience that are adequate to discharging the duties of Secretary.

Annually with occasion of the evaluation of the Council of Administration, evaluate equally the exert of the Secretary of the Council.

	Yes	No
Does the Appointments Committee report nominations?	Yes	
Does the Appointments Committee report removals?	Yes	
Does the full Board approve nominations?	Yes	
Does the full Board approve removals?	Yes	

Is the Secretary to the Board entrusted with the duty, in particular, to follow good governance recommendations?

Yes

No

Observations

B.1.35. Describe the mechanisms, if any, established by the Bank to safeguard the independence of auditors, financial analysts, investment banks and rating agencies:

Articles 24 and 30 of the Board Regulations identify the mechanisms established to preserve the independence of the external auditor.

The relationship between the Board of Directors and the external auditor are channeled through the Audit and Control Committee, which is the competent body for:

a) Proposing to the Board of Directors for submission to the Shareholders' Meeting the appointment of external auditors, the conditions of hiring, the scope of the professional mandate and, when appropriate, the revocation or non-renewal of such mandate and replacement of the auditor.

b) Supervising fulfillment of the audit contract, endeavoring that the auditors' opinion on the financial statements and the main contents of the auditors' report are drafted clearly and accurately.

c) Receive regular information from the external auditor regarding the audit plan and the results of management, evaluate the results of each audit and verify that senior management takes into account the auditor's recommendations, as well as mediate in any case of discrepancy between these parties and with the auditor with respect to the principles and standards applied when preparing the financial statements.

d) Liaise with the external auditors to receive information about any issues potentially jeopardizing the auditors' independence and any other issues connected with the process of performance of the audit, as well as the other communications stipulated in audit legislation and technical auditing standards.

e) Ensure that the financial statements that the Board of Directors submits to the General Meeting do not contain any reservations or qualifications in the Audit Report and, when this must be the case, ensure that

both the Chairman of the Committee and the auditors provide clearer explanations to the public and, in particular, to shareholders, including the content and scope of the discrepancies and any reservations or qualifications.

Furthermore, to ensure the independence of the external auditor:

a) Any change in the auditor will be reported as a Relevant Event to the Spanish Securities and Exchange Commission and indicate any disagreements with the exiting auditor and any discrepancies with the content of the Report.

b) The Committee will ensure that the Bank and the auditor respect current regulations regarding the rendering of services other than audit, limits to the concentration of the Auditor's business and, in general, any other regulation established to ensure the independence of auditors;

c) Should the external auditor resign, the Audit and Control Committee will examine the reasons for doing so.

Finally, in accordance with the provisions of Board Regulations, under the heading B.1.37 below information is provided of the overall fees paid during the year to the audit firm for services other than audit.

The Bank has contracted the services of the three main international rating agencies. The Group's Financial Management is the competent body for maintaining contacts with the auditors.

B.1.36. State whether or not the Company changed its external auditor during the year. If so, identify the exiting and entering auditor:

Yes	<u>No</u>
<u>Exiting auditor</u>	<u>Entering auditor</u>

If there were any disagreements with the exiting auditor, explain:

Yes	<u>No</u>
<u>Explanation of disagreements</u>	

B.1.37. State whether the audit firm has done work for the Bank and/or its group other than audit work and, if so, state the fees received by it for such work and the amount of such fees as a percentage of the fees billed to the Bank and/or its group.

	<u>Yes</u>	No		
		<u>Company</u>	<u>Group</u>	<u>Total</u>
Amount (€k) of work other than audit work		287	58	345
Amount of non-audit work / Total amount invoiced by audit firm (%)		28.2%	8.5%	20.3%

B.1.38. State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If appropriate, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of any such reservations or qualifications.

Yes No

Explanation of the reasons

B.1.39. State the number of years that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. In addition, state the percentage that the number of years audited by the current audit firm represents with respect to the total number of years that the financial statements have been audited:

	<u>Company</u>	<u>Group</u>
Number of uninterrupted years	27	27

	<u>Company</u>	<u>Group</u>
Number of years audited by the present audit firm as a % of the years for which audits have been performed	93.1%	93.1%

B.1.40. Indicate the holdings by members of the Bank's Board of Directors in the capital of companies engaging in activities identical, similar or supplementary to those of the corporate purpose of the Bank or of its group which have been reported to the Bank. Furthermore, indicate the positions or duties that are fulfilled at these companies:

<u>Name of the Director</u>	<u>Name of the Company</u>	<u>% interest</u>	<u>Position or functions</u>
Aparicio, Francisco	Banco de Andalucía	0.00	Director
Asociación de Dir. BPE	-	-	-
F. de Amorim, Américo	Millenium bcp	0.00	-
	Banco BIC (Angola)	25.00	-
	Banco BIC Portugués	25.00	-
	Banco LJ Carregosa	9.08	Director
Gancedo, Eric	Bancopopular-e	-	Non-Executive Chairman
Herrando, Luis	Popular Banca Privada	-	Director
Higuera, Roberto	Banco Popular Hipotecario	-	Director
	Totalbank	-	Non-Executive Chairman
Lucía, José María	Popular Banca Privada	0,00	-
	Banco de Andalucía	-	-
	BBVA	0.00	-
Molins, Casimiro	-	-	-
Montuenga, Luis	Banco de Andalucía	0.00	Director
Morillo, Manuel	-	-	-

<u>Name of the Director</u>	<u>Name of the Company</u>	<u>% interest</u>	<u>Position or functions</u>
Nigorra, Miguel	Banco de Andalucía	0.01	-
Osuna, Nicolás	Banco Santander	0.00	-
	Banco Sabadell	0.27	-
	Bankinter	0.00	-
	Banesto	0.00	-
	BBVA	0.00	-
	BBVA	0.00	-
Revoredo, Helena	BBVA	0.00	-
Rodríguez, José Ramón	Banco Popular Hipotecario	-	Non-Executive Chairman
	BBVA	-	-
Ron, Ángel	-	-	-
Santana, Vicente	Popular Banca Privada	-	Director
Sindicatura de Accs. BPE	-	-	-
Solís, Miguel Ángel de	Banco de Andalucía	0.03	Non-Executive Chairman
Tardío, Vicente	Banco de Santander	0.00	-
	BBVA	0.00	-
	Unicredito Italiano	0.00	-
	Dresdner Bank AG	100,00	-
Allianz, SAE	Bulbank AD	3,50	-
	Zagrebacka banka d.d.	11,7	-
	Oldenburgische Landesbank AG	64,3	-
	Gruppo Banca Leonardo S.p.A.	2,9	-

B.1.41. State and, if appropriate, indicate if there is a procedure enabling directors to obtain external advice:

Yes

No

Description of the procedure

All the directors have the right and the duty to request and obtain information and advice appropriate for discharge of their functions of supervision, in the broadest terms, routing their requests in this respect through the office of the Secretary of the Board, which will act by either directly furnishing the information, or by naming the appropriate interlocutors or arranging the measures enabling them to conduct examination in situ.

Article 20 of the Board Regulations establishes the right to receive expert assistance. In order to facilitate the work of the Directors, the Board guarantees them access to the services of the Bank's in-house experts. The Directors have the authority to propose to the Board of Directors the engagement, at the Bank's expense, of such external advisers as they may consider necessary to advise them on issues arising in the performance of their duties, when these issues are of a specific nature and are of a certain importance and complexity. The proposal must be conveyed to the Chairman through the Secretary of the Board. The Board may veto its approval by majority vote if it considers the proposal unnecessary, if its cost is disproportionate considering the level of importance of the issue in question and the assets and revenues of the Bank, or if there exists the possibility of such technical assistance being adequately provided by the Bank's own experts and technical staff.

B.1.42. State and, if appropriate, detail if there is a procedure enabling directors to obtain the necessary information to prepare with sufficient time for meetings of the governing bodies:Yes

No

Description of the procedure

The directors receive specifically prepared and focused information in good time to enable them to prepare on a timely basis for Board meetings, provided that the urgency and nature of the matter make this possible, with no limitations other than those imposed by the current legal and regulatory framework covering privileged information.

Since April 2007 the members of the Board of Directors have had an Internet portal through which they have exclusive access to documentation and information reserved for the Board, such as the Agenda for meetings, presentations and other documentation prepared for meetings, as well as the minutes to meetings once they have been held.

Furthermore, the Secretary's Office has established a permanent channel of communication with Directors through a text-messaging system, through which they are informed of the public dissemination of information regarding the Bank, the posting of information and documentation of their interest to the aforementioned portal, etc.

Article 19 of the Board Regulations regulates the Directors' right to information in the following terms: The Directors have the broadest of powers to demand information on any aspect of the Bank, to examine its books, records and documents, to contact those in charge of the various departments, and to visit the Bank's installations and facilities, provided that this is necessary for the performance of their duties. This right to information is to be channelled through the Chairman or the Secretary of the Board, who are to deal with such requests from the Directors either by furnishing the information required directly, or by indicating the appropriate interlocutors, or by arranging such measures as may be necessary so that the information requested may be examined. The Board may refuse to grant the request for information if it feels the disclosure could be harmful to the Bank's corporate interests, without prejudice to the provisions of the Spanish Corporations Law.

B.1.43. State and, if appropriate, indicate whether the Company has established rules that require Directors to report and, if appropriate, resign, cases in which the credit and reputation of the Bank may be damaged:Yes

No

Explain these rules

Article 16.3.c) of the Board Regulations establishes the requirement that Directors make their post available to the Board of Directors and to prepare, if deemed advisable by the Board, their resignation in cases in which their remaining on the Board may negatively affect its operation or the credit and reputation of the Bank in the market or may endanger the interests of the Bank.

If a Director is prosecuted or if the opening of oral proceedings takes place with respect to any of the crimes indicated under Article 124 of the Spanish Companies Act, the Board will examine the case as soon as possible and in the light of the specific circumstances at hand, must reach a decision as to whether or not the Director will remain on the Board.

In all cases in which a Director leaves his/her post before the end of the relevant term, whether through resignation or for any other reason, the reasons behind in this action must be explained in a letter that will be sent to all members of the Board of Directors, and the Bank will report this decision through the communication of a Relevant Event, indicating the aforementioned reasons in the Annual Corporate Governance Report.

B.1.44. State whether or not any member of the Board of Directors informed the Company of any prosecution or the start of any oral proceedings with respect to any of the crimes indicated under Article 124 of the Spanish Companies Act:

Yes

No

Name of the Director

Criminal Proceeding

Observations

State whether or not the Board of Directors has analyzed the case. If yes, explain the decision taken as to whether or not the Director will remain on the Board.

Yes

No

Decision taken

Reasoned explanation

Remain/Not remain

B.2. Board of Directors Committees

B.2.1. State all the committees of the Board of Directors and the members thereof:

EXECUTIVE COMMITTEE

<u>Name</u>	<u>Title</u>	<u>Type</u>
Ron, Ángel	President	Executive
Higuera, Roberto	Vocal	Executive
Gancedo, Eric	Vocal	Independent
Herrando, Luis	Vocal	Independent
Rodríguez, José Ramón	Vocal	Independent
Santana, Vicente	Vocal	Independent
Aparicio, Francisco	Secretary	Executive

AUDIT & CONTROL COMMITTEE

<u>Name</u>	<u>Title</u>	<u>Type</u>
Santana, Vicente	President	Independent
Gancedo, Eric	Vocal	Independent
Rodríguez, José Ramón	Vocal	Independent
Solís, Miguel Ángel	Vocal	Independent

APPOINTMENTS, COMPENSATION, CORPORATE GOVERNANCE AND CONFLICTS OF INTEREST COMMITTEE

<u>Name</u>	<u>Title</u>	<u>Type</u>
Herrando, Luis	President	Independent
Gancedo, Eric	Vocal	Independent
Montuenga, Luis	Vocal	Domanial

RISK COMMITTEE

<u>Name</u>	<u>Title</u>	<u>Type</u>
Gancedo, Eric	President	Independent
Higuera, Roberto	Vocal	Executive
Herrando, Luis	Vocal	Independent
Montuenga, Luis	Vocal	Domanial
Rodríguez, José Ramón	Vocal	Independent
Santana, Vicente	Vocal	Independent
Aparicio Francisco	Secretary	Executive
Gómez, Francisco	Spokesman	-

B.2.2. State whether or not the following duties fall to the Audit Committee:

	Yes	No
Supervise the preparation and the integrity of financial information relating to the Company and, if appropriate, to the Group, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting standards.	Yes	
Regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.	Yes	
Ensure the independence and efficiency of the internal audit function; proposed new selection, nomination, reelection and removal of the person responsible for internal audit; propose the budget for this service; receive regular information regarding its activities; and verify that senior management takes into account the conclusions and recommendations and its reports.	Yes	
Establish and supervise a mechanism that allows employees to confidentially, and if considered appropriate, anonymously, report any potentially significant irregularities, particularly those of a financial or accounting nature, observed within the company.	Yes	
Bring to the Board proposals for selecting, nominating, re-electing and replacing the external auditor and establish the conditions of the auditor's contract.	Yes	
Regularly receive information from the external auditor regarding the audit plan and the results of execution, and verify that senior management takes the recommendations made into account.	Yes	
Ensure the independence of the external auditor.	Yes	
In the case groups, ensure the group's auditor takes responsibility for the audit of group companies.	Yes	

B.2.3. Describe the rules of organization and operation and the responsibilities of each of the Board committees.**Executive Committee**

The Executive Committee is formed by the number of Directors designated by the Board of Directors at any given moment. The Chairman of the Bank and the CEO are standing members of this Committee.

