

BANCO POPULAR IMPLEMENTS A 3% CAPITAL INCREASE TO ALLOW CRÉDIT MUTUEL-CIC BECOME A CORE SHAREHOLDER

Banco Popular will also carry out an issue of necessarily convertible bonds of 400 extendable to 500 million euros, targeting retail investors and distributed through its branch network.

- **Crédit Mutuel-CIC will hold a 5% participation of Banco Popular's capital. Banco Popular will increase capital by 3%, subscribed entirely by Crédit Mutuel-CIC. The remaining 2% will be purchased by the French entity out of Banco Popular's treasury stock.**
- **Banco Popular's core capital will increase to a range of between 9.28% and 9.39%. Thus Banco Popular strengthens its positions as the Spanish banking system's most solvent institution in terms of core capital and continuous its strategy anticipating the new requirements of Basel III.**
- **Banco Popular's president Angel Ron, lined out that "*Banco Popular's equity will be significantly above the new minimum levels required for core capital and thus reaching a privileged position*".**

Banco Popular strengthens its equity by an amount of between 579 and 679 million euros.

This capital increase will be implemented in two operations: A 3% capital increase subscribed in full by Crédit Mutuel-CIC, and an issue of necessarily convertible bonds for a nominal figure of between 400 and 500 million euros. The latter targets retail investors and will be distributed through Banco Popular's branch network, is planned to be registered with the "Comisión Nacional del Mercado de Valores" (CNMV) within the following days and consequently the subscription period is foreseen to start on November, 19th.



The term of issue of the exchangeable bonds is 3 years and they offer an annual profitability of 8% that will be paid out quarterly. The investors shall have the option to convert their bonds on each anniversary. The conversion price results from the average of the last five sessions previous to the conversion date.

Crédit Mutuel-CIC incorporation into Banco Popular's shareholding.

Crédit Mutuel-CIC will be incorporated in Banco Popular's capital with a participation of 5%. In order to facilitate this operation, Banco Popular increases its capital by 3%, subscribed in full by Crédit Mutuel-CIC. The remaining 2% will be purchased by the French entity out of Banco Popular's treasury stock. This operation converts Crédit Mutuel-CIC to one of the main shareholders, incorporating a representative to the board of directors.

Crédit Mutuel-CIC's incorporation to Banco Popular's shareholders is a consequence of the agreement reached on 28 June 2010. On this date both entities signed a long term strategic alliance agreeing to service jointly their clients through a new banking platform. On 28 October and once obtained all the required authorizations, the new bank was created. It counts with 123 branches in Spain and each entity holds a participation of 50%.

Spanish Bank leader in solvency

The aim of both operations is to strengthen solvency faced with the new challenges of Basel III with the most solid capital instruments best valued by investors and Regulators, anticipating the predictable increase of market requirements regarding mayor capital ratios and obtaining a privileged capital position that will allow to increase market share and manage successfully the current economic cycle making the most of upcoming, mostly organically, growth opportunities.

As a result of the above detailed operations Banco Popular's capital ratios are expected to increase by a range of between 62 and 73 base points, depending on the final amount of the capital increase, estimated at between 579 and 679 million euros. Thus the base or core capital on 30 September 2010 will be up from 8.66% to between 9.28% and 9.39%, making it the Spanish banking system's most solvent institution in terms of core capital.

Banco Popular's president Angel Ron lined out that "Banco Popular's equity will be significantly above the new minimum levels required for core capital and thus reaching a privileged position".