

BBVA

BBVA Senior Finance, S.A. Unipersonal

(incorporated with limited liability in Spain)

and

BBVA Subordinated Capital, S.A. Unipersonal

(incorporated with limited liability in Spain)

€20,000,000,000

Global Medium Term Note Programme

unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability in Spain)

Under this €20,000,000,000 Global Medium Term Note Programme (the Programme), each of BBVA Senior Finance, S.A. Unipersonal (BSF) and BBVA Subordinated Capital, S.A. Unipersonal (BSC), and together with BSF, the Issuers may from time to time issue notes (the Notes) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (the Guarantor).

Notes may be issued in bearer or registered form (respectively Bearer Notes and Registered Notes). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in this Offering Circular.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuers (each a Dealer and together the Dealers), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the UK Listing Authority) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list maintained by the UK Listing Authority (the Official List) and to the London Stock Exchange plc (the London Stock Exchange) for such Notes to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market.

References in this Offering Circular to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange's Gilt-Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the Investment Services Directive).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms supplement (the Final Terms) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. The Programme provides that Notes may be listed or admitted to trading, as the case may be on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer.

Application may also be made to have certain Series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System (PORTAL) of the National Association of Securities Dealers, Inc.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "Form of the Notes" for a description of the manner and form in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale and Transfer and Selling Restrictions".

Potential investors should note the statements on page 105 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 19/2003 of 4th July, 2003 on the Guarantor relating to the identity of holders of the Notes. In particular, interest may be subject to Spanish withholding tax if certain information regarding holders is not received by the Guarantor in a timely manner.

The Issuers and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular or further Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

UBS Investment Bank

Dealers

ABN AMRO

Barclays Capital

Citigroup

Deutsche Bank

Goldman Sachs International

JPMorgan

Merrill Lynch International

Nomura International

UBS Investment Bank

Banco Bilbao Vizcaya Argentaria, S.A.

BNP PARIBAS

Credit Suisse First Boston

Dresdner Kleinwort Wasserstein

HSBC

Lehman Brothers

Morgan Stanley

SG Corporate & Investment Banking

The date of this Offering Circular is 18th July, 2005.

This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive). This Offering Circular has also been approved by the UK Listing Authority as an approved prospectus for the purposes of Section 85 of the Financial Services and Markets Act 2000.

The Issuers and the Guarantor (the Responsible Persons) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Responsible Persons (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Information contained under the heading "Description of Banco Bilbao Vizcaya Argentaria, S.A." which has been obtained from an independent source, has been accurately reproduced and, as far as the Guarantor is aware, no facts have been omitted which would render this information inaccurate or misleading. Copies of Final Terms will be available from the registered office of the Issuers and the Guarantor and the specified office set out below of each of the Paying Agents (as defined below).

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuers, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available

thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor or the Dealers which would permit a public offering of any Notes outside the European Economic Area or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the United States and the European Economic Area (including the United Kingdom and Spain) see “*Subscription and Sale and Transfer and Selling Restrictions*”.

In making an investment decision, investors must rely on their own examination of the Issuers and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Issuers, the Guarantor or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

SPANISH TAX RULES

Under Spanish law, income and interest in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 15 per cent., in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5th July, 1991). The Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Notes. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 15 per cent. Neither the relevant Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (see Condition 8 of the Notes and “*Taxation – Disclosure of Noteholder Information in connection with Interest Payments*”)

Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg and, together with Euroclear, the European Clearing Systems) are expected to follow certain procedures to facilitate the relevant Issuer, the Guarantor and the Principal Paying Agent (as defined on page 27) in the collection of the details referred to above from holders of the Notes. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all Series of the Notes to be cleared through such European Clearing System and this may affect the liquidity of such Notes. Provisions have been made for the Notes, in such a case, to be represented by definitive Notes (see “*Form of the Notes*”). The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems.

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuers, the Guarantor, the Dealers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

U.S. INFORMATION

This Offering Circular is being submitted in the United States to a limited number of QIBs and Institutional Accredited Investors (each as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised.

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (Rule 144A).

Purchasers of Definitive IAI Registered Notes (as defined under “*Form of the Notes – Registered Notes*”) will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together Legended Notes) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*”.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuers and the Guarantor have each undertaken in a deed poll dated 18th January, 2005 (the Deed Poll) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the relevant Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers and the Guarantor are corporations organised under the laws of Spain. All or most of the officers and directors of the Issuers and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of the Issuers and the Guarantor and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Spain upon the Issuers and the Guarantor or such persons, or to enforce judgments against them obtained in courts outside Spain predicated upon civil liabilities of the Issuers and the Guarantor or such directors and officers under laws other than the laws of Spain, including any judgment predicated upon United States federal securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuers and the Guarantor maintain their financial books and records and prepare their financial statements in euro in accordance with generally accepted accounting principles in Spain.

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to United States dollars. In addition, all references to “*Sterling*” and “*£*” refer to pounds sterling and to “*euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

The Issuers under the Programme are BBVA Senior Finance, S.A. Unipersonal (BSF), which issues Senior Notes only, and BBVA Subordinated Capital, S.A. Unipersonal (BSC), which issues Subordinated Notes only. All Notes are guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA).

BSF

BSF was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004. The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets". BSF has an authorised and issued share capital of EUR 60,102 divided in 10,017 ordinary shares of par value EUR 6.00 each. BSF is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

BSC

BSC was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSC was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004. The exclusive objects for which BSC was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets". BSC has an authorised and issued share capital of EUR 60,102 divided in 10,017 ordinary shares of par value EUR 6.00 each. BSC is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

BBVA

BBVA is a diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management and private banking and wholesale banking. It also has a portfolio of real estate and industrial holdings in some of Spain's leading companies.