The Board of Directors decides the composition of the Executive Committee and the appointment and removal of its members. The Members of the Committee cease to hold this position when they cease to be Directors of the Bank, or when so decided by the Board of Directors. The resolutions appointing members of the Executive Committee require the votes in favor of at least two thirds of the members of the Board of Directors.

The Chairman of the Board of Directors presides over the Committee, the CEO is the spokesman and the Secretary is the Secretary to the Board. The Secretary may be replaced by the Committee member chosen at the start of any meeting, or by one of the Vice-Secretaries to the Board of Directors.

The Executive Committee holds ordinary meetings regularly on a bimonthly basis and the meetings are considered to be validly convoked when half plus one of its members are present or represented. Its resolutions are adopted by absolute majority of the directors present or represented at the relevant meeting.

The resolutions adopted by the Executive Committee are valid and binding without any need for subsequent ratification by the full Board, although the Board must be informed of the issues discussed and the decisions taken at its meetings, and the minutes to those meetings must be made available to the Board.

The Board of Directors has currently delegated to the Executive Committee all its powers except those that pursuant to the law and to Article 5.2 of the Board Regulations cannot be delegated.

Audit and Control Committee

The Audit and Control Committee must consist of a minimum of three (3) and a maximum of five (5) Directors, designated by the Board of Directors, bearing in mind their knowledge, aptitudes and experience in the areas of accounting, audit and risk management, as well as the other tasks assigned to the Committee.

The Committee is composed of four independent Directors.

The Board of Directors designates the Chairman of the Committee from among the Committee Members, as well as the Secretary, who does not necessarily have to be a member of the Committee. When the appointment of a Secretary is not necessary, the Secretary to the Board of Directors will assume this position.

If the Chairman is absent the meeting is presided by the Director designated by the Committee and in the absence of the Secretary, these duties will be performed by the Committee member so designated, or the Vice Secretary or one of the Vice Secretaries to the Board of Directors.

The Members of the Committee cease to hold this position when they cease to be Directors of the Bank or when so decided by the Board of Directors.

Notwithstanding the above, the Chairman must be replaced every four years and may be reelected once one year has passed since leaving the office, and may remain as a member of the Committee if so agreed by the Board of Directors.

The Audit and Control Committee must meet as often as may be necessary for the proper performance of its functions and whenever called to meet by its chairman or requested to do so by any of its members; it must hold at least two meetings a year and in any case whenever the Board requests the issuance of reports, the presentation of proposals or the adoption of resolutions within the sphere of its functions.

The proposals made by the Committee must be approved by the vote of a majority of the Members attending the meeting.

The Committee may request the attendance of the Group's external Auditors at its meetings in which their report on the financial statements and the management report of the Bank and of its consolidated group are to be examined. Furthermore, this Committee may request the attendance for reporting purposes of the Group's senior management, other Group directors and personnel, as well as other advisors or consultants, as appropriate. Any of the persons mentioned in this paragraph who are asked to attend the meetings shall be under the obligation to do so, offering their full cooperation and making all information they hold available. The Committee may seek the cooperation of these same persons to carry out work which it considers necessary for the performance of its duties, and may seek the advice of external professionals. In addition, the Committee may, in the performance of its duties, request the collaboration of the Board of Directors and its other Committees, the Directors and the Secretary and Vice-Secretaries of the Board.

The Committee may request the Group's external auditors to attend its meetings when the report on the financial statements and Directors' Report for the Bank and its consolidated group are examined. Furthermore, this Committee may require the Group's senior management, Directors and personnel to provide reports, as well as other advisors or any consultants involved in this area. Any of the persons mentioned in this paragraph that are requested to attend are obliged to attend the meetings, offer all collaboration and make all information held available. The Committee may call for the cooperation of these same persons to carry out work which it considers necessary for the exercise of its functions, and may seek advice from external professionals. In addition, the Committee may call for the collaboration of the Board of Directors and its Committees, Directors and the Secretary and Vice Secretaries to the Board of Directors during the performance of its duties.

The principal task of the Committee is to assist the Board of Directors with its duty to supervise and control the Bank by evaluating the system of accounting verification of the Group, by verifying the independence of the external auditors and by reviewing the internal control system. The Committee will keep the Board of Directors permanently informed of the performance of the duties for which it is responsible.

Notwithstanding other duties assigned by the Board of Directors, the Committee will have the following competencies:

a) Supervise the process of preparing financial information, verify its integrity and that all periodic information offered to markets is prepared in accordance with professional practices and principles applicable to financial statements, supervise this information and report to the Board of Directors prior to the Board adopting any relevant decisions and before being published for public use.

b) Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence.

c) Propose to the Board of Directors, for submission to the Shareholders Meeting, the appointment of external auditors, the conditions of hiring, the scope of the professional mandate and, when appropriate, the revocation or non-renewal of such mandate and replacement of the auditor. Supervise the fulfillment of the audit contract, endeavoring that the auditors' opinion on the financial statements and the main contents of the auditors' report are drafted clearly and accurately.

d) Supervise internal audit services and, in this respect, ensure its independence and efficiency; propose the selection, nomination, reelection and removal of the person responsible for internal audit; propose its budget; receive periodic information regarding its activities; and verify that senior management takes into consideration the conclusions and recommendations set out in its reports.

e) Serve as a channel of communication between the Board of Directors and the auditor and receive regular information from the external auditor regarding the audit plan and the results of management, evaluate the results of each audit and verify that senior management takes into account the auditor's recommendations, as well as mediate in any case of discrepancy between these parties and with the auditor with respect to the principles and standards applied when preparing the financial statements.

f) Liaise with the external auditors to receive information about any issues potentially jeopardizing the auditors' independence and any other issues connected with the process of performance of the audit, as well as the other communications stipulated in audit legislation and technical auditing standards.

To ensure independence:

1. Any change in the auditor will be reported as a Relevant Event to the Spanish Securities and Exchange Commission and indication will be made of any disagreements with the exiting auditor and any discrepancies with the content of the Report;

2. The Committee will ensure that the Bank and the auditor respect current regulations regarding the rendering of services other than audit, limits to the concentration of the Auditor's business and, in general, any other regulation established to ensure the independence of auditors;
3. In the event that the external auditor withdraws from the mandate, it will examine the circumstances giving rise to this situation.
- g) Endeavor that the financial statements submitted by the Board of Directors to the Shareholders' Meeting do not contain any reservations or qualifications in the auditors' report; if this is not possible, the auditors must clearly explain to the public, and to shareholders in particular, the content and scope any such reservations or qualifications.
- h) Perform regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- i) Review the accounts for the Bank, supervise compliance with legal requirements and the proper application of generally accepted accounting principles and the adequate definition of the scope of consolidation. Monitor the operation of internal financial control procedures and the use of manuals adopted by the company, check compliance therewith and review the appointment and replacement of those responsible.
- j) Consider the suggestions that may be made to the Committee by the Chairman or other members of the Board, senior executives or shareholders of the company, as well as report and submit proposals to the Board of Directors about measures that the Committee considers appropriate.
- k) Establish and supervise a mechanism that allows employees to report, on a confidential basis and, if deemed advisable, anonymously, any irregularities that are potentially important, particularly those of a financial and accounting nature, that are observed within the Company.
- l) Detect and manage conflicts of interest that may arise between Group entities.
- m) Inform the Board of Directors, prior to the adoption of the relevant decisions, of the creation or acquisition of shares in special-purpose vehicles or any domiciled in countries or territories classified as tax havens, as well as of any other transactions or operations of a similar nature that could harm the transparency of the Group due to their complexity.
- n) Evaluate its operation on an annual basis and present the Board of Directors with a report on the activities carried out during the year.
- ñ) All others established by Law or in Board Regulations.

The Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee

The Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee must consist of a minimum of three (3) and a maximum of five (5) Directors, designated by the Board of Directors, bearing in mind the knowledge, aptitudes and experience of the Directors and the tasks assigned to the Committee.

The Committee must be made up exclusively of External Directors, mainly independent, and chaired by an independent Director. The Committee is currently formed by three Directors, two of which are Independent, including its Chairman, and one domanial Director.

The Board of Directors designates the Chairman of the Committee from among the Committee Members, as well as the Secretary, who does not necessarily have to be a member of the Committee. When the appointment of a Secretary is not necessary, the Secretary to the Board of Directors will assume this position.

If the Chairman is absent, the meeting is presided by the independent Director designated by the Committee, and in the absence of the Secretary these duties will be performed by the Committee member so designated, or the Vice Secretary or one of the Vice Secretaries to the Board of Directors.

The Members of the Committee cease to hold this position when they cease to be Directors of the Bank or when so decided by the Board of Directors.

The Committee must meet as often as may be necessary for the proper performance of its functions and whenever called to meet by its chairman or requested to do so by any of its members and, in any case, whenever the Board requests the issuance of reports, the presentation of proposals or the adoption of resolutions within the sphere of its functions.

The proposals made by the Committee must be approved by the vote of a majority of the Members attending the meeting.

This Committee may require the Group's senior management, Directors and personnel to provide reports, as well as other advisors or any consultants rendering services to the Group. Any of the persons mentioned in this paragraph that are requested to attend are obliged to attend the meetings, offer all collaboration and make all information held available. The Committee may call for the cooperation of these same persons to carry out work which it considers necessary for the exercise of its functions, and may seek advice from external professionals. In addition, the Committee may call for the collaboration of the Board of Directors and its Committees, Directors and the Secretary and Vice Secretaries to the Board of Directors, during the performance of its duties.

The main task of the Committee is to assist the Board of Directors in its functions of appointing, re-electing, dismissing and compensating Directors and senior management, endeavoring to ensure that the Directors receive all the necessary information for the proper performance of their duties, and keeping a close watch on compliance with the company's rules of governance and periodically reviewing the results. The Committee will keep the Board of Directors permanently informed of the performance of the duties for which it is responsible.

Notwithstanding other duties assigned by the Board of Directors, the Committee will have the following competencies:

- a) Keeping a close watch on the integrity of the process of selection of directors and senior executives of the Bank, endeavoring to ensure that candidates are persons who conform to the profile of the vacancy.
- b) Formulating and reviewing the criteria to be followed as regards the composition of the Board of Directors and the selection of candidates. In this respect, the competencies, knowledge and experience that is necessary on the Board must be evaluated and the necessary duties and aptitudes for candidates that cover each vacancy must be determined, while bearing in mind the time and dedication that are necessary to adequately perform the duties of the position.
- c) Examine or organize, in the manner deemed most adequate, the succession of the Chairman and the CEO and, if appropriate, make proposals to the Board so that said succession takes place in an ordered and well-planned fashion.
- d) Make proposals to the Board of Directors regarding the nomination, reelection and removal of Independent Directors or issue a Committee Report in the case of other Directors, so that the Board may proceed directly to the appointment of these directors or submit their nominations to be General Meeting, providing information regarding the Directors in all cases.

- e) Submitting to the Board of Directors the proposals for appointment, re-election and termination of the members who should form part of each of the Board Committees.
- f) Report proposals to appoint or remove the Secretary or Vice Secretaries to the Board of Directors.
- g) Submitting to the Board of Directors proposals for the appointment and re-election of members of the senior management and of the supervisory body stipulated in the internal regulations of conduct in the sphere of securities markets.
- h) Examining any suggestions for appointments sent to it by the Chairman, the members of the Board, executives or shareholders of the Bank, evaluating them and reporting on them with criteria of objectivity and impartiality so that the Board may act in full knowledge of all the relevant information.
- i) Report to the Board of Directors regarding any gender diversity matters indicated in its Regulations.
- j) Review, on an annual basis, the classification of each Director when preparing the Corporate Governance Report.
- k) Propose a compensation policy for Directors and senior management to the Board of Directors, the individual compensation for Executive Directors and other contractual conditions and the basic conditions for contracts extended to senior executives.
- l) Ensure compliance with the compensation policy established for the Board of Directors and make proposals to the Board of Directors regarding the measures deemed most advisable to maintain, correct or improve this policy, in particular to adjust the policy to meet the principle of moderation and to match the Bank's performance.
- m) Provide guidance to the new directors, warn them of their legal obligations, inform them of the company's rules of governance, and familiarize them with the characteristics, situation and environment of the company.
- n) Examine the information sent by Directors regarding their other professional obligations and evaluate whether or not they could interfere with the dedication required to properly carry out their duties, as well as to verify compliance with the rules established regarding the number of Directors that form part of the Board.
- o) Taking care to ensure that the directors receive information of sufficient quantity and quality to enable them to adequately perform their functions.
- p) Endeavoring to detect cases in which the relation of a director to the Bank may negatively affect its functioning or its standing and reputation.
- q) Detect and manage possible conflicts of interest between Directors or senior executives and the Bank, ensuring fulfillment of the obligations of discretion and passivity and of the duties of confidentiality, diligence and loyalty of the directors and, if appropriate, any such issues that arise between significant shareholders and the Bank.
- r) Inform the Board of Directors of associated transactions, prior to its taking any decisions in this respect.
- s) Propose the Annual Corporate Governance Report to the Board of Directors.
- t) Propose and verify compliance with the Group's Corporate Responsibility Policy and the preparation of the Annual Report on Corporate Responsibility.
- u) Supervise compliance with the Bank's Regulations and, in general, internal codes of conduct and the rules of Company governance, and make all necessary proposals for improvement.

