

TRANSLATION OF THE ANNOUNCEMENT POSTED TO SPAIN'S NATIONAL SECURITIES & EXCHANGE COMMISSION (CNMV) AT 8:00 AM ON TUESDAY 16TH.

Madrid, 16 November 2010

COMMUNICATION OF A RELEVANT FACT

Pursuant to Article 82 of the Securities Market Act, Act No. 24/1988 of 28 July, **BANCO POPULAR ESPAÑOL, S.A.** ("**Banco Popular**") hereby communicates the following relevant information:

1. Capital increase.

At its meeting yesterday, based on the resolutions passed and powers delegated by the Annual General Meeting of Shareholders on 26 June 2009 and by the Board of Directors meeting on 20 October 2010, the Executive Committee resolved to initiate a capital increase for a nominal value of €4,125,583.90 with the emission and placement in circulation of 41,258,539 new ordinary shares (the "**New Shares**") representing 3% of Banco Popular's capital following that increase.

Said capital increase excludes shareholders' right of preferential subscription and it is planned for **Banque Fédérative du Crédit Mutuel, Société Anonyme** ("**Crédit Mutuel**") to subscribe and pay the New Shares up in full once Banco Popular and Crédit Mutuel have culminated the creation of a new joint banking platform of the two entities in Spain, notified in Relevant Fact No. 132,240 of 28 October 2010. The remaining 2% Crédit Mutuel has undertaken to acquire in the Banco Popular capital, as indicated in that Relevant Fact communication dated 28 October 2010, will take the form of the acquisition by Crédit Mutuel of shares Banco Popular holds as treasury stock.

That will take Crédit Mutuel's holding in Banco Popular's shares to 5% of the capital resulting from the capital increase.

1.1 Exclusion of the right of preferential subscription.

The capital increase is directed to a qualified, institutional investor as defined in Article 39 of Royal Decree No. 1310/2005 of 4 November partially enabling the Securities Market Act, Act No. 24/1988 of 28 July in matters of the admission of securities to trading on official secondary markets, public sale or subscription offers and the prospectus required for the purposes in Directive 2003/71/CE of the European Parliament and Council of 4 November 2003 on the prospectus which must be published for a public offer or for admission of securities for listing and which amends Directive 2001/34/CE, in Rule 144A of the 1993 US Securities Act and in analogous provisions in other jurisdictions.

In line with the foregoing, the issue is not deemed to be a public offer nor does it imply issue of an informative prospectus or other similar documentation on the offer and, pursuant to the Criteria established by the National Securities Market Commission Council on 19 December 2007, it is to be implemented on the basis of the public information available on the Bank.

The Bank has resolved to eliminate entirely shareholders' preferential subscription right, the aim being to allow Crédit Mutuel to be incorporated as a significant Banco Popular shareholder, in line with the strategic agreement reached by the parties. For these purposes, the Bank's Board of Directors has approved the associated report which will be made available to shareholders and communicated to the first General Meeting held following the increase.

The New Shares shall be issued at a price of 4,336 euros equalling the weighted mean listed value of 15 November, 0.10 euros being the par value, plus an issue premium of 4.236 euros per share.

As required under the applicable rules, the Bank has asked the Madrid Business Register to appoint an auditor other than the Bank's auditor, to issue the special report required on the exclusion of the preferential subscription right, on the reasonable value of the Bank's New Shares and on the reasonableness of the terms of the administrators' report. The Register has appointed Auren Centro Auditores y Consultores, S.L. as auditor other than the Bank's auditor which has, on this date, issued a special report confirming among other things that the issue price of the New Shares is in accordance with their reasonable value. This special report will also be made available to shareholders and notified to the first General Meeting held following the increase.

As provided for in Article 304 of the Corporations Act, those holding bonds convertible to shares in the issue of "Subordinated Bonds Necessarily Convertible to Shares of Banco Popular Español, S.A. I/2009" do not hold a preferential subscription right and so are not affected by the exclusion, and the Note on the Securities in the issue, posted with the National

Securities Market Commission on 1 October 2009, establishes a formula to adjust the conversion ratio to compensate any dilution of the value of the conversion right.

1.2 Rights of the New Shares.

The New Shares will be ordinary, the same as those currently in circulation, and will be represented by account entries.

As of their date of entry in the accounts registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A.U. (IBERCLEAR)*, the New Shares grant their holder the same financial and voting rights as the shares in circulation and in the assets arising from liquidation. Specifically, those subscribing New Shares shall be entitled to receive sums paid as dividend for the 2010 financial period, as of the date of issue.

1.3 Admission of the New Shares for trading.

Banco Popular shall apply to have the New Shares issued for the capital increase admitted for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges using the Stock Market Interconnection System and Euronext Lisbon, once the deed of capital increase is entered in the Business Register.

2. Issue of convertible bonds.

Based on the resolutions passed and powers delegated by the Annual General Meeting on 26 June 2009, the Board of Directors resolved at its 20 October 2010 meeting to implement an issue of bonds convertible to Banco Popular shares, by issue of debentures exchangeable for bonds to be issued by the subsidiary Popular Capital and underwritten by Banco Popular.

That issue, for placement among retail investors and distributed through the network of branches, is planned to be registered with the Spain's National Securities & Exchange Commission (CNMV) within the following days and consequently the subscription period is foreseen to start on November, 19th.

The issue's nominal figure is four hundred million euros (€400,000,000), which may be enlarged to five hundred million euros (€500,000,000) and matures three years following the date of disbursement. It offers 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.

3. The purpose of the operations.

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.

Banco Popular has won market share organically and constantly in all the restructuring processes in the Spanish financial sector over the last fifteen years.

4. Impact on capital ratios

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 basis points, depending on the final amount of the capital increase, estimated at between 579 and 679 million euros. Thus the 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 Equity would stand significantly above the new minimum levels required for core capital and Tier I, thus taking it to the privileged position sought.

Francisco Aparicio Valls
Secretary of the Board of Directors