BBVA was incorporated for an unlimited term on 28th January, 2000. BBVA was formed as the result of a merger by absorption of Argentaria into BBV, which was registered on 28th January, 2000 (see "History and Development of the Company").

BBVA's business areas are:

- Retail Banking in Spain and Portugal: formed by BBVA's retail banking, asset management and private banking businesses in Spain and Portugal, covering the residential customer and small and medium entities ("SME") segments in these markets. This area also includes the Finanzia / Uno-e group (which specialises in the e-banking business, consumer financing and card product distribution), BBVA Portugal, BBVA's private banking businesses, BBVA's mutual and pension fund management and insurance businesses.

SUMMARY OF THE PROGRAMME

- **Wholesale and Investment Banking:** includes BBVA's business activities with large companies and institutions through national and international corporate banking and institutional banking. In addition, this business area includes BBVA's trading businesses located in Spain, Europe and New York, BBVA's equity distribution and origination business and security deposit and custody service business, as well as the part of BBVA's real estate business that is not developed by the Group through interests in large corporations.
- **Banking in America:** includes the operations of each of BBVA's subsidiary banks in Latin America and their investee companies, including pension management companies and insurance companies, as well as BBVA's international private banking business.
- **Corporate Activities and Other:** includes BBVA's holdings in large industrial corporations and in financial entities, as well as the activities and results of BBVA's support units, such as the Assets and Liabilities Management Committee (ALCO). In addition, this business area includes BBVA's other operations or activities that, by their nature, cannot be assigned to another business area, such as country risk provisions and amortisation of goodwill (except for those relating to the holdings owned by the Business and Real Estate Projects unit, which is included in the Wholesale and Investment Banking business area).

Summary Financial Information

As at 31st December, 2004 BBVA's total assets were €311,072 million and its net operating income for the year then ended were €5,440 million. Selected financial information relating to BBVA is included under "Selected Financial Data" and BBVA's audited financial statements for each of the years ended 31st December, 2004 and 31st December, 2003 are incorporated by reference into this document but not this summary, see "Documents incorporated by reference".

Risk Factors

Each Issuer is a finance vehicle established to issue Notes under the Programme and to on-lend the proceeds to the Guarantor. Each Issuer's ability to fulfil its obligations under Notes issued by it under the Programme is therefore dependant upon the Guarantor and other Group companies performing their obligations under the on-loans made to them. Each Issuer is further indirectly affected by the other risks faced by the Guarantor and other Group companies, see "Risk Factors" below.

There are a number of factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. These are also set out under "Risk Factors" below and include the Issuers' exposure to adverse changes in the Spanish economy and real estate market and risks relating to the lack of availability of funding, volatility in interest rates and increased competition. There are also risks faced by the Guarantor in its Latin American businesses. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme which are described in detail under "Risk Factors".

Notes issued under the Programme

Each of BSF or BSC may issue fully paid or partly paid, Bearer Notes or Registered Notes, denominated in any currency agreed between the relevant Issuer and the relevant Dealer, at an issue price which is at par or at a discount to, or premium over, par and up to a maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme of €20,000,000,000 (or its equivalent in other currencies), subject to increase as described in this Offering Circular. The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by BBVA.

Notes may be either Senior Notes or Subordinated Notes. Perpetual Subordinated Notes may also be issued under the Programme and the terms and conditions applicable to such Notes will be set out in the applicable Final Terms.

SUMMARY OF THE PROGRAMME

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Overview of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuers, which appointment may be for a specific issue or on an ongoing basis.

Notes may be distributed by way of private or public placement, subject to the restrictions set out under “Subscription and Sale and Transfer and Selling Restrictions” below, and in each case on a syndicated or non-syndicated basis.

Notes may be issued as Fixed Rate Notes, Floating Rate Notes, Index Linked Notes, Dual Currency Notes or Zero Coupon Notes.

Notes may be issued for any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms, or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Notes may be issued which cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or which are redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer. Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity without the consent of Banco de España which consent would not, under current Banco de España rules, be expected to be forthcoming for an early redemption occurring less than five years from the relevant issue date unless such redemption is carried out on the relevant maturity date.

RISK FACTORS

Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither of the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuers nor the Guarantor represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuers' ability to fulfil their respective obligations under Notes issued under the Programme

Dependence on other Group members

Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Notes under the Programme and on-lending the proceeds within the Group. Each Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

By virtue of its dependence on other Group members, each of the risks described below that affect the Guarantor will also indirectly affect each Issuer.

Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee

Since the Guarantor's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition.

The Guarantor has historically developed its lending business in Spain, which continues to be its main place of business. As of 31st December, 2004, business activity in Spain accounted for 76.46 per cent. of its loan portfolio. Any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on its loan portfolio and, as a result, on its financial condition and results of operations.

A substantial percentage of the Guarantor's customer base is particularly sensitive to adverse developments in the economy, which renders its lending activities relatively riskier than if it lent primarily to higher-income customer segments.

Medium- and small-size companies and middle and lower middle income individuals typically have less financial strength than large companies and high-income individuals and accordingly can be expected to be more negatively affected by adverse developments in the economy. As a result, it is generally accepted that lending to these segments represents a relatively higher degree of risk than lending to other groups.

A substantial portion of its loan portfolio consists of residential mortgages and consumer loans to middle and lower middle income customers and commercial loans to medium and small companies. Consequently, during periods of slowdown in economic activity it may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. The Guarantor cannot be sure that it will not suffer substantial adverse effects on its base portfolio to these customer segments in the event of adverse developments in the economy.