- v) Evaluate the Board of Directors on an annual basis, as well as the Chairman and the Bank's CEO.
- w) Evaluate its operation on an annual basis and present the Board of Directors with a report on the activities carried out during the year.
- x) All others established by Law or in Board Regulations.

Risk Committee

The Board of Directors is responsible for establishing the number of members, which will include the CEO, appointing and removing members and to determine, ask the proposal of the Chairman, the presiding Director. The Director General for Risk is the spokesman and, if appropriate, other members of senior management designated by the Board of Directors. The Chairman and other members of the Board of Directors may also attend. In the event that the Chairman of the Board of Directors attends, he may preside at a meeting. The Secretary to the Board of Directors will serve as the Secretary to the Committee, or this position may be taken by the member elected by the Committee or, if none of the above are available, the Vice-Secretary or one of the Vice-Secretaries to the Board of Directors. The Committee meets once per week.

The Committee supervises the market and operational credit risks affecting the Group's activity and permanently evaluates overall risk assumed, its industry and geographic diversification and the hedges that are deemed advisable to preserve the solvency level considered necessary, proposing the most adequate policies to obtain these objectives at any given moment.

The Committee proposes the Group's risk control and management policy to the Board of Directors, which must identify at least:

- a) The various types of risk (operational, technological, financial, legal, reputational and others) faced by the Company, including financial or economic risks, contingent liabilities and other off-balance-sheet risks;
- b) The establishment of the risk level that the Company considers acceptable;
- c) The measures established to mitigate the impact of identified risks should they materialize;
- d) The information and internal control systems that will be used to control and manage these risks.

The Committee analyzes and reaches a decision regarding requests for credit and guarantees that exceed the risk authority delegated to other units within the Group that have signature or a group of signature authority. A list of the competencies delegated to the Risk Committee is set out under the chapter on Risk Management in the Directors' Report. At its meetings policies regarding risk, general business and industry issues are also discussed.

B.2.4. Indicate, where appropriate, the faculties of advice, consultation and delegation, if any, of each of the Committees:

<u>Committee</u>	<u>Brief description</u>
Executive Committee	See section B.2.3.
Audit and Control Committee	See sections B.2.2. and B.2.3.
Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee	See section B.2.3.
Risk Committee	See section B.2.3.

- B.2.5. State whether there are regulations, if any, for the Board Committees, wherein the regulations can be consulted, and any amendments thereto during the year. Indicate whether any annual report has voluntarily been prepared on the activities of each Committee.**

The Board Regulations contain the rules of internal procedure and functioning of the Board committees. The regulations can be consulted at the Bank's headquarters and on its website www.bancopopular.es.

At the meeting held on 11 September 2008, the Board of Directors amended article 18 of the Board Regulations, regarding the Directors' duties.

Finally, the Audit and Control Committee and the Appointments, Remuneration, Corporate Governance and Conflicts of Interest Committee reported on functions and activities carried out during the year.

- B.2.6. State whether the composition of the Executive Committee reflects the participation in the Board of the various directors depending on their category:**

Yes

No

If this is not the case, explain the composition of the Executive Committee

The Board of Directors ensures that the composition of the Executive Committee, together with the Executive Directors, reflects a number of independent Directors that is congruent with the structure of the participation of external Directors in the Board of Directors.

The Board of Directors currently has nineteen members, four of whom are Executive Directors, six are Domanial Directors, seven are Independent Directors and three is an External Director. The Executive Committee comprises seven members, three Executive Directors and four Independent Directors.

Given that this is a delegate body pertaining to the Board of Directors with decision-making authority, three of the four Executive Directors form part of the Committee. In addition, for the proper performance of its duties it is necessary that the non-executive Directors who form part of this Committee should be appointed in all cases from among the Independent Directors, without any Domanial Directors forming part of the Executive.

As a result, the percentage of Independent Directors on the Executive Committee (57%) is higher than the percentage on the Board of Directors (35%).

The relations between the Board and the Committee are governed by the principle of transparency. At each of its meetings, the Board has full knowledge of all the matters discussed and the decisions adopted by the Executive Committee.

C ASSOCIATED TRANSACTIONS

- C.1. State whether or not the full Board has reserved approval, until a report from the Audit Committee or any other Committee to which this responsibility has been delegated has been received, the transactions that the Company carries out with Directors, significant shareholders or parties represented on the board, or associated persons:

Yes

No

- C.2. List the material transactions involving a transfer of resources or obligations between the Bank or its group entities and the Bank's significant shareholders:

<u>Name of the Company or entity in its group</u>	<u>Name of the Company or entity in its group</u>	<u>Nature of the relationship</u>	<u>Type of operation</u>	<u>Amount (€k)</u>
-	-	-	-	-

With respect to significant shareholders, the transactions of this kind by Banco Popular during 2008 were confined to those with Allianz that, in any case, were performed on an arm's length basis.

- C.3. List the material transactions involving a transfer of resources or obligations between the Bank or its group entities and the Bank's directors or executives:

<u>Name of administrators or executives</u>	<u>Name of the Company or entity in its group</u>	<u>Naturaleza de la operación</u>	<u>Type of operation</u>	<u>Amount (€k)</u>
-	-	-	-	-

Transactions with members of the Board of Directors and the senior management of the Bank were performed in the ordinary course of business and at arm's length.

The overall amount of direct risks assumed by the Group in favour of all directors, as of December 31, 2008, was €1,575k, of which €1,473k correspond to loans and credits, and €102k to suretyships. The interest rates on the loans and credits range from 4.53% to 5.38%, and surety fees are 0.40% per quarter.

The overall amount of risks assumed by the Group in favour of each of the members of the Board of Directors is indicated in Note 10 to the Financial Statements in the Annual Report.

The risks contracted with management personnel listed in Section B.1.12 conform to the general criteria for the assumption of risks with Group employees, and in all cases form part of the Bank's ordinary business and have been contracted on an arm's length basis.

- C.4. List the material transactions by the Bank with other companies in its group which are not eliminated in the process of preparation of the consolidated financial statements and were not performed in the ordinary course of the Bank's business as regards their purpose and conditions:

<u>Name of the Group company</u>	<u>Brief description of the transaction</u>	<u>Amount (€k)</u>
-	-	-

No such transactions have taken place.

C.5. State whether or not the members of the Board of Directors came under any of the conflict of interest situations during the year, in accordance with Article 127 ter of the Spanish Companies Act.

Yes

NoName of the DirectorDescription of the conflict of interest

On a general basis, no situations of conflict were observed involving directors of the Bank that might affect the discharge of their office. However, in cases in which transitory conflict of interest situations arose (appointments, re-elections, loans to directors, etc.) the directors concerned refrained from intervening in the deliberations and from participating in the voting by the Board of Directors or its Committees.

C.6. Detail the mechanisms in place for detecting, determining and solving possible conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.

Among the competencies of the Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee listed under Article 25 of the Board Regulations is the authority to detect and manage any possible conflicts of interest between Directors or Senior Management and the Bank, ensuring compliance with their obligations of discretion and passivity, as well as their duties of confidentiality, diligence and loyalty, as well as any that may arise between significant shareholders and the Bank.

In accordance with the provisions of Article 24 of the Board Regulations, the Audit and Control Committee has the authority to detect and manage any conflicts of interest that may arise between the Company and its Group.

1. Conflicts of interest between the Company and/or its Group:

In accordance with Recommendation two of the Unified Code, and in line with the corporate Governance principles established by the Basel Bank Regulatory Committee, Banco Popular and listed banks pertaining to its financial Group, Banco de Andalucía, Banco de Castilla, Banco de Crédito Balear, Banco de Galicia and Banco de Vasconia, have agreed to a protocol under which they define their respective areas of activity and business relationships that establishes a framework for resolving potential conflicts of interest. For more information, see Heading C.6.

2. Conflicts of interest affecting Directors and Executives:

In accordance with the Board Regulations, the Directors must notify the Board of any situation of direct or indirect conflict that they might have with the interests of the Bank. In the case of a conflict, the Director concerned must refrain from intervening in the transaction to which the conflict refers.

In any case, situations of conflict of interest involving Directors of the Bank must be disclosed in the annual corporate governance report.

In turn, the Internal Regulations of Conduct for Banco Popular Group entities in the sphere of securities markets details the information that must be provided by the Directors and Executives to the IRC Supervisory Body with respect to conflicts of interest:

- a) In order to control possible conflicts of interest and, to the extent possible, prevent them, Directors and Executives will present and update statements of their ties—financial, family or of any other type—with customers of the Bank with respect to services relating to the stock market or with companies listed on the stock exchange.
- b) The statement will also include any other ties that, in the opinion of an external unbiased observer, could compromise the impartiality of the Director or Executive.
- c) Directors and Executives must endeavor to avoid conflicts of interest and, if they are personally affected thereby, must refrain from deciding or, if appropriate, casting their vote in such situations as may arise.
- d) The oversight body may at any time, either occasionally or periodically, call for any information it considers necessary about the links of the persons subject hereto in order to make it possible for it to comply with its reporting or other obligations pursuant to the Securities Market Law and implementing regulations.

3. Conflicts of interest with significant shareholders:

In accordance with the provisions of Article 28 of the Board Regulations, the Board of Directors formally reserves to itself cognizance of any direct or indirect transaction between the Bank and a significant shareholder, giving due value to the equal treatment of the shareholders and market conditions.

The Board of Directors must adopt the necessary measures to avoid significant shareholders making use of their privileged position to obtain special advantages.

C.7. Is more than one Group company listed on a stock exchange in Spain?

Yes

No

Identify the subsidiaries that are listed on a stock exchange in Spain:

Listed subsidiaries

Banco de Andalucía, S.A.

State whether or not the respective areas of activity and any business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies:

Yes

No

Define any business relationships between the parent company and the listed subsidiary, and between the latter and other group companies.

Banco Popular and Banco de Andalucía compete freely in the banking and financial areas. The respective spheres of activity of Banco Popular and of Banco de Andalucía are the same. The expansion of their respective commercial networks is normally based on geographic and business criteria, although there are offices of both Banks to be found within the same territorial areas. Banco Popular and Banco de Andalucía market the same range of products under the same or different brand names and use the same marketing channels, with such local adjustments as may be necessary.

Identify the mechanisms in place to resolve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve conflicts of interest

On December 19, 2007, Banco Popular Español, S.A. and Banco de Andalucía, S.A., signed a protocol which established a framework for the resolution of possible conflicts of interests.

In their respective areas, the Audit and Control Committee of Banco Popular and the Audit Committee of Banco de Andalucía are the bodies responsible for resolving any conflicts of interests which may arise between Banco Popular and Banco de Andalucía.

This protocol states that the General Control Department at Banco Popular is to keep a register of services common to Banco Popular and Banco de Andalucía, and of business operations taking place between them and which could give rise to conflicts of interest. In any event, these services and business operations are required to be rendered or performed in strict compliance with internal regulations in force at each given moment in time, particularly those established by the Internal Code of Conduct of the Group Companies in relation to the stock market, where applicable. The monitoring and evaluation of transactions are to be undertaken when preparing the Notes to the Financial Statements, the Annual Corporate Governance Report or any other Financial Reports required to include this information, in accordance with the rules in force at each given moment in time. The Register is required to include information relating to the type of service rendered or business transaction executed, the identity of the Group Companies involved, the identity of the persons or Group Companies which may be affected by a conflict of interests, and the reason for the emergence of a conflict, and a detailed description of how it was resolved.

D RISK CONTROL SYSTEMS

D.1. General description of the risks policy of the company and/or its group, detailing and evaluating the risks covered by the system and justifying the adequacy of the systems for the profile of each type of risk.

The various different risks implicit in the banking activities conducted by the Grupo Banco Popular are managed based on criteria of prudence, in such a way as to safeguard at all times the basic objectives of solvency, profitability, efficiency and adequate liquidity.

The risk policy is a synthesis of strictly professional criteria for the study, assessment, assumption and monitoring of risks by all the entities comprising the financial group, the aim of which is to optimise of the risk/return relationship inherent in credit and market risk, and to minimize all other risks (operational, liquidity, interest rate, concentration, business, reputational and other).

Internal policies, which are known and applied by all of the Group's business areas for an integral management and control of risks, are set out in an Investment Policies Manual.

Risk Management is characterised by the following key points and criteria:

- a) Involvement of Senior Management
- b) Separation of risk and commercial areas
- c) Formal system of attributions for the granting of risks
- d) Priority of risk policies aimed at guaranteeing the Group's stability, and its viability in the short, medium and long terms, and at maximising the risk/return relationship.
- e) Strict compliance with current legislation, in all aspects, particular attention being paid to compliance with current instructions for the Prevention of Money Laundering and Financing of Terrorist Activities.
- f) Tailoring. Terms are negotiated with the customer based on its bond with the entity, the risk it assumes and the return it offers.
- g) Speed in deciding upon and responding to transaction proposals, as a basic competitive instrument, without detriment to thoroughness in analysis.
- h) The aim to establish an optimum balance between loans and receivables and equity.
- i) Diversification of the risk inherent in loans and receivables, setting or adjusting the limits set for borrowers, sectors, and for distribution by terms.
- j) Profitable quality investment, focus on profitable, balanced and sustained growth at global level and on returns adjusted to the risk level of each borrower.
- k) Objective-oriented flexibility of the organizational structure.
- l) Thorough assessment and documentation of risks and guarantees.
- m) Application of automatic internal systems based on rating or scoring.
- n) Monitoring of risk from analysis through to cancellation.

The Group has risk control systems in place covering the entire range of its activities, which basically consist of the commercial banking business. These systems address credit or counterparty risk, including concentration risk, market risk, liquidity risk, interest risk, operational risk, business risk and reputational risk, and include formal procedures for analysis, authorization, monitoring and control, which are applied in a manner consistent with the nature and number of the risks and under the supervision, as appropriate, of collegiate decision-making bodies, specifically the Delegate Risks Committee, the Management Committee and the Assets and Liabilities Committee.

In accordance with the new framework for the International Convergence of Capital Measurement and Capital Standards (Basel II), integral management of the various different risks and their coverage in terms of regulatory and financial capital are undertaken by the General Risks Management based on premises defined by the Board of Directors through its Delegate Risk Committee.

Seven major categories of risk are addressed for the purposes of the analysis set out below. These are: credit risk, cross-border risk, structural balance sheet risk, market risk, liquidity risk, operational risk and reputational risk.

Credit risk

Credit risk arises from possible losses triggered by the breach of contractual obligations by the Bank's counterparties. In the case of refundable financing granted to third parties (in the form of credits, loans, deposits, securities and other), credit risk arises as a consequence of non-recovery of principal, interest and other items in the terms - regarding amount, period and other conditions - stipulated in the contracts. In the case of off-balance sheet risks, it arises from the failure by counterparties to fulfil their obligations vis-à-vis third parties, thus forcing the Bank to assume them by virtue of the commitment formalised.

For the correct management of credit risk, the Group has established a methodology whose main features are described in the following paragraphs.

Analysis of credit risk

The Group has established a formal system of attributions for the extension of credit, under which the various hierarchical levels in the organization are assigned delegated powers for the authorization of transactions which vary depending on various factors, such as: probability of default according to BISII internal models/Technical Alerts, amount, rate, maximum term, title-holder, business sector and profitability of the operation.

For these purposes, the tiers in the organization with delegated powers to authorise operations are, firstly, the Branch, then the Regional Management to which the branch belongs in the case of Banco Popular, the Area Management in the case of Group Banks and Companies, or the Retail Risks Office, followed by the Delegate Management (in the case of Banco Popular) and General Managements (in the case of Group Banks and Companies). The final tiers would be the Commercial Network/Corporate Risks Investments Office, the General Risks Management, the Delegate Risks Committee, and finally, the Board of Directors or Executive Committee.

The initiative for a new transaction always comes from a Branch. This may be for decision-making if this is within its attributions, or it may be for reporting and passing on to the next higher tier, if the operation exceeds its attributions. The same rule applies at the following levels, and thus the largest transactions will have been evaluated all along the chain of attributions. No other office or area in the Group, regardless of the hierarchical level of its management personnel, is empowered to make, nor even to propose, risk transactions outside the established circuit. The following offices constitute exceptions to this principle: International Financial Institutions and the Treasury area which, through their directly dependent units, can propose to the General Risks Management the acceptance of Risks corresponding to Financial Entities, or issues made by the Public and Private Sector of the various kinds of financial assets traded on capital markets. Wholesale banking is able to propose to the General Risks Management, through the Commercial Network/Corporate Risks Investments Office, the acceptance of risks which, in view of the complexity of their structure and design, require such a procedure.

In the other business areas, the procedure is similar: risk assumption proposals originate in the relevant operating office, which likewise has decision-making powers delegated to it. Above this level, the transaction is referred, along with the pertinent preliminary reports, to the General Risks Management and, if it is outside the scope of its powers, is passed on to the Delegate Risks Committee.

Risks with related parties, such as transactions with significant shareholders, members of the Board, General Managers or similar, or with companies related to these persons, and with Group companies, are expressly excluded from the aforementioned delegated powers, and can only be authorized by the Board of Directors or the Executive Committee, following a report from the Delegate Risks Committee. Exceptions are made when such operations are formalised through standardized contracts or with generally-stipulated conditions or involve very minor amounts, and in certain other cases established by the Regulations.

For the acceptance of risks and the rating of customers based on their credit profile, and as support for decision-making, the Group has internal credit risk analysis and measurement (rating and scoring) models. For the retail segment, credit scoring models adapted to each kind of product are used. For the businesses segment, the internal rating is calculated based on the analysis of variables representative of economic and financial position and sector. The Group has replica models for the large companies and financial institutions segments.

At December 31, 2008, Banco Popular received the authorisation from the Bank of Spain enabling it to use advanced models for risk management within the Basel II framework for its portfolios of medium-sized companies and retail mortgages.

Lastly, the entity has developed its own complete model for the measurement of credit and concentration risk to estimate the financial capital appropriate to the Entity's risks profile and comply with the Capital self-assessment obligations detailed in Pillar II of the Accord. Support is provided by integrated applications developed for the estimation of risk parameters which are included in these models.

To increase permanent internal transparency, in line with the standards of Pillar III of the New Capital Accord, the Network has carried out numerous training activities focusing on the philosophy and objectives of Basel II in order to adapt to its requirements and to the new concepts, tools and management models.

The new Investment Policies Manual has also been authorised and published. This manual covers the following areas:

- The Entity's risk profile.
- Rules of action in relation to credit risk.
- Policies for the Analysis, Acceptance and Monitoring of risks.
- System of attributions and delegation process.
- Credit rating models.
- Definition of and exposure to other risks.

Monitoring of risk

The monitoring of operations makes it possible to assess their quality at borrower level and establish mechanisms for the special surveillance of their progress and react to avoid possible situations of default. The Group has a surveillance system in place based on "Technical Alerts" and "Information alerts" which monitors trends in rating levels. This makes it possible to anticipate problematic situations through preventative measures in respect of current risks.

This system is based primarily on the analysis of a set of variables relating to transactions and to customers, in order to detect anomalous deviations in their behaviour and situation alerts.

Technical alerts are monitored from the Risk Monitoring offices located within each of the Area Managements and subsidiary Banks, as well as within Central Services. Risk Monitoring carries out thorough monitoring of certain risks corresponding to customers and financial groups with a high level of assumed risk, or in which certain incidents have been observed. There are three types of monitoring activity, based on intensity, i.e. intensive weekly review of the status of risks; periodical or monthly review; or occasional quarterly review.

The Control and Audit Area performs each month several analyses of customers in respect of whom incidents have been reported. Based on this information, plus additional financial or other kinds of documentation relating to the customer, Risks Monitoring prepares a borrower classification.

This classification system functions at two levels: on the one hand, an evaluation is made of the overall quality of the customer risk, and on the other hand, a proposal is formed as regards the policy to be followed in relation to the risks contracted. This two-fold classification, based on the circumstances of each case analyzed, is introduced graphically into the borrower's electronic case file by means of a teleprocessing application which includes all the customer information and positions, for consideration in risk-related decision-making.

On the other hand, this alerts system is supplemented by the “analyst’s report”, also included in the customer’s electronic case file, which, by means of a questionnaire regarding the evolution of the customer, of the customer’s risks and incidents, assets position, guarantees, etc., summarizes the policy to be followed and identifies the measures required to ensure the satisfactory outcome of risks. This report, in its preparation and definition, also takes into consideration default probability parameters based on BISII.

In the event of there being more than one classification and one risks policy for a single customer, the classification and policy to be applied are those assigned by the Risks Monitoring Office, which prevail over those assigned by the Branch or Area Management.

In addition, there is constant monitoring of concentration risk, involving the ongoing analysis of the structure of loans and receivables, taking into consideration their distribution by amount, term, activity sector, type of transaction, geographical area and any other factors considered relevant.

Management of nonperforming operations and recovery of impaired assets

The Group has an office which undertakes this function in each of the Area Managements and Subsidiary Banks, as well as at headquarters. The fundamental objective of these offices is to recover balances classed as nonperforming as quickly as possible and in the best possible conditions.

The Default Analysis and Claims Centre is responsible, initially, for the handling of defaults; it analyzes risks in irregular situations and identifies, based on individual analyses of the particular circumstances of each customer or transaction, the most effective claim strategies. It also implements, in coordination with the Group branches, appropriate measures for regularization.

Initially, an out-of-court or amicable approach is adopted, by means of direct negotiation with the debtors (by telephone, postal correspondence or personal contact), or by engaging the services of reputable debt collection firms.

If legal action through the courts is required, the procedure is as follows:

Depending on the type of operation, an internal or external manager is assigned to the case. A statement of claim is generated and irrespective of whether the case is handled by an internal or external solicitor, there is ongoing monitoring by managers of the related favourable or unfavourable court rulings.

Final resolution of a case handled by solicitors may imply either the recovery of the investment or a negative ruling (in which case the Entity incurs a loss).

For the adequate management of non-performing balances, the Group has an internal computer application, integrated in the teleprocessing system, which permits timely and precise monitoring of the evolution of all delinquent risks and, in particular, of the legal proceedings initiated for the recovery of receivables.

CROSS-BORDER RISK

Cross-border risk, also referred to as country risk, is an additional component of credit risk. It derives from the difficulties which may be encountered by borrowers in certain foreign countries in meeting their debt repayment obligations. The default may be attributable to the financial position of the actual debtor (in which case the treatment is as for credit risk) or it may arise because the debtor, despite being able to repay its loans in the local currency, is unable to transfer funds abroad in view of economic difficulties in its country of residence. Applicable rules require that these risks be provided for based on the estimated impairment.

STRUCTURAL BALANCE SHEET RISK

This risk category covers risks deriving from possible adverse changes in interest rates corresponding to assets and liabilities, in the exchange rates for currencies in which asset and liability groups or off-balance-sheet items are denominated, and in the market prices of negotiable financial instruments. Also included under this heading is business risk, defined as the possibility that the gross margin may prove insufficient to cover fixed costs owing to changes in volumes of balance sheet items and fee revenues, generated in turn by changes in economic conditions.

Interest rate risk

The analysis and control of interest rate risk within the Group is undertaken by the Assets and Liabilities Committee (ALCO), which, among other tasks, assesses the sensitivity of the balance sheet to variations in the interest-rate curve in various scenarios, establishing short- and medium-term policies for the management of rates, spreads and application and equity aggregates. To do this, it prepares simulations, using different scenarios in terms of the growth of assets and liabilities (optimistic, pessimistic and base), trends in margins and changes in the interest-rate curve, the aim being to measure the sensitivity of the financial margin to these variables over a three-year time span.

MARKET RISK

This risk category covers the risks deriving from possible adverse changes in the market prices of negotiable financial instruments managed by the Group's Treasury area as a result of adverse changes in interest rates, exchange rates, prices of shares or raw materials, credit spreads, or volatility levels.

Also included is the liquidity risk linked to these positions. This is understood to refer to the impossibility of clearing positions in the market within a short period of time. For this, an evaluation is made of positions over a time span coinciding with the estimated time for closure of the risk.

Risk of Treasury area operations

The Treasury Risk Management area, for the purpose of controlling the market risk in this area's activity, undertakes daily monitoring of operations contracted, calculation of the result implied by the impact of market trends on positions, quantification of market risk assumed, calculation of regulatory capital consumed, monitoring of compliance with established limits, and analysis of the relationship between the result obtained and the risk assumed.

The activity of the Treasury area in financial markets is exposed to market risk resulting from unfavourable trends in the following risk factors: interest rate, exchange rate, share prices and volatility. The indicator used to measure market risk is the so-called Value at Risk (VaR) indicator, which is defined as the maximum potential loss estimated based on historical data with respect to price trends, calculated based on a specific confidence level and specific term. The parametric VaR methodology is used in order to standardise the Group's overall risk measurement. Calculations are made with a 99% confidence level, considering historical variations over 75 days, greater weight being given to those observations which are most recent, and considering a 1-day period for the measurement of possible losses in view of the high level of liquidity of open positions.

LIQUIDITY RISK

The liquidity risk reflects the possibility of a credit institution encountering difficulties in disposing of liquid resources, or of accessing liquid resources, of a sufficient amount and at adequate cost, in such a way that it is able to meet its payment obligations at all times. This risk is supervised by the Assets and Liabilities Committee (ALCO), which has formal procedures for the analysis and monitoring of the Group's liquidity, including contingency plans envisaging possible deviations caused by internal factors or by the behaviour of markets. For this purpose, periodic analyses are made of the sensitivity of liquidity in a variety of asset and liability cancellation scenarios, in periods which range from one day (short term) through to ten years (long term). Liquidity risk analysis is based on a breakdown of the consolidated balance sheet, considering the residual maturity terms of assets and liabilities; the result is the positive or negative liquidity gap for each time interval. For issues of securities, and for reasons of prudence, the shortest cancellation period is considered in all cases. The balance sheet in question is used to simulate situations arising in different scenarios in terms of market liquidity, combined with assumptions with respect to changes in application and equity aggregates and with the use of available liquidity lines. It is possible in this way to estimate the sensitivity of the balance sheet to changes in these variables, in a manner similar to that described above for the evaluation of interest rate risk. The simulations envisage two different risks: systematic risk, which would affect the entire financial system, and specific risk, affecting only Banco Popular. The assumptions on which these are based differ, as do the impacts on the balance sheet and on the liquidity position. The measures to

be adopted, which are defined in the contingency plan, take into consideration the particular natures of each of these types of crisis. These simulations make it possible to quantify a minimum amount of assets available as a second liquidity line, ensuring that the scenarios envisaged can be comfortably weathered.