RISK FACTORS

Increased exposure to real estate in Spain makes the Guarantor more vulnerable to developments in this market.

The sound economic growth, the strength of the labour market and a decrease in interest rates in Spain has caused an increase in the demand for mortgage loans in the last few years. This has had repercussions on housing prices, which have also risen significantly. As residential mortgages are one of the Guarantor's main assets, comprising 40 per cent., 42 per cent. and 44 per cent. of its loan portfolio at 31st December, 2002, 2003 and 2004, respectively, it is currently highly exposed to developments in real estate markets. A strong increase in interest rates or unemployment in Spain might have a significant negative impact in mortgage payment delinquency rates. An increase in such delinquency rates could have an adverse effect on the Guarantor's business, financial condition and results of operations.

Highly-indebted households and corporations could endanger the Guarantor's asset quality and future revenues.

Spanish households and firms have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable interest rates make debt service on such loans more vulnerable to changes in interest rates than in the past. The increase in households' and firms' indebtedness also limits their ability to incur additional debt, decreasing the number of new products the Guarantor may otherwise be able to sell them.

A sudden shortage of funds could cause an increase in the Guarantor's costs of funding and an adverse effect on its operating revenues.

Historically, one of the Guarantor's principal sources of funds has been savings and demand deposits. Time deposits represented 35.0 per cent., 31.1 per cent. and 29.3 per cent. of its total funding at 31st December, 2002, 2003 and 2004 respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant changes in market interest rates for these types of deposit products and resulting increased competition for such funds, be a less stable source of deposits than savings and demand deposits. In addition, since the Guarantor relies heavily on short-term deposits for its funding, it cannot be sure that, in the event of a sudden or unexpected shortage of funds in the banking systems or money markets in which it operates, it will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

The Guarantor faces increasing competition in its business lines.

The markets in which the Guarantor operates are highly competitive. Financial sector reforms in the markets in which it operates have increased competition among both local and foreign financial institutions, and it believes that this trend will continue. For example, the adoption of the euro as the common currency throughout the EU is making it easier for European banks to compete against it in Spain. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete.

The Guarantor also faces competition from non-bank competitors, such as:

- department stores (for some credit products);
- leasing companies;
- factoring companies;
- mutual funds;
- pension funds; and
- insurance companies.

The Guarantor cannot be sure that this competition will not adversely affect its business, financial condition and results of operations.

RISK FACTORS

The Guarantor's business is particularly vulnerable to volatility in interest rates.

The Guarantor's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by national governments, domestic and international economic and political conditions and other factors.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby negatively affect the Guarantor's results of operations. For example, an increase in interest rates could cause its interest expense on deposits to increase more significantly and quickly than its interest income from loans, resulting in a reduction in its net interest income.

In addition, income from treasury operations is particularly vulnerable to interest rate volatility. Since approximately 69 per cent. of the Guarantor's portfolio consists of variable interest rate loans maturing in more than one year, rising interest rates may also bring about an increase in the non-performing loan portfolio.

The Guarantor must adopt new accounting standards in 2005 that will impact on its financial reporting.

In 2004 the Guarantor prepared its financial statements in accordance with Spanish GAAP, and prepared a reconciliation of certain items to U.S. GAAP as required by SEC regulations. Under current EU law, listed EU companies had to apply from 1st January, 2005 International Financial Reporting Standards (IFRS) adopted by the EU in preparing their consolidated financial statements.

Applying these standards to the Guarantor's consolidated financial statements will imply a change in the presentation of its financial information since the financial statements will include more components and reflect classification differences, and additional disclosure will be required. Additionally, there will be a change in the valuation of certain items. Regarding the former, at 30th June, 2005 it was not possible to determine the exact impact that this new regulation will entail compared to Spanish GAAP, since new pronouncements from the International Accounting Standards Board (IASB), or pronouncements that are not endorsed by the EU prior to the preparation of the Guarantor's 31st December, 2005 consolidated financial statements, may have an impact on its financial statements. Regarding the latter, the Guarantor has performed a preliminary analysis of how the adoption of IFRS will impact its financial condition and results of operations. The Guarantor cannot be sure, however, that it will not experience any decreases in its shareholders' equity or that its net income, each as calculated under IFRS, will not decrease or increase, respectively, when it prepares its 2005 consolidated financial statements under IFRS. The Guarantor cannot be sure that any such decrease in shareholders' equity or net income would not have a material adverse effect on its results of operations and financial condition.

The Guarantor's financial statements and periodic disclosure under securities laws may not provide the same information as financial statements prepared under U.S. accounting rules and periodic disclosures provided by domestic U.S. issuers.

Publicly available information about public companies in Spain is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States. In addition, although the Guarantor is subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934 (the Exchange Act), the periodic disclosure required of foreign issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Finally, the Guarantor maintains its financial accounts and records and prepares its financial statements in conformity with Spanish GAAP, which differs in certain respects from U.S. GAAP, the financial reporting standard to which many investors in the United States may be better accustomed.

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Risks Relating to Latin America

The devaluation of the Argentine peso, high inflation and other adverse macroeconomic conditions in Argentina and related emergency measures adopted by the Argentine Government in 2001 and 2002 have had, and may continue to have, a material adverse effect on the Guarantor's business, financial condition and results of operations.

The Argentine economy experienced a severe crisis in 2001 and 2002, marked by the continued movement of capital out of Argentina, the end of convertibility of the peso, devaluation, and the return of inflation. The crisis had a strong impact on the financial system and jeopardised the solvency and liquidity of banks. In 2003 and 2004, the Argentine economy stabilised and experienced significant growth but uncertainty regarding the scope, sustainability and pace of the recovery remained.

The Argentine economic and social situation has quickly deteriorated in the past and may quickly deteriorate in the future and the Guarantor cannot be sure that the Argentine economy will continue to experience sustained growth.

The emergency measures adopted by the Argentine Government in response to the economic crisis at the end of 2001 and during 2002 that affected the Guarantor's results of operations included: freezing public debt payments, ending convertibility between the Argentinean peso and the dollar, imposing cash withdrawal limits on sight and savings accounts, re-scheduling of term deposit maturities and converting dollar assets and liabilities to pesos at different exchange rates.

As a result of the emergency measures described below under "Description of the Guarantor", the Guarantor has written off its entire investment in Argentina to date. However, despite its provisions and write-downs, a deterioration in the Argentine economy or further emergency measures adopted by the government in Argentina could have a material adverse effect on its business, financial condition and results of operations.

The Guarantor cannot be sure that the laws and regulations currently governing the Argentinean economy will not change in the future, or that any changes which may occur will not adversely affect its business, financial condition or results of its operations in the country, or the business which it transacts with counterparties located in the country.

The Guarantor's Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including government default on public debt, in the Latin American countries where they operate.

The Latin American countries where the Guarantor operates have experienced significant economic volatility in recent decades, characterised by slow growth, declining investment and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which it lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect its profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services.

Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect the Guarantor in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several Latin American countries in which it operates.

While it seeks to mitigate these risks through conservative risk policies, no assurance can be given that its Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic conditions in the Latin American countries in which it operates.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

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Financial and securities markets in Latin American countries in which the Guarantor operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition and operating results of its subsidiaries in Latin America.

The Guarantor is exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which it operates, which could cause an adverse impact on its business, financial condition and results of operations.

The Guarantor operates commercial banks in 10 Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. It is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation of assets. The Guarantor's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. The Guarantor's expansion in these markets requires it to respond to rapid changes in market conditions in these countries. It cannot be sure that it will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

Regulatory changes in Latin America that are beyond the Guarantor's control may have a material effect on its business, financial condition and results of operations.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk are applicable in certain Latin American countries in which the Guarantor operates. Local regulations differ in a number of material respects from equivalent regulations in Spain and the United States.

Changes in regulations that are beyond the Guarantor's control may have a material effect on its business and operations. In addition, since some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on its business, financial condition and results of operations.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuers

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuers may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuers may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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Partly-paid Notes

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuers may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuers' ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuers may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuers convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuers convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuers' obligations under Subordinated Notes are subordinated

BSC's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of BSC. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should BSC and the Guarantor become insolvent.

The payment of principal and interest in respect of the Subordinated Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Subordinated Guarantee. The Guarantor's obligations under the Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor.

After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, BSC and the Guarantor will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts (including the

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Subordinated Notes and claims under the Guarantee); (iii) interest (including accrued and unpaid interest due on the Notes and under the Guarantee); (iv) fines; (v) claims of creditors which are related to the Issuer or the Guarantor; and (vi) detrimental claims against BSC or the Guarantor where a Spanish Court has determined that the relevant creditor has acted in bad faith (rescisión concursal), see “Spanish Insolvency Law”.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Spanish Tax Rules

Under Spanish law, income and interest in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 15 per cent., in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5th July, 1991). The Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Notes. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 15 per cent. Neither the relevant Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (see Condition 8 of the Notes and “Taxation – Disclosure of Noteholder Information in connection with Interest Payments”)

Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg and, together with Euroclear, the European Clearing Systems) are expected to follow certain procedures to facilitate the relevant Issuer, the Guarantor and the Principal Paying Agent (as defined on page 27) in the collection of the details referred to above from holders of the Notes. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all Series of the Notes to be cleared through such European Clearing System and this may affect the liquidity of such Notes. Provisions have been made for the Notes, in such a case, to be represented by definitive Notes (see “Form of the Notes”). The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems.

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuers, the Guarantor, the Dealers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

Modification and Waiver

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries

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and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuers will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions (except for condition 3) of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Offering Circular.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuers will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are provided simultaneously with this Offering Circular and have been approved by the Financial Services Authority or filed with it shall be incorporated in, and form part of, this Offering Circular:

- (a) the Issuer's audited annual financial statements for the financial year ended 31st December, 2004 (including the audit reports issued in respect thereof);
- (b) the Guarantor's annual report on Form 20-F for the fiscal year ended 31st December, 2004 filed with the U.S. Securities and Exchange Commission which includes, on pages F-1 to F-176 thereof, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31st December, 2004, 31st December, 2003 and 31st December, 2002; and
- (c) the published interim financial statement of the Guarantor (on a consolidated basis) for the three month period ending 31st March, 2005.

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the Issuers and the Guarantor at Paseo de la Castellana, 81, 28046 Madrid and at the principal office in England of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB for Notes admitted to the Official List.

The Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

The Issuers and the Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale and Transfer and Selling Restrictions*") to comply with sections 87G of the Financial Services and Markets Act 2000, as amended.

OVERVIEW OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Description: Global Medium Term Note Programme

Arranger: UBS Limited

Dealers: ABN AMRO Bank N.V.
Banco Bilbao Vizcaya Argentaria, S.A.
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Credit Suisse First Boston (Europe) Limited
Deutsche Bank AG, London Branch
Dresdner Bank Aktiengesellschaft
Goldman Sachs International
HSBC Bank plc
J.P. Morgan Securities Ltd.
Lehman Brothers International (Europe)
Merrill Lynch International
Morgan Stanley & Co. International Limited
Nomura International plc
Société Générale
UBS Limited

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Offering Circular:

Notes with a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Trust Company Americas
Programme Size:	Up to €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement, subject to the restrictions set out under " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " below, and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	Any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

	<p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes:	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.</p>
Other provisions in relation to Floating Rate Notes and Index Linked Interest:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.</p>
Dual Currency Notes:	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.</p>
Zero Coupon Notes:	<p>Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.</p>
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.</p> <p>Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity without the consent of <i>Banco de España</i> which consent would not, under current <i>Banco de España</i> rules, be expected to be forthcoming for an early redemption occurring less than five years from the relevant issue date unless such redemption is carried out on the relevant maturity date.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "<i>Certain Restrictions: – Notes with a maturity of less than one year</i>" above.</p>

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency see "*Certain Restrictions: — Notes with a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.