OPERATIONAL RISK

The Banco Popular Group has adopted the definition of operational risk established in the new Basel Capital Accord (Basel II): "the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events". The overall management of this risk includes the design of procedures for its identification, assessment, monitoring and control. Senior Management has approved the "Operational Risk Management Framework" for the design of policies and functions for the development and implementation of methodologies and tools for the improved management of Operational Risk within the Group.

Initially, the Group has opted for the Standard method envisaged in Basel II for calculating capital for operational risk, although it plans to apply the advanced method in the future. In this respect, a database with historic data on operational risk events as from January 2004 is being generated. Similarly, since December 2006 the Group has been a member of the Operational Riskdata Exchange Association (ORX). This is an international consortium entrusted with the custodianship of a database of events reported by leading financial entities from around the world, with which we exchange information on a quarterly basis.

The Group also has qualitative tools and has advanced a great deal over the past year in the drawing up of Risk Maps - which are periodically updated and are used to measure the frequency and impact of this type of risk and to improve controls and coverage in the areas of greatest exposure -, as well as in the study of contingency plans required to guarantee the continuity of operations.

REPUTATIONAL RISK

The Regulatory Compliance Office, which reports from the functional perspective to the Audit and Control Committee, identifies, evaluates and prevents possible risks of material breach - from the economic or reputational standpoints - which might arise in relation to laws and regulations, codes of conduct and standards of good practice, especially as regards the prevention of money laundering and financing of terrorism, conduct in the securities markets, data privacy and protection and business activities. In relation to this latter aspect, it identifies and assesses the risks of non-compliance linked to the development of new products and practices in each business area, overseeing compliance with transparency and customer protection rules.

It also analyses and promotes the development of systems for the training of the workforce in relation to these areas.

The Risk Management section of the 2008 Management Report describes the management of the aforementioned risks in greater detail.

D.2. State whether or not any of the various types of risk has materialized (operational, technological, financial, legal, reputational, tax, etc.), affecting the company and/or its group.

Yes

No

If yes, indicate the causing circumstances and whether or not the established control systems worked.

Risk arising during the year

The risks affecting the Group which are broadly described in the preceding section are those corresponding to the normal activities carried out by Group companies

Causing circumstances

Circumstances deriving from the activity

Operation of control systems

Established control systems have functioned adequately throughout the year

D.3. State whether there is any committee or other governance body responsible for establishing and supervising these control mechanisms.

Yes

No

If yes, provide details of their functions.

Name of the Committee or Body	Description of duties
Board of Directors	See Section B.1.10
Executive Committee	See Section B.2.3
Audits and Control Committee	See Section B.2.3
Risk Committee	See Section B.2.3
Assets and Liabilities Committee - ALCO	See section D.1

D.4. Identification and description of the processes for compliance with the regulations affecting the company and/or its group.

The Bank has in place a set of internal standards and procedures for action in all its fields of activity that conform to current legislation and to the ethical and corporate governance standards applicable in its environment. The Bank has three different areas which are all involved in verifying compliance with these rules and procedures.

The Regulatory Compliance function within the Group is assumed primarily by the Regulatory Compliance corporate unit; there are also other control areas or units within the Group which may be involved for operational reasons or owing to the field in which they specialise. The Regulatory Compliance Unit is responsible for identifying, assessing and preventing possible risks of non-compliance which are significant from the economic or reputational perspectives, and which could arise in relation to laws and regulations, codes of conduct and standards of good practice, especially as regards the prevention of money laundering and financing of terrorism, conduct in securities markets, data privacy and protection and business activities. The Money Laundering Prevention Office reports to the Regulatory Compliance Unit, the task of this office being to prevent, investigate and, where appropriate, report suspicious operations.

In the securities markets area, it collaborates with the Surveillance Body responsible for overseeing compliance with the Group's Internal Code of Conduct, to ensure that the Group's employees and management personal adhere to internal rules on operations in the securities markets. It also contributes to the supervision of internal procedures established to guarantee the correct processing of personal data bases managed by the Group. Finally, it identifies and assesses risks of non-compliance linked to the Bank's business activities, including risks related to the development of new products and business practices, overseeing compliance with transparency and customer protection rules.

On the other hand, in relation to the management of and compliance with internal operational control procedures and the conformity thereof to applicable regulations, the Bank also has an Internal Audit Area which comprises the following Units: Branches Audit, Companies and Central Services Audit, IT Audit, and Risks Management Audit. It also has an Operational Control area, the functions of which are the verification of compliance with accounting regulations and of the conformity of the Bank's internal procedures to such regulations, detecting possible deviations therefrom and cases of fraud.

The persons in charge of the abovementioned areas submit their reports to the Audit and Control Committee.

Finally, the Delegate Risks Committee pertaining to the Board of Directors controls credit risk and proposes to the Board the overall market risk policy. The Committee assesses the global risk assumed, its sectorial and geographical diversification, and the level of coverage advisable in order to maintain the solvency level considered appropriate, and proposes as required the most effective policies for ensuring that these aims are achieved.

E SHAREHOLDERS' MEETING

E.1. State and, if appropriate, provide details about differences arising with respect to the minimum quorums established by the Spanish Companies Act (SCA) for calling a General Meeting to order

	Yes	<u>No</u>
	% quorum different than that established under Article 102 SCA <u>for general cases</u>	% quorum different than that established under Article 103 SCA <u>for special cases 103</u>
Quorum required for 1st calling	-	-
Quorum required for 2nd calling	-	-
Description of the differences		

E.2. State and, if appropriate, provide details of differences with the system established by the Spanish Companies Act (SCA) for adopting resolutions.

	<u>Yes</u>	No
Describe the differences compared with the system established in the SCA.		
b) The Board will establish the necessary mechanisms for proxy voting or voting by mail, electronically or any		
	Reinforced majority different than that established under Article 103.2 SCA <u>for cases covered by Article 103.1</u>	Other cases of reinforced majorities
% established by the Company to adopt resolutions	66	66
Description of the differences		

At meetings called at the request of a number of shareholders representing at least 5% of capital stock, a favorable vote of at least two thirds of capital stock that is present or represented must be obtained to approve resolutions.

E.3. List the rights of shareholders in regard to Shareholders' Meetings that differ from those per the Corporations Law.

Shareholders' rights in relation to the general meeting are those established in the Spanish Companies Law, in the terms established in the Bylaws and in the General Meeting Regulations.

E.4. Describe the measures, if any, adopted to encourage participation of shareholders at Shareholders' Meetings.

The work of the Bank's Governing bodies is conceived as part of a business culture which seeks to establish closer links with shareholders; appropriate channels aimed at informing shareholders and enabling them to participate in key decision-making are being increased.

The Board of Directors is responsible for arbitrating the channels adequate for hearing the proposals that may be made by shareholders with respect to the Company's management. In this respect:

- a) The Board will deal, with the greatest diligence and in any case within the legally stipulated periods, with the requests for information and enquiries from shareholders either before the Shareholders' Meeting or thereafter.
- b) The Board will establish the necessary mechanisms for proxy voting or voting by mail, electronically or any other means of remote communication, provided that the identity of the shareholder is duly guaranteed.

- c) The Board will implement appropriate procedures to ascertain the proposals of shareholders about the management of the Bank.
- d) The Board may organize briefings about the progress of the Bank and its Group for shareholders resident in the most important financial centers in Spain and abroad.

The following paragraphs describe the principal measures aimed at encouraging the participation of shareholders at Shareholders' Meetings:

Approval of Shareholders' Meeting Regulations. The regular update of the Shareholders' Meeting Regulations is intended to encourage the participation of the shareholders in the life of the Bank, to facilitate their access to corporate information, and to strengthen the safeguarding of shareholders' interests in the governance of the Bank.

Open Meeting. The principles that have shaped the modus operandi of the Shareholders' Meetings, and particularly Ordinary Meetings, include most notably their nature as an open meeting, with a policy of transparency, promptness, objectivity and depth of the information to shareholders whereby the annual information to the shareholders customarily starts to be disseminated at the end of January of each year and formally ends with the holding of the Shareholders Meeting. Shareholders thus have a long period of time in which to request clarification, to make inquiries and to submit proposals.

Notice of Shareholders' Meetings. To give shareholders sufficient time to request and obtain supplementary information on the items on the agenda, or to issue their voting instructions, the Board of Directors will endeavor to announce the Shareholders' Meeting sooner than legally required and to ensure that the announcement is published in a greater number of news media than the legally imposed minimum, unless this is not possible for reasons of urgency or other circumstances beyond the control of the Board.

Right to information. The shareholders may at any time submit enquiries, suggestions and comments of interest for the Bank or in connection with their status as shareholders. Whenever possible, the Bank will reply directly in writing to shareholders, either individually or collectively, as soon as possible and not later than seven working days, unless the data required for the response cannot be obtained within that period, and will publish on the corporate website the replies, either globally or on an individualized basis, whose general interest makes it appropriate to do so, with the intention that any response furnished should be generally known and made available to all shareholders without giving privileged treatment to the shareholder that requested the information. With this same intention, and if considered appropriate, the Bank may deal with these issues, either globally or on an individualized basis, at the Shareholders Meeting, even if they were not included on the agenda.

Similarly, the shareholders may pose such questions as they consider appropriate, particularly with respect to all the information made public by the Bank and from the date of publication, and such questions shall be answered and the replies disseminated in accordance with the rules described in the preceding paragraph. In this respect, the Bank will endeavor to maintain its traditional practice of publishing the relevant financial information of the year during the first month of the following year.

Publication of the questions put forth by Shareholders. For the third consecutive year a Brochure has been published containing the questions put forth by shareholders at the General Meeting and is made available to the public at the corporate website.

Institutional investors and domianial shareholders. In order to facilitate the most active contribution possible of institutional investors and significant direct or indirect shareholders in the formation of the corporate will, the Bank offers them the possibility of publicizing on its corporate website their policy of participation or not in the Shareholders' Meeting and how they would vote on each of the items on the agenda thereof.

Use of the various channels of information to shareholders. Pursuant to Article 7 of the Shareholders' Meeting Regulations the Board of Directors will establish the channels necessary to facilitate communication between the shareholders and the Bank.

In any case, the Bank will make available to the shareholders at least the following channels of information:

- The Shareholders Office, where the available information may be consulted.
- A telephone number for direct contact with the Shareholders Office and an e-mail address that will be notified in the notice calling the Shareholders Meeting, for shareholders to request the related information.
- The Bank's website.

The corporate website. The corporate website www.bancopopular.es contains the applicable legally and regulatory required information, including most notably:

- a) General information about the Bank, including its Bylaws, significant events, channels of communication with it, its capital and number of shares, dates of interest for shareholders, dividends and public offerings of shares.
- b) The attached financial information. Includes periodic public information: annual, half yearly and quarterly reports, as well as the presentations made to the various market operators.
- c) Information about corporate governance of the Bank, including the Shareholders' Meeting Regulations, information about the Shareholders' Meeting and the Board of Directors and its committees, the Board Regulations, the Annual Corporate Governance Report, the Annual Corporate Social Responsibility Report and the Internal Rules of Conduct in the sphere of securities markets.
- d) Information regarding the members of the Board of Directors, including a professional profile and biography; other Boards of Directors to which they pertain; their category within the Board of Directors, reflecting in the case of domanial directors the shareholder that they represent or with which they are associated; the date of first appointment and any subsequent re-appointments; the shares in the Company and any stock options they own.

The website also includes the leaflet of shareholder questions and answers, and any statements made to the Bank by its institutional and domanial shareholders, pursuant to Article 15 of the Shareholders' Meeting Regulations.

As regards the conduct of Shareholders' Meetings, after the publication of the notice of a Shareholders Meeting, the corporate website announces:

- a) the notice
- b) the full content of the proposed resolutions that the Board of Directors submits for the consideration of the General Meeting with respect to the points on the Agenda, including information regarding the Directors referred to under Recommendation 28 of the Unified Code of Good Governance.
- c) all the documentation relating to the proposed resolutions (financial statements, directors' reports, reports of independent experts, etc.)
- d) The procedures implemented to vote through remote communications systems.
- e) Any other information or documentation that is considered relevant for shareholders.
- e) Any other information or documentation that is relevant to shareholders.

After the Shareholders' Meeting has been held, the markets are informed by publication of a significant event notice and the corporate website reports the resolutions adopted at the last Shareholders Meeting, showing the results of the voting. The content of the speeches made during the Meeting is also reported.

Addition of new topics to the agenda. Shareholders representing at least 5% of the capital stock may request the publication of a supplement to the notice of the Shareholders' Meeting containing one or more topics for inclusion in the agenda.

Right of attendance. At the General Meeting held on 30 May 2007 the limitation established in the bylaws regarding attending the Meeting, consisting of holding .001% of capital stock, was eliminated in order to facilitate attendance and participation by shareholders at General Meetings.

Voting on independent issues separately. This was a habitual practice carried out by the Bank prior to the publication of the Unified Code of Good Governance. In order to ensure that shareholders may exercise their voting preferences separately, at the General Meeting held on May 30, 2007 a resolution was adopted

whereby issues that are substantially independent and, in particular, the appointment of Directors are voted on separately and individually as are bylaw amendments which are voted on separately by independent articles and the annual report on the compensation policy for Directors.

Division of votes. This was a habitual practice carried out by the Bank prior to the publication of the Unified Code of Good Governance. In accordance with the Resolution adopted by the General Meeting held on May 30, 2007, a Resolution was adopted to amend the Board Regulations to allow the division of votes so that financial intermediaries who are legitimate shareholders but act on behalf of different customers may issue their votes in accordance with the latter's instructions.