Taxation:

Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Payments in respect of the Notes and under the Guarantee will be subject to Spanish withholding tax in the circumstances described below. In such circumstances, neither the relevant Issuer nor the Guarantor will be required to pay additional amounts in respect of such withholding tax.

Under Spanish law income in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 15 per cent., in the case of (a) individual holders who are resident in Spain and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5th July, 1991). In addition, holders who fail to provide information regarding their identity and tax residence will also receive payments subject to Spanish withholding tax, see Condition 8 of the Notes.

Disclosure of Identity of Holders: Under Spanish law the Guarantor is obliged to disclose to the Spanish tax and supervisory authorities the identity of holders of the Notes.

The European Clearing Systems are expected to follow certain procedures to facilitate the Principal Paying Agent in the collection of the information referred to above from Noteholders. If the European Clearing Systems are, in the future, unable to follow these procedures, they may refuse to clear all or any Series of the Notes and this will affect the liquidity of the relevant Notes. In such a case, Global Notes will be exchanged for Notes in definitive form, see "*Form of the Notes*".

At the date of this Offering Circular the European Clearing Systems are in discussions to harmonise the procedures for the provision of

	<p>information as required by Spanish laws and regulations. The procedure described in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuers, the Guarantor, the Dealers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.</p> <p>For further details, see “<i>Taxation</i>” below.</p>
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Negative Pledge:	The terms of the Notes will not contain a Negative Pledge provision.
Status of the Notes:	Notes may be either Senior Notes or Subordinated Notes as more fully described in “ <i>Terms and Conditions of the Notes – Status of the Notes and the Guarantees</i> ”. Perpetual Subordinated Notes may also be issued under the Programme and the terms and conditions applicable to such Notes will be set out in the applicable Final Terms.
Status of the Guarantees:	The Senior Notes will be guaranteed by the Guarantor pursuant to the Senior Guarantee and the Subordinated Notes will be guaranteed by the Guarantor pursuant to the Subordinated Guarantee, all as more fully described in “ <i>Terms and Conditions of the Notes – Status of the Notes and the Guarantees</i> ”.
Substitution:	The Terms and Conditions of the Notes will contain provisions allowing for the substitution of the relevant Issuer as principal debtor and/or the Guarantor as Guarantor of the obligations of the relevant Issuer under the Notes, as more fully described in “ <i>Terms and Conditions of the Notes – Substitution</i> ”.
Rating:	The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Noteholder Representative and Meetings:	Spanish company law requires that a representative (<i>Comisario</i>) of the Noteholders is appointed and that a syndicate of Noteholders is established in relation to each Series of Notes issued under the Programme. By purchasing a Note of any Series, the holder thereof will be deemed to have agreed to (i) the appointment of the representative for that Series named in the applicable Final Terms, (ii) become a member of the syndicate of Noteholders of that Series and (iii) accept the syndicate regulations referred to in the applicable Final Terms.
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s Gilt-Edged and Fixed Interest Market. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as

may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes will not be issued under the Programme.

The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.

Governing Law:

The Conditions of the Notes will be governed by, and construed in accordance with, English law, except that the provisions of Condition 3 will be, and each Guarantee is, governed by, and will be construed in accordance with, Spanish law. In addition, the provisions of Condition 15 relating to the appointment of a Noteholder representative and meetings of Noteholders will be governed by Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.

Selling Restrictions:

There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the European Economic Area (including Spain and the United Kingdom) and the United States and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*".

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form provided in the Agency Agreement (as defined in "*Terms and Conditions of the Notes*") of non-U.S. beneficial ownership or certification to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act and to the effect that such holder is not a United States person, or is a United States person that purchased by or through certain United States financial institutions or is a financial institution purchasing for resale during the restricted period to persons other than United States persons or persons within the United States or its possessions as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form or (iv) the Notes are required to be removed from both

FORM OF THE NOTES

Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a Regulation S Global Note). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend describing such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (a) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (QIBs) or (b) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions (Institutional Accredited Investors) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a Rule 144A Global Note and, together with a Regulation S Global Note, the Registered Global Notes).

Registered Global Notes will either (a) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or (b) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (Definitive IAI Registered Notes). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions*”. Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions

exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale and Transfer and Selling Restrictions*”. The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the relevant Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (a) an Event of Default has occurred and is continuing, (b) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form, (c) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, no successor clearing system is available, (d) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act or (e) the Notes are required to be removed from (in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg) both Euroclear and Clearstream, Luxembourg or (in the case of Notes registered in the name of a nominee for DTC) DTC and, in either case, no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable, in each case. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code, and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code and ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC or its nominee each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuers, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents or making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions *Noteholder* and *holder of Notes* and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuers and the Principal Paying Agent. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the giving of a notice by a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to its securities account that it wishes to accelerate such Notes, then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of (in the case of BSF) a deed of covenant dated 18th July, 2005 and executed by BSF, and (in the case of BSC) a deed of covenant dated 18th July, 2005 and executed by BSC (each a *Deed of Covenant*). In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

If the applicable Final Terms specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 4, 5, 6, 7 (except Condition 7(b)), 11,12,14 or 17, they will not necessitate the preparation of a supplemental Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplemental Offering Circular will be prepared, if appropriate.