Remote voting. As from the General Meeting held on May 25, 2005, votes on proposals regarding any point of the Agenda at any General Meeting may be delegated or exercised by a shareholder through postal or electronic correspondence.

In order to encourage the participation of shareholders, at the General Meeting held on May 30, 2007, a resolution was adopted to allow voting via mobile telephone.

Information about corporate governance criteria and observance thereof. The Board has drafted since 1998 an annual corporate governance report that sets forth in an orderly manner the principles guiding the Bank's actions in this respect.

Information about corporate social responsibility criteria and the observance thereof. A corporate social responsibility report is also prepared dealing with the Group's policy in this field. The first such report was for the year 2003.

Starting in 2004, the Corporate Social Responsibility Reports have been prepared in accordance with the GRI indicators and, from 2005, have been reviewed by PriceWaterhouseCoopers to obtain an independent opinion about the quantitative and qualitative information contained therein.

- E.5. State whether or not the position of Chairman of the General Meeting coincides with the position of Chairman of the Board of Directors. Indicate any measures taken to guarantee the independence and proper operation of the General Meeting:**

Yes No
Measures adopted

Without prejudice to the relevant Bylaw provisions, the Shareholders' Meeting Regulations contain adequate measures to guarantee the sound functioning thereof.

Mention is to be made in this respect of the creation of a Meeting Committee to attend to the functions of the Chair. Its composition differs from that of the Board of Directors, in accordance with the rules established in this respect in the Bylaws. The Meeting Committee is permanently made up of seven shareholders, six of whom are current members of the Board of Directors. Three of these are classed as independent, two as executive - the Chairman and the Secretary - , and one is classed as domanial. Among other duties, the Meeting Committee is the body responsible for calling the Meeting to order, directing speakers and debates, declaring the approval of resolutions and declaring the meeting closed.

- E.6. the changes, if any, in the Shareholders' Meeting Regulations during the year.**

- E.7. State the attendance figures for the Shareholders' Meetings held during the reporting year:**

General Meeting Date	Attendance		% of remote voting		Total
	<u>present in person</u>	<u>% represented</u>	electronic vote	Others	
05-30-2008	11.8166%	46.3533%	0.053%	1.3497%	59.57%
11-10-2008	1.0052%	45.6864%	0.041%	11.1784%	57.91%

E.8. Summarize the resolutions adopted at the Shareholders' Meetings during the reporting year and the percentage of votes with which each was adopted.

Shareholders' Meeting on Wednesday, May 30, 2008 adopted the following resolutions:

<u>RESOLUTIONS ADOPTED</u>	<u>Yea votes</u>	<u>Nay votes</u>	<u>Abstentions</u>
Approval of financial statements (balance sheet, income statement and notes to the financial statements) and management report of Banco Popular Español, S.A., and its consolidated group, of the proposed allocation of income and of management of the business for 2007.	99,984%	0,004%	0,012%
Ratification, re-election, and appointment of Directors.			
2.1 Ratification of Directors appointed by cooptation:			
2.1.a) Mr. José María Lucía Aguirre	96,760%	3,186%	0,054%
2.1.b) Mr. Vicente Tardío Barutel	96,823%	3,123%	0,054%
2.2 Re-election of Directors:			
2.2.a) Mr. Ángel Ron Güimil	96,765%	3,186%	0,049%
2.2.b) Mr. Américo Ferreira de Amorim	96,828%	3,123%	0,049%
2.2.c) Asociación Profesional de Directivos de BPE	96,828%	3,123%	0,049%
2.2.d) Mr. Eric Gancedo Holmer	96,865%	3,083%	0,052%
2.2.e) Mr. Casimiro Molins Ribot	96,828%	3,123%	0,049%
2.2.f) Mr. Luis Montuenga Aguayo	96,828%	3,123%	0,049%
2.2.g) Mr. Manuel Morillo Olivera	96,899%	3,051%	0,050%
2.2.h) Mr. Miguel Nigorra Oliver	96,828%	3,123%	0,049%
2.2.i) Mr. José Ramón Rodríguez García	96,801%	3,147%	0,052%
2.2.j) Mr. Vicente Santana Aparicio	96,867%	3,080%	0,053%
2.2.k) Mr. Miguel Ángel de Solís Martínez-Campos	96,860%	3,088%	0,052%
2.2.l) Mr. Herbert Walter.	96,828%	3,123%	0,049%
2.3 Appointment as Director of Mr. Roberto Higuera Montejo.	96,813%	3,176%	0,011%
3. Re-appointment of Auditors to undertake the review and legal audit of the Bank's financial statements and the consolidated financial statements.	99,803%	0,183%	0,014%
4. Authorization to acquire treasury stock shares subject to legal conditions, and to redeem them against equity and therefore reduce capital stock, up to a limit equal to 5% of capital.	99,733%	0,089%	0,178%
5. Report on the policy of remuneration for Board Members, for consultational voting purposes.	99,707%	0,044%	0,249%
6. Delegation of powers to the Board of Directors, with authority to make replacements, for the formalization, interpretation, correction and fullest possible execution of the resolutions passed by the General Shareholders' Meeting.	99,795%	0,027%	0,178%

<u>RESOLUTIONS ADOPTED</u>	<u>Yea votes</u>	<u>Nay votes</u>	<u>Abstentions</u>
Information on the amendments made to the Board Regulations.	-	-	-
Presentation of the Report explaining the aspects of the Management Report envisaged in Article 116 bis of the Securities Market Law.	-	-	-

The Extraordinary General Meeting held on November 10, 2008 passed the following resolutions:

<u>RESOLUTIONS ADOPTED</u>	<u>Yea votes</u>	<u>Nay votes</u>	<u>Abstentions</u>
1. Approval of the Project for the Merger of Banco Popular Español, S.A., Banco de Castilla, S.A., Banco de Crédito Balear, S.A., Banco de Galicia, S.A. and Banco de Vasconia, S.A. Approval of the merger balance sheet drawn up as at June 30, 2008. Approval of the Merger of Banco Popular Español, S.A., Banco de Castilla, S.A., Banco de Crédito Balear, S.A., Banco de Galicia, S.A. and Banco de Vasconia, S.A., through the absorption of the four latter companies by the first company named, with the extinction of the four companies absorbed, and the universal transfer of their respective assets and liabilities to Banco Popular Español, S.A., with a capital increase in order to effect the share swap, and with the corresponding amendment of the final article of the Bylaws of the absorbing company, all in accordance with the terms established in the Merger Project. Execution of the merger under the tax regime envisaged in Chapter VIII of Title VII of the Corporate Income Tax Law.	99,9001%	0,0886%	0,0113%
2. Delegation of powers to the Board of Directors, with authority to make replacements, for the formalization, interpretation, correction and fullest possible execution of the resolutions passed by the General Shareholders' Meeting.	99,9089%	0,0787%	0.0124%

E.9. State whether or not there is any bylaw restriction establishing a minimum number of shares required to attend the General Meeting.

Yes

No

Number of shares necessary to attend the General Meeting

The owners of shares that represent at least a nominal value of €100 (currently 1000 shares) may attend the General Meeting. Shareholders owning less than that percentage may be represented by another shareholder entitled to attend or by any of those grouped together in order to reach the stipulated minimum. Standard practice is to invite shareholders that have stated an interest in attending the Meeting.

E.10. Describe and justify the Bank's policies on proxy voting at Shareholders' Meetings.

Proxy forms are intended to facilitate the participation of shareholders by enabling all of them to exercise their right to vote by signifying their intention of vote on each of the resolutions submitted to the meeting in the agenda.

These proxies include a specific section for the shareholder to express voting instructions with respect to each of the points on the Agenda.

If no voting instructions are provided, the understanding is that the vote is favorable to the proposals made by the Board of Directors and, if a representing shareholder is not expressly indicated, or if representation is delegated to an ineligible person, it is understood that the delegation of this authority is conferred to the Chairman of the Meeting or the member of the Meeting Desk designated by the Chairman, who will take responsibility for the vote delegated by the shareholder being taken into consideration during the voting on resolutions.

Votes may be delegated via postal or electronic correspondence, or via mobile telephone, in accordance with the procedures established and published in the call to the Meeting and on the Bank's website.

E.11. State whether the Bank is cognizant of the policy of the institutional investors about whether or not to participate in the decisions of the Bank:

Yes

No

Description of the policy

In order to facilitate the most active contribution possible of institutional investors and significant direct or indirect shareholders in the formation of the corporate will, the Bank offers them the possibility of publicizing on its corporate website their policy of participation or not in the Shareholders' Meeting and how they would vote on each of the items on the agenda thereof.

E.12. State where the corporate governance material is included on the website and how it can be accessed.

The Bank's corporate website is www.bancopopular.es and on the home page there is a section called "Legal information for shareholders and investors" which contains all the information about the corporate governance of the Bank.

F COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree to which the Company follows the recommendations of the Unified Code of Good Governance.

In the event of any non-compliance, describe the recommendations, rules, practices or criteria applied by the company.

Recommendation 1. Bylaw restrictions.

The bylaws of listed companies should not restrict the maximum number of votes that can be cast by a single shareholder, nor contain other restrictions that make it difficult to take control of the Company through the acquisition of its shares in the market.

See headings: A10, B.1.22, B.1.23, E.1 and E.2

Comply **Explain**

The bylaws do not contain any restrictions relating to the acquisition or transfer of the Bank's shares in the market. Article 14 does restrict a single shareholder or companies pertaining to the same group from casting more than 10% of the votes at a General Meeting.

The restriction on voting rights is expressly established under the Spanish Companies Act and is also set forth in the internal regulations at a large number of listed companies in Spain and in Europe.

Maintaining the restriction on voting rights is due to the aim of providing stability to shareholders and preventing speculative stakes in capital stock from interfering with a management model based on efficiency, profitability and long-term benefits. The intention is to ensure that any movements to take control are in line with the management model that has characterized the Bank since it was founded.

Recommendation 2. Listings of companies forming groups.

When the parent company and a subsidiary are both listed they should both be publicly defined with precision:

- a) The respective areas of activity and any business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies:
- b) The mechanisms established to resolve any conflicts of interest that may arise.

See headings: C.4 y C.7

Comply Partially comply Explain Not applicable

Recomendación 3. Competencias de la Junta.

Even though not expressly required by commercial law, operations that involve a structural modification to the Company and, in particular the following, are submitted to the General Meeting for approval:

- a) The transformation of listed companies into holding companies, by "creating subsidiaries" or transferring essential activities previously carried out by the company to subsidiaries, even if the former maintains complete control;

b) The acquisition or disposal of essential operating assets, when they involve an effective modification to the corporate purpose;

c) Operations that have an effect equivalent to the liquidation of the Company.

Comply Partially comply Explain

Recommendation 4. Prior information regarding proposed resolutions.

Detailed proposals for resolutions to be adopted by the General Meeting, including the information referred to by Recommendation 28, should be made public at the time the notice for the Meeting is published.

Comply Explain

Recommendation 5. Separation of issues for voting purposes.

During the General Meeting, separate votes should be cast for issues that are substantially independent so that shareholders may separately exercise their voting preferences. This rule should be applied, in particular, to:

a) The appointment or ratification of Directors, who should be subject to separate votes;

b) In the case of amendments to the Bylaws, each article or group of articles that is substantially independent.

See heading: E.8

Comply Partially comply Explain

Recommendation 6. Division of votes.

The fractioning of votes so that financial intermediaries legitimately participating as shareholders but acting on behalf of different customers may vote in accordance with the instructions of the latter.

See heading: E.4

Comply Explain

Recommendation 7. Business interest.

The Board of Directors should carry out its duties with a common purpose and under independent criteria, treat all shareholders equally and be guided by the Company's interests, understood to be the sustained maximization of the company's financial value.

The board must also ensure that in its relationships with stakeholders the Company respects laws and regulations; complies with its obligations and contracts on a good-faith basis; respects common uses and good practices in the sectors and territorial areas in which it carries out its activities; and observes those additional principles of corporate responsibility that it has voluntarily accepted.

Comply Partially comply Explain

Recommendation 8. Authority of the Board of Directors.

The Board of Directors should assume its core mission of improving the Company's strategy and the organization necessary to put it into practice, as well as to supervise and ensure that Management complies with the established objectives and respects the Company's purpose and business interests. Therefore, for this purpose, the full Board reserves the authority to approve:

- a) The Company's general policies and strategies and, in particular:
 - i) The strategic or business plan, as well as management and annual budget targets;
 - ii) The policy of investments and financing;
 - iii) The definition of the structure for the group of companies;
 - iv) The corporate governance policies;
 - v) The corporate responsibility policy;
 - vi) The policy for evaluating senior management performance and compensation;
 - vii) The risk management and control policy, as well as regular monitoring of internal information and control systems;
 - viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

See headings: B.1.10, B.1.13, B.1.14 y D.3

b) The following decisions :

- i) At the proposal of the Chief Executive Officer, the appointment and dismissal of senior executives, as well as their indemnities;

See heading: B.1.14

- ii) Compensation for Directors, as well as additional compensation for executive duties, in the case of Executive Directors, and any other conditions that their contracts must respect;

See heading: B.1.14

- iii) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange;
- iv) All investments or transactions that, due to the large amount concerned or their special characteristics, are strategic in nature except for those that must be approved by the General Meeting;
- v) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) The transactions that the Company carries out with Directors, significant shareholders or parties represented on the Board, or with persons to which they are associated ("associated transactions").

However, this authorization from the Board will not be understood to be necessary in those associated transactions that also comply with the three following conditions:

- 1^a. They are carried out by in accordance with standardized contracts that are applied to many customers;
- 2^a. They are carried out at prices or rates that are established in general by the party acting as the supplier of the asset or service concerned;
- 3^a. The amount does not exceed 1% of the Company's annual revenues.

The Board should approve associated transactions after having received a favorable report from the On that Committee or, if appropriate, from any other Committee charged with this duty; and affected Directors, in addition to not exercising or delegating their right to vote, should leave the meeting room while the Board deliberates and votes on this issue.

The authority attributed here to the Board should not be eligible for delegation, except those mentioned under letters b) and c), which may be adopted due to reasons of urgency by the Committee and subsequently ratified by the full Board.

See headings: C.1 y C.6

Comply Partially comply Explain

Recommendation 9. Size of the Board of Directors.

The Board should have the size necessary to achieve effective and collaborative operations, which makes it advisable for it to have not less than five and not more than fifteen members.

See heading: B.1.1

Comply Explain

The Bylaws deviate from this recommendation, establishing that the Board of Directors is to be made up of a minimum of twelve and a maximum of twenty directors. The Board is currently made up of 20 members. This is considered to be a reasonable number bearing in mind the Entity's shareholder composition and the fact that the aim is to ensure representation of all positions and of the highest possible percentage of capital on the Board, and that it be of a size which enables it to function in an effective and participative manner.

Recommendation 10. Functional structure of the Board of Directors.

External domanial and Independent Directors should constitute a wide majority on the Board and the number of Executive Directors be as few as possible, bearing in mind the complexity of the corporate Group and the percentage of participation of the Executive Directors in the Company's capital stock.

See headings: A.2, A.3, B.1.3 y B.1.14

Comply Partially comply Explain

Recommendation 11. Other Directors.

If there is any External Director that cannot be considered to be Domanial or Independent, the Companies should explain this circumstance and the Director's associations, whether they be with the Company, its Executives or shareholders.

See heading: B.1.3

Comply Explain Not applicable

Recommendation 12. Proportion between Domanial and Independent Directors.

Among External Directors, the ratio between the number of Domanial Directors and Independent Directors should reflect the proportion between the Company's capital stock represented by the Domanial Directors and the rest of the capital stock.

This strict proportionality criteria may be moderated, such that the weight of the Domanial Directors exceeds that which would be the case based on the total percentage of capital stock that they represent:

^{1º} At highly capitalized companies in which there are few or no shareholdings that are legally considered to be significant, but in which there are shareholding packages with high absolute values;

2º When concerning companies at which there are multiple shareholders represented on the Board that are not associated among themselves.

See heading: B.1.3, A.2, A.3

Comply Explain

Recommendation 13. Sufficient number of Independent Directors.

The number of independent Directors represents at least one third of all Directors.

See heading: B.1.3

Comply Explain

Recommendation 14. Explanation of the classification of Directors.

The classification of each Director should be explained by the Board to the General Meeting that must make or ratify their Nomination and this classification should be confirmed or, if appropriate, revised on an annual basis in the Corporate Governance Report, after having received verification from the Appointments Committee. This report should also explain the reasons for which Domanial Directors have been nominated at the request of shareholders whose stake is less than 5% of capital stock; and the reasons for which, if any, formal requests were denied for a seat on the Board from shareholders whose interest is equal or higher than that of others whose request resulted in the designation of Domanial Directors.

See headings: B.1.3, B.1.4

Comply Partially comply Explain

Recommendation 15. Gender diversification.

When there are few or no women Directors, the Board should explain the reasons and the initiatives taken to correct this situation; and, in particular, the Appointments Committee should ensure that this is taken into account when filling new vacancies:

- a) By ensuring that selection procedures do not have any implicit bias that could raise obstacles to the selection of women Directors;
- b) By ensuring that the Company deliberately seeks, and includes among potential candidates, women that have the target professional profile.

See headings: B.1.2, B.1.27 y B.2.3

Comply Partially comply Explain Not applicable

Recommendation 16. Chairman of the Board of Directors

The Chairman, as the party responsible for the effective operations of the Board, should ensure that the Directors receive sufficient information before hand; stimulate debate and the active participation of Directors during Board meetings, safeguarding the right to freely take a position and express opinions; and organize and coordinate regular evaluations of the Board with the Chairman of relevant Committees, as well as an evaluation of the CEO or lead executive.

See heading: B.1.42

Comply Partially comply Explain

Recommendation 17. Authority of an Independent Director in the event of an accumulation of powers by the Chairman.

When the Chairman of the Board is also the Bank's CEO, the Board of Directors will authorize one of the independent Directors to call a meeting of the Board and include new points in the agenda in order to coordinate and express the concerns of external Directors and to direct evaluations by the Board of its Chairman.

See heading: B.1.21

Comply Partially comply Explain Not applicable

Recommendation 18. Secretary to the Board of Directors.

The Secretary to the Board of Directors should particularly ensure that the Board's actions:

a) Meet the letter and the spirit of Laws and regulations, including those approved by regulatory bodies;

b) Are in line with the Company's bylaws and with the Regulations governing the General Meeting, the Board and any others in force at the Company;

c) Take into account the recommendations regarding good governance established in this Unified Code that the Company has accepted.

In order to safeguard the independence, impartiality and professionalism of the Secretary, the appointment and removal from this position must be reported by the Appointments Committee and approved by the full Board, and the procedure for appointing and removing the Secretary should be established in the Board's Regulations.

See heading: B.1.34

Comply Partially comply Explain

Recommendation 19. Board Meetings.

The board should meet with the frequency necessary to efficiently perform its duties, following the schedule and agenda established at the start of the year and each Director may propose other points to be added to the Agenda.

See heading: B.1.29

Comply Partially comply Explain

Recommendation 20. Directors' Attendance.

Director absences should be reduced to unavoidable cases and should be indicated in the Annual Corporate Governance Report. If the delegation of representative authority is unavoidable, instructions should be given.

See headings: B.1.28 y B.1.30

Comply Partially comply Explain

Recommendation 21. Content of the minutes to Board Meetings.

When the Directors or the Secretary express any concern regarding any proposal or, in the case of Directors, regarding the Company's progress and these concerns are not resolved during the Board Meeting, the party expressing the concerns may request that they be recorded in the minutes to the Meeting.

Comply Partially comply Explain **Not applicable**

Recommendation 22. Regular evaluation of the Board of Directors.

Once per year the Board should evaluate:

- a) The quality and efficiency of the Board's operations;
- b) Based on the report presented by the Appointments Committee, the performance of the Chairman and the Company's CEO;
- c) The operation of its Committees, based on the reports that they issue.

See heading: B.1.19

Comply Partially comply Explain

Recommendation 23. Information to Directors.

All Directors should be able to exercise the right to obtain all additional information that they deem necessary regarding the matters over which the Board has authority. Unless the bylaws or the Board Regulations establish otherwise, these requests should be directed to the Chairman or the Secretary to the Board.

See heading: B.1.42

Comply Explain

Recommendation 24. Advisory services for Directors.

All Directors should have the right to obtain all necessary advisory services from the Company in order to comply with their duties. The Company should create adequate channels for exercising this right, which under special circumstances may include external advisory services paid for by the Company.

See heading: B.1.41

Comply Explain

Recommendation 25. Orientation program for Directors.

Companies should establish an orientation program providing new Directors with quick and sufficient knowledge of the Company, as well as its Corporate Governance rules. It should also offer Directors programs for updating knowledge when the circumstances make this advisable.

Comply Partially comply Explain

Recommendation 26. Directors' dedication.

Company should require that Directors dedicate the time and effort that is necessary to perform their duties efficiently and, as a result:

- a) Directors should inform the Appointments Committee of all other professional obligations to determine whether or not they could interfere with the dedication required;
- b) Company should establish rules regarding the number of Boards to which its Directors may pertain.

See headings: B.1.8, B.1.9 y B.1.17

Comply Partially comply Explain

Recommendation 27. Selection, appointment and reelection of Directors.

Proposals to appoint or reelection Directors made at the General Meeting, as well as provisional appointments through designation, should be approved by the Board:

- a) At the proposal of the Appointments Committee, in the case of Independent Directors;
- b) After receiving a report from the Appointments Committee, in the case of all other Directors.

See heading: B.1.2

Comply Partially comply Explain

Recommendation 28. Public information regarding Directors.

Companies should make the following information regarding Directors public on its website and maintain it up-to-date:

- a) Professional profile and biography;
- b) Other Boards of Directors to which the individual pertains, whether or not involving listed companies;
- c) An indication of the classification of the Director as appropriate, stating, in the case of Domanial Directors, the shareholder represented or with which the individual is associated;
- d) Date of first appointment as a Director of the Company, as well as all subsequent appointments and;
- e) Shares and share options in the Company which are held by the Director.

Comply Partially comply Explain

Recommendation 29. Rotation of Independent Directors.

Independent Directors should not remain as such for a continuous period exceeding 12 years.

See heading: B.1.2

Comply Explain

Mr. José Ramón Rodríguez García and Mr. Miguel Angel de Solís Martínez-Campos, two of the seven members of the Board of Directors who are classed as independent, have been Directors for an uninterrupted period of over 12 years.

The Board of Directors - at the proposal of the Appointments, Remuneration, Corporate Governance and Conflicts of Interests Committee - has agreed to keep them on as independent directors, in accordance with the criteria established in the Board Regulations.

In evaluating their independence, consideration has been given to the fact that they have held office all this time without receiving any remuneration, to their continued and particular dedication and contribution to the Board and its Committees, to the fact that they have maintained a constant ownership interest in the Bank's capital, and to their compliance, in the strictest of terms, with all other conditions required for independent status.

Recommendation 30. Removal and resignation of Domanial Directors.

Domanial Directors should present their resignations when the shareholder they represent fully sells its stake in the Bank. This should also take place, by the relevant number, when that shareholder reduces its stake to a level that requires a reduction in the number of its Domanial Directors.

See headings: A.2, A.3, B.1.2

Comply Partially comply Explain

Recommendation 31. Removal of Independent Directors.

The Board of Directors should not propose the removal of any Independent Director before the end of the term to which the individual was appointed, unless there is just cause appreciated by the Board after having received a report from the Appointments Committee. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to his/her position or is subject to any of the circumstances described in Section III.5 on definitions in this Code.

A proposal to remove Independent Directors may also be made as a result of Public Stock Offers, mergers or other similar corporate transactions that give rise to a change in the Company's capital stock structure, when such changes in the Board's structure are the result of the proportional criteria indicated in Recommendation 12.

See headings: B.1.2, B.1.5 y B.1.26

Comply Explain

Recommendation 32. Obligation of Directors to inform and resign.

Companies should establish rules to require Directors to report and, if appropriate, resign in those cases in which they may harm the credit and reputation of the Company and, in particular, they should be required to inform the Board of any criminal proceedings in which they are involved, as well as all subsequent procedural issues.

If a Director is prosecuted or if the opening of oral proceedings takes place with respect to any of the crimes indicated under Article 124 of the Spanish Companies Act, the Board will examine the case as soon as possible and in the light of the specific circumstances at hand, must reach a decision as to whether or not the Director will remain on the Board. Any such action should be explained by the Board in the Annual Corporate Governance Report.

See headings: B.1.43 y B.1.44

Comply Partially comply Explain

Recommendation 33. Opposition to proposals by Directors.

Directors should clearly express their opposition when they consider that any proposal for a decision submitted to the Board may go against its business interests. Directors, particularly Independents and other Directors not affected by the potential conflict of interest, should also do this when decisions arise that may harm the shareholders not represented on the Board.

When the Board adopts significant or repeated resolutions on which the Director has stated serious reservations, the Director concerned should reach the appropriate conclusions and, if he/she chooses to resign, the reasons for doing so should be explained in a letter referring to the following recommendation.

This recommendation also covers the Secretary to the Board of Directors, even if the Secretary is not a Director.

Comply Partially comply Explain **Not applicable**

Recommendation 34. Explanatory letter in the case of resignation/removal from the Board of Directors.

When a Director leaves the Board before the end of his/her term, whether due to resignation or any other reason, the reasons should be explained in a letter sent to all of the members of the Board of Directors. Notwithstanding the fact that this should be reported as a relevant event, the reason for the action taken should be reported in the Annual Corporate Governance Report.

See heading: B.1.5

Comply Partially comply Explain Not applicable

Recommendation 35. Compensation policy.

The Compensation policy approved by the Board should mention at least the following:

- a) A breakdown of any fixed components of the per diems paid for participation on the Board and its Commissions and an estimate of the fixed annual compensation they represent.
- b) Variable compensation, including in particular:
 - i) The classification of Directors to which it is applied, as well as an explanation of the relative importance of variable compensation compared with fixed compensation;
 - ii) Criteria for evaluating results on which any rights to shares, share options, or any other variable component, are based;
 - iii) Essential parameters and basis for any annual bonus or any other benefits not paid in cash; and
 - iv) An overall estimate of the absolute amount of variable compensation that could derive from the proposed compensation plan, based on the extent of compliance with assumptions or objectives used as a reference.
- c) Main characteristics of retirement systems (for example, supplementary pensions, life insurance and similar items), with an estimate of the annual equivalent amount or cost.
- d) Conditions that must be respected by contracts concluded with those exercising Executive Director duties, among which the following are included:
 - i) Term;
 - ii) Notice periods; and
 - iii) Any other clauses relating to contract bonuses, indemnities or "golden parachutes" deriving from early termination of the contractual relationship between the Company and the Executive Director.

See heading: B.1.15

Comply Partially comply Explain

Recommendation 36. Limitation of certain compensation for Executive Directors.

Executive Directors should be restricted to compensation consisting of shares in the Company or Group Companies, share options or instruments indexed to the share value, a variable compensation linked to the performance of the Company or retirement systems.

This recommendation will not cover the delivery of shares, when subject to the condition that the Directors hold them until they ceased to be Directors.

See headings: A.3, B.1.3

Comply Explain

Recommendation 37. Compensation for External Directors.

Remuneration paid to External Directors should be that which is necessary to compensate their dedication, qualifications and responsibilities in the position, but not so high as to compromise their independence.

Comply Explain

Recommendation 38. Compensation based on the results obtained by the Company.

The compensation relating to the results obtained by the Companies should take into account any qualifications that are included in the external auditor's report and reduce those results.

Comply Explain Not applicable

Recommendation 39. Relationship of variable compensation with professional performance.

In the case of variable compensation, the compensation policies include the technical precautions necessary to ensure that such compensation is in line with the professional performance of its beneficiaries and does not derive merely from the general evolution of markets or the sector in which the Company operates or other similar circumstances.

Comply Explain Not applicable

Recommendation 40. Consultation vote regarding the compensation policy by the General Meeting.

The Board should submit a report regarding the compensation policy for Directors to a consultation vote by the General Meeting, as a separate point on the Agenda. This report should be made available to shareholders, either separately or in any other manner that the Company considers advisable.

This report will particularly focus on the compensation policy approved by the Board for the year in progress and, if appropriate, the plan projected for future years. It will cover all matters referred to by Recommendation 35, except for any that could involve the revelation of sensitive business information. It will emphasize the most significant changes in these policies compared with the policy applied last year, to which the General Meeting refers. It will also include an overall summary of how the compensation policy was applied last year.

The Board will also provide information on the role played by the Compensation Committee when preparing the compensation policy and, if any external advisory services were used, the identity of the external consultants will be revealed.

See heading: B.1.16

Comply Partially comply Explain

Recommendation 41. Transparency of variable compensation.

The Notes to the financial statements should provide details of individual compensation paid to Directors during the year and should include:

- a) An individual breakdown of the compensation paid to each Director which will include, if appropriate:
- i) Per diems for attendance and other fixed compensation paid to the Director;
 - ii) Additional compensation paid for holding the position of Chairman or member of any Board Committee;
 - iii) Any compensation paid as profit-sharing or bonuses, and the reason for paying such amounts;
 - iv) Contributions made on behalf of the Director to defined contribution pension plan; or the increase of consolidated rights held by the Director, when involving contributions to defined benefit plans;
 - v) Any indemnities agreed or paid in the event of termination;
 - vi) Compensation received for holding the position of Director at other Group companies;
 - vii) Compensation paid for carrying out the senior management duties falling to Executive Directors;
 - viii) Any other compensation other than the items listed above, regardless of its nature or the group company making payment, particularly when it is considered to be an associated transaction or when omitting this item could distort the true and fair view of the total compensation received by the Director.
- b) An individual breakdown of any shares, options or any other instrument indexed to the value of the share granted to Directors, indicating:
- i) The number of shares or options granted during the year and the conditions for exercising these rights;
 - ii) The number of options exercised during the year, indicating the number of shares involved and the exercise price;
 - iii) The number of options pending at the end of the year, indicating their price, dates and other relevant information;
 - iv) Any modification made during the year to the conditions for exercising options already granted.
- c) Information regarding the relationship, last year, between the compensation obtained by Executive Directors and the results or other performance measurements recorded by the Company.

Comply Partially comply Explain

Recommendation 42. Structure of the Executive Committee.

When there is an Executive Committee, the structure for the different categories of Directors should be similar to that of the Board and its Secretary should be the Secretary to the Board.

See headings: B.2.1, B.2.6

Comply Partially comply Explain Not applicable

The Board of Directors is made up of 16 external directors (80%) - of which 6 are classed as domanial (30%), 7 are classed as independent (35%) and 3 as other external (15%) - plus 4 executive directors (20%).

The Executive Committee is made up of 4 external directors (57%), all of which are classed as independent (57%), and 3 executive directors (43%).

The proportion of independent directors on the Executive Committee (57%) is therefore higher than on the Board of Directors (35%).

The Board of Directors seeks to ensure that in the composition of the Executive Committee, together with the Executive Directors, there is a number of independent Directors congruent with the participation of external Directors in the Board itself.

It is essential for its correct functioning that the non-executive Directors forming part of this Committee be appointed in all cases from among the independent Directors.

The Secretary of the Board of Directors is also the Secretary to the Executive Committee.

Recommendation 43. Relationships between the Board and the Executive Committee.

The Board should always be aware of the issues being discussed and the Resolutions being adopted by the Executive Committee and all of the Members of the Board should receive a copy of the minutes to the meetings held by the Executive Committee.

Comply Explain Not applicable

Recommendation 44. Audit and Control Committee and Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee.

The Board of Directors must form, in addition to the Audit Committee required by the Securities and Exchange Act, a Committee or two separate Committees, covering Nominations and Compensation. The rules governing the composition and operation of the Audit Committee and the Committee or Committees for Nominations and Compensation must be covered by the Board Regulations and include the following items:

- a) The Board should designate the Members of these Committees, bearing in mind the knowledge, aptitudes and experience of the Directors and the duties of each Committee; it should deliberate with respect to its proposals and reports; and Reports must be given, at the first Board Meeting held after their meetings, regarding their activity and work performed;
- b) These Committees should be formed exclusively of a minimum of three Directors. The above is understood to be notwithstanding the attendance of Executive Directors or senior executives, if expressly requested by the Members of the Committee;
- c) The Chairmen should be Independent Directors;
- d) External advisory services should be available when considered necessary to fulfill their duties;
- e) Minutes should be kept of all meetings held and a copy should be sent to all members of the Board.

See headings: B.2.1, B.2.3

Comply Partially comply Explain

Recommendation 45. Supervision of the Internal Code of Conduct and the Rules for Corporate Governance.

The supervision of compliance with internal codes of conduct and corporate governance rules is the responsibility of the Audit Committee, the Nominations Committee or, if existing separately, the Compliance Committee or the Corporate Governance Committee.

Comply Explain

Recommendation 46. Knowledge and experience of the Members of the Audit and Control Committee.

The Members of the Audit Committee, and particularly its Chairman, should be appointed bearing in mind their knowledge and experience with respect to accounting, audit and risk management.

Comply

Explain

Recommendation 47. Internal Audit.

Listed companies should have an internal audit area which, under the supervision of the Audit Committee, ensures the proper operation of the internal control and information systems.

Comply

Explain

Recommendation 48. Reporting obligations relating to the person responsible for the Internal Audit Area.

The person responsible for the Internal Audit Area should present an annual plan to the Audit Committee; it should directly report any incidents that arise during the fulfillment of this plan; and at the end of the year a report on activities should be presented.

Comply

Partially comply

Explain

Recommendation 49. Risk management and control policy.

The risk management and control policy should identify at least:

- a) The various types of risk (operational, technological, financial, legal, reputational and others) faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) The establishment of the risk level that the Company considers acceptable;
- c) The measures established to mitigate the impact of identified risks should they materialize;
- d) The Internal control and information systems that are used to control and manage these risks, including contingent liabilities or off-balance sheet risks.

See heading: D

Comply

Partially comply

Explain

Recommendation 50. Authority of the Audit and Control Committee.

With respect to the Audit Committee:

1º Internal Control and Information Systems:

- a) Supervise the preparation and the integrity of financial information relating to the Company and, if appropriate, to the Group, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting standards.

b) Regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

c) Ensure the independence and efficiency of the internal audit function; proposed new selection, nomination, reelection and removal of the person responsible for internal audit; propose the budget for this service; receive regular information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

d) Establish and supervise a mechanism that allows employees to report, on a confidential basis and, if deemed advisable, anonymously, any irregularities that are potentially important, particularly those of a financial and accounting nature, that are observed within the Company.

2º The external auditor:

a) Present before the Board proposals for selecting, nominating, reelecting and replacing the external auditor, as well as the contract conditions;

b) Regularly receive from the external auditor information regarding the audit plan and the results of execution, and verify that Senior Management bears in mind the recommendations made.

c) Ensure the independence of the external auditor and, in this respect:

i) The Company reports any change in Auditor to the Spanish Securities and Exchange Commission and it provide a statement regarding the existence of any disagreements with the exiting auditor;

ii) The Committee should ensure that the Bank and the auditor respect current regulations regarding the rendering of services other than audit, limits to the concentration of the Auditor's business and, in general, any other regulation established to ensure the independence of auditors;

iii) In the event that the external auditor withdraws from the mandate, it will examine the circumstances giving rise to this situation.

d) In the case of Groups, ensure that the Auditor of the Group assumes the responsibility of auditing the Group companies.

See headings: B.1.35, B.2.2, B.2.3 y D.3

Comply

Partially comply

Explain

Recommendation 51. Appearance of employees or executives before the Audit and Control Committee.

The Audit Committee should be able to call any employee or executive at the Company, even without the presence of any other executive.

Comply

Explain

Recommendation 52. Information provided to the Board of Directors.

The Audit Committee should inform the Board prior to adopting any of the relevant decisions, of the following matters indicated in Recommendation 8:

a) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange; The Committee should ensure that the interim accounts are prepared using the same accounting criteria as are used for the Annual accounts and, in this respect, consider the appropriateness of a limited review performed by the external auditor;

b) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) Associated operations, unless this reporting duty has been delegated to a Committee other than the supervisory and control committees.

See headings: B.2.2, B.2.3

Comply Partially comply Explain

Recommendation 53. Financial Statements.

The Board of Directors should endeavor to present the financial statements to the General Meeting without reservations or qualifications in the Audit Report, and should any exceptional situations exist, both the Chairman of the Audit Committee and the Auditors will clearly explain the contents and the scope of any such reservations or qualifications to shareholders.

See heading: B.1.38

Comply Partially comply Explain

Recommendation 54. Composition of the Appointments, Compensation, Corporate Governance and Conflicts of Interest Committee

The majority of the Members of the Appointments Committee –or the Appointments and Compensation Committee, if consisting of only one body–should be Independent Directors.

See heading: B.2.1

Comply Explain Not applicable

Recommendation 55. Authority regarding Appointments.

In addition to the duties indicated in the preceding Recommendations, the Appointments Committee is responsible for the following:

a) Evaluating the competencies, knowledge and experience that is necessary on the Board and the necessary duties and aptitudes for candidates that cover each vacancy must be determined, while bearing in mind the time and dedication that are necessary to adequately perform the duties of the position.

b) Examining or organizing, in the manner deemed most adequate, the succession of the Chairman and the CEO and, if appropriate, making proposals to the Board so that said succession takes place in an ordered and well-planned fashion..

c) Reporting nominations and removals of senior executives as proposed by the CEO to the Board;

d) Informing the Board of matters regarding gender diversity, as indicated in Recommendation 14 of this Code.

See heading: B.2.3

Comply Partially comply Explain Not applicable

Recommendation 56. Consultations by the Appointments Committee.

The Appointments Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to Executive Directors.

Any Director should be able to request that the Appointments Committee take into consideration, should it deem it appropriate, potential candidates to cover vacancies on the Board.

Comply Partially comply Explain Not applicable

Recommendation 57. Authority regarding Compensation.

In addition to the duties indicated in the preceding Recommendations, the Compensation Committee is responsible for the following:

a) Making proposals to the Board of Directors:

- i) Regarding the compensation policy for Directors and senior management;
- ii) Regarding the individual compensation for Executive Directors and other conditions regarding their contracts;
- iii) The basic conditions regarding the contracts for senior management.

b) Ensure the observance of the compensation policy established by the Company.

See headings: B.1.14 y B.2.3

Comply Partially comply Explain Not applicable

Recommendation 58. Consultations by the Compensation Committee.

The Compensation Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to the Executive Directors and senior management.

Comply Explain Not applicable

G OTHER INFORMATION OF INTEREST

If it is considered that any principles or significant aspects relating to corporate governance practices applied by the company have not been addressed in this report, describe and explain them below.

This heading may include any other information, clarification or nuance relating to the receding sections of the Report.

Specifically, state whether the company is subject to legislation other than Spanish law as regards corporate governance, and if so include such information as it is obliged to provide that differs from that contained in this report.

Binding definition of Independent Director:

State whether or not any of the Independent Directors had is, or has had, any relationship with the Company, it's a significant shareholders or Directors which, if sufficiently significant, could have led the Director to not being considered as Independent in accordance with the definition established by Section 5 of the Unified Code of Good Governance:

Yes	<u>No</u>	
<u>Name of the Director</u>	<u>Type of relationship</u>	<u>Explanation</u>
-	-	-

This annual Corporate Governance Report was approved by the Bank's Board of Directors at its meeting of February 26, 2009. This report has been reviewed by PricewaterhouseCoopers. The corresponding review report is included in Appendix IV.

State whether any directors voted against or abstained from approval of this report.

Yes	<u>No</u>	
Name of the Director that did not vote in favor of approving this report	Reasons (opposition, Abstention, absence)	Explain the reasons