FORM OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

[BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.

under the €20,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 18th July, 2005 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) and must be read in conjunction with the Offering Circular dated [current date] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated [current date] and [original date]. Copies of such Offering Circulars are available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from their date of issue and the proceeds of issue are accepted in the United Kingdom, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: [BBVA Senior Finance, S.A. Unipersonal/
BBVA Subordinated Capital, S.A. Unipersonal]
- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.

FORM OF APPLICABLE FINAL TERMS

2. (a) Series Number: []
(b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
(a) Series: []
(b) Tranche: []
5. Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(in the case of fungible issues only, if applicable)*
6. Specified Denominations: (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made) [][]
(The minimum denomination of a Note shall not be less than €1,000 or its equivalent: N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €1,000 minimum denomination is not required.)
7. (a) Issue Date: []
(b) Interest Commencement Date: []
8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

FORM OF APPLICABLE FINAL TERMS

11. Change of Interest Basis or Redemption/
Payment Basis: [Specify details of any provision for change of Notes
into another Interest Basis or Redemption/Payment
Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior (if the Issuer is BBVA Senior Finance, S.A.
Unipersonal B.V.)/Subordinated (if the Issuer is BBVA
Subordinated Capital, S.A. Unipersonal)]
- (b) Status of the Guarantee: [Senior (if the Issuer is BBVA Senior Finance, S.A.
Unipersonal)/Subordinated (if the Issuer is BBVA
Subordinated Capital, S.A. Unipersonal)]
- (c) [Date [Board] approval for issuance
of Notes [and Guarantee] obtained: [] [and [], respectively]]
(N.B. Only relevant where Board (or similar)
authorisation is required for the particular tranche of
Notes or related Guarantee)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-
paragraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-
annually/quarterly] in arrear]
(If payable other than annually, consider amending
Condition 5.)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity
Date]/[specify other]]
(N.B. This will need to be amended in the case of long
or short coupons)
- (c) Fixed Coupon Amount(s): [] per [] in nominal amount
- (d) Broken Amount(s): [Insert particulars of any initial or final broken
interest amounts which do not correspond with the
Fixed Coupon Amount]
- (e) Day Count Fraction: [30/360 or 30/360 (ISDA) or Actual/Actual (ISMA) or
Actual/Actual (ISDA) or specify other]

(See Condition 5 for alternatives. Note that if interest
is not payable on a regular basis (for example, if there
are Broken Amounts specified) Actual/Actual (ISMA)
may not be a suitable Day Count Fraction).
- (f) Determination Date(s): [] in each year
[Insert regular interest payment dates, ignoring issue
date or maturity date in the case of a long or short
first or last coupon. N.B. This will need to be
amended in the case of regular interest payment dates]

- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: *which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ISMA)*
[None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (c) Additional Business Centre(s): []
(Note that this item relates to the Interest Period end dates and not the place of payment to which item 26 relates).
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum

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- (j) Maximum Rate of Interest: per cent. per annum
- (k) Day Count Fraction: [Actual/365 or Actual/Actual
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
(See Condition 5 for alternatives)
- (l) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details]
- (b) Any Calculation Agent responsible for calculating the interest due: []
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and settlement provisions]
- (d) Specified Period(s)/Specified Interest Payment Dates: []
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): []
- (g) Minimum Rate of Interest: per cent. per annum
- (h) Maximum Rate of Interest: per cent. per annum

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- (i) Day Count Fraction: []
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Calculation Agent, if any, responsible for calculating the interest payable: []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and settlement provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
21. Investor Put [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised

to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. Final Redemption Amount of each Note: per Note of Specified Denomination/specify other/see Appendix
(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
23. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: Bearer Notes:
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
 [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
 [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
 Registered Notes:
 [Regulation S Global Note ([] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Note ([] nominal amount registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg])/Definitive IAI Registered Notes (specify nominal amounts)]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)
26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

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27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. new forms of Global Note may be required for Partly Paid issues.]
28. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
30. Other terms or special conditions: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)

DISTRIBUTION

31. (a) If syndicated, names [and addresses]** of Managers [and underwriting commitments]:** [Not Applicable/give names [and addresses and underwriting commitments]**] (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers) **
- (b) Date of Subscription Agreement:*** []***
- (c) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name [and address]** of relevant Dealer: [Name [and address]**]
33. Total commission and concession:** [] per cent. of the Aggregate Nominal Amount**
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/give details]

SYNDICATE REGULATIONS

The regulations of the syndicate of the holders of the Notes are scheduled to the Agency Agreement dated 18th July, 2005 and relating to the Issuer's €20,000,000,000 Global Medium Term Note Programme.

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the €20,000,000,000 Global Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].]
[Not Applicable.]
(*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)**
- (iii) Estimate of total expenses related to admission to trading:* []*

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
[Moody's: []]
[[Other]: []]
- [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]**
(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[3. NOTIFICATION

The [*name of competent authority in home Member State*] [has been requested to provide/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- [(i) Reasons for the Offer: []
(*See "Use of Proceeds" wording in Offering Circular – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]
- [(ii) Estimated net proceeds: []
(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)]

[(iii)] Estimated total expenses:

[]

[Include breakdown of expenses]

[If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.]

6. YIELD (Fixed Rate Notes only)

Indication of yield:

[]

*[Calculated as [include details of method of calculation in summary form] on the Issue Date.]***

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. HISTORIC INTEREST RATES (Floating Rate Notes only)**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].

8. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]***

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]***

10. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

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(v) Names and addresses of additional []
Paying Agent(s) (if any):

Notes:

- * Delete if the minimum denomination is less than €50,000
- ** Delete if the minimum denomination is €50,000
- *** Delete if the minimum denomination is €50,000 unless the Notes are derivative securities for the purposes of Annex XII of the Prospectus Directive Regulation

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by the Issuer (the Issuer) named in the applicable Final Terms (as defined below) pursuant to the Agency Agreement (as defined below).

References herein to the Notes shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form and in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 18th July, 2005 and made between BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal, Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) as guarantor, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

TERMS AND CONDITIONS OF THE NOTES

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to, if this is a Senior Note, a senior guarantee (the **Senior Guarantee**) or, if this is a Subordinated Note, a subordinated guarantee (the **Subordinated Guarantee** and, together with the Senior Guarantee, the **Guarantees**) each dated 18th January, 2005 and executed by the Guarantor. The original of the Guarantees are held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 18th July, 2005 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Guarantee, a deed poll (the **Deed Poll**) dated 18th January, 2005 and made by, *inter alios*, the Issuer and the Guarantor, the Deed of Covenant and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing at the offices of the Issuers and the Guarantor, Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantees, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear) and/or Clearstream Banking, société anonyme (Clearstream, Luxembourg) and/or The Depository Trust Company (DTC) or its nominee, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of DTC or a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
 - (B) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or

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- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In the Conditions, the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

Institutional Accredited Investor means “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

Legended Note means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

QIB means a “qualified institutional buyer” within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States or to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES AND THE GUARANTEES

The Insolvency Law came into force in Spain on 1st September, 2004. Certain provisions in the Insolvency Law could affect the ranking of certain Notes on an insolvency of the Issuer or the Guarantor, see “Spanish Insolvency Law”.

In particular, from the entry into force of the Insolvency Law, and in accordance with the insolvency procedures regulated therein, creditors whose rights arise from a Spanish public document, including Noteholders, do not have a preference to enforce their rights and do not rank ahead of other creditors whose rights may be recognised by virtue of a document not so witnessed.

(a) Status of the Senior Notes

The Senior Notes and any relative Coupons and Receipts will be direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law (as defined below), claims relating to Senior Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders, see “Spanish Insolvency Law”.

It is not clear whether, as a result of the application of article 87.6 of the Insolvency Law the claims against the Issuer arising from the Senior Notes could be classified as subordinated credits of the Issuer. However, even if such claims were classified as subordinated credits, the payment obligations of the Guarantor under the Senior Guarantee will remain as ordinary unsubordinated credits.

(b) Status of the Subordinated Notes

The payment obligations of the Issuer under the Subordinated Notes and any relative Coupons and Receipts whether on account of principal, interest or otherwise, constitute direct, unconditional and subordinated obligations of the Issuer and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the Issuer, except for certain subordinated obligations prescribed by law. In the event of the insolvency (*concurso*) of the Issuer under law 22/2003 of 9th July, 2004 (the Insolvency Law), or in the case of any voluntary or mandatory Issuer liquidation procedure, claims relating to the Subordinated Notes will fall within the category of subordinated credits (as defined in the Insolvency Law).

After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, the Issuer will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts (including the Subordinated Notes); (iii) interest (including accrued and unpaid interest due on the Notes at the commencement of the insolvency); (iv) fines; (v) claims of creditors which are related to the Issuer; and (vi) detrimental claims against the Issuer where a Spanish court has determined that the relevant creditor has acted in bad faith (rescisión concursal), see "Spanish Insolvency Law".

(c) Status of the Senior Guarantee

The payment of principal and interest in respect of the Senior Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Senior Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Senior Guarantee.

The obligations of the Guarantor under the Senior Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

In the event of insolvency (*concurso*) of the Guarantor, under the Insolvency Law, claims from Senior Noteholders will fall within the category of ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits will rank below credits against the insolvency state (*créditos contra la masa*) and privileged credits (*créditos privilegiados*) which shall be paid in full before ordinary credits. All creditors considered as "ordinary credits" will satisfy *pro-rata* its credits against the Guarantor in insolvency. Ordinary credits will rank above subordinated credits.

(d) Status of the Subordinated Guarantee

The payment of principal and interest in respect of the Subordinated Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Subordinated Guarantee.

The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the Guarantor, except for certain subordinated obligations prescribed by law. In the event of insolvency (*concurso*) of the Guarantor under the Insolvency Law, or in the case of any voluntary or mandatory Guarantor liquidation procedure, claims by Subordinated Noteholders against the Guarantor will fall within the category of subordinated credits (as defined in the Insolvency Law).

After payment in full of all unsubordinated claims but before distributions to shareholders, under article 92 of the Insolvency Law, the Guarantor will meet subordinated claims in the following order and pro rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debt (including claims under the Guarantee); (iii) interest; (iv) fines; (v) claims of creditors which are related to the Guarantor; and (vi) detrimental claims against the Guarantor where a Spanish court has determined that the relevant creditor has acted in bad faith (rescisión concursal), see "Spanish Insolvency Law".

The Guarantor may apply to Banco de España for the subscription amount of the Notes to qualify as tier 2 capital for capital adequacy purposes in compliance with the provisions of Royal Decree 1343/1992, of 6th November implementing Law 13/1992, of 1st June on own funds and supervision of financial entities on a consolidated basis, Bank of Spain Circular 5/1993, of 26th March, and subsidiary regulations.

4. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, DTC, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the Exchange Notice) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange

Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention; and
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
- (iii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (iv) if “30/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day a month, or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

In the Conditions, the following expressions have the following meanings:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- I. in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- II. the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- III. the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- IV. the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (I) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open

for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (II) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the TARGET System) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the ISDA Definitions) and under which:

- I. the Floating Rate Option is as specified in the applicable Final Terms;
- II. the Designated Maturity is a period specified in the applicable Final Terms; and
- III. the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- I. the offered quotation; or
- II. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such

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quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of I. above, no such offered quotation appears or, in the case of II. above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent and the relevant Issuer of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

- (A) if "Actual/365" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
 - (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (I) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (II) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
 - (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).
- (v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

- (vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

- (c) **Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the

definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the Register) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a

Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note. No person other than the holder of the relevant Global Note shall

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have any claim against the Issuer or the Guarantor in respect of any payments due in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) any Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;

- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, subject in the case of Subordinated Notes which shall only be redeemed at any time on or after five years from the issue date in respect of such Subordinated Notes (or at any time prior to such date if so permitted by the applicable Spanish capital adequacy requirements then in force) subject to the prior consent of *Banco de España*, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or, as the case may be, the Guarantor shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer (or if at the time that such certification is to be given the Issuer has only one Director, such certificate may be signed by such Director) or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be,

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the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, a copy of *Banco de España's* consent to redemption.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes which shall not be redeemed unless in compliance with the applicable capital adequacy regulations of *Banco de España* from time to time in force (and only on or after five years from the issue date in respect of such Subordinated Notes, or as otherwise specified in the applicable Final Terms) and then only with the prior consent of the *Banco de España*, having given (unless otherwise specified in the applicable Final Terms):

- (i) not less than 7 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 or such lesser period specified in the applicable Final Terms; and
- (ii) not less than 5 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar or such lesser period specified in the applicable Final Terms,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. In the event of a redemption of some only of the Notes such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot in accordance with applicable Spanish law requirements, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms) (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms). The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 60 days' notice (or such lesser period specified in the applicable Final Terms) (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem in whole but not in part, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the

Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. No such redemption option will be specified in the applicable Final Terms relating to any Subordinated Notes without the prior consent of *Banco de España* or which provides for redemption prior to the fifth anniversary of the Issue Date of the relevant Note, except as permitted under *Banco de España's* requirements for such redemption.

To exercise the right to require redemption of this Note the holder of this Note must if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time, and, if this Note is a Bearer Note represented by a global Note, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 10.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^Y$$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal;

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Senior Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all holders of Senior Notes alike. Senior Notes purchased as aforesaid may, at the option of the Guarantor, be held, reissued, resold or surrendered to any Paying Agent and/or the Registrar for cancellation except that all Senior Notes purchased by the Issuer must be surrendered for cancellation. None of the Issuer, the Guarantor or any of their respective consolidated subsidiaries, or any entity that may receive financial assistance from either Issuer or from any other Group member, may at any time purchase Subordinated Notes except in accordance with prevailing Spanish law and *Banco de España's* requirements and any such Subordinated Notes so purchased must be surrendered to any Paying Agent and/or the Registrar for immediate cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax (Spain) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (c) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his residence in or connection with a country or territory considered as a tax haven pursuant to Spanish Royal Decree 1080/1991 of 5th July, 1991; or
- (d) presented for payment by or on behalf of a holder in respect of whom the Issuer or the Guarantor (or the Principal Paying Agent on its behalf) has not received all details concerning such holder's identity and tax residence as it requires in order to comply with Spanish Law 13/1985, of 25th May as amended by Law 19/2003 of 4th July, 2003, Spanish Royal Decree 2281/1998 of 23rd October, as amended by Royal Decree 1778/2004 of 30th July, 2004 and Spanish Royal Legislative Decree 4/2004 of 5th March, 2004 and Spanish Order of 22nd December, 1999, no later than 10.00 a.m. (CET) on the 10th calendar day of the month following the relevant Interest Payment Date (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

In these Conditions, the Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

A list of the tax havens referred to in Condition 8(c) as at the date of this Offering Circular is set out under "Taxation" below.

See "Taxation – Disclosure of Noteholder Information in connection with Interest Payments" for a fuller description of certain tax considerations (particularly in relation to holders which are resident in Spain) relating to the Notes, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the

TERMS AND CONDITIONS OF THE NOTES

Guarantor relating to the identity and tax residence of holders of Notes. Holders should note that if certain required information is not supplied in a timely fashion, they will not receive the full amount of interest due but may be entitled to obtain a refund of amounts withheld. See "Taxation".

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. EVENTS OF DEFAULT

(a) Events of Default relating to Senior Notes

This Condition 10(a) applies only to Senior Notes and references to "Notes" shall be construed accordingly.

If any of the following events (each an Event of Default) shall have occurred and be continuing:

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 21 days or more in the payment of any interest due in respect of any of the Notes; or
- (ii) a default is made in the performance by the Issuer or the Guarantor of any other obligation under the provisions of the Notes or under the provisions of the Guarantee relating to the Notes and such default continues for more than 30 days following service by a Noteholder on the Issuer and the Guarantor of a notice requiring the same to be remedied; or
- (iii) any Capital Markets Indebtedness of the Issuer or the Guarantor where the principal amount of such indebtedness is in any case in excess of U.S.\$50,000,000 or its equivalent in another currency or other currencies or any guarantee by the Issuer or the Guarantor of any Capital Markets Indebtedness of any other person is not (in the case of Capital Markets Indebtedness) paid when due (after whichever is the longer of 30 days after the due date and any applicable grace period therefor) or becomes prematurely due and repayable following a default on the part of, or an event of default with reference to, the Issuer or the Guarantor, or (in the case of a guarantee) honoured when called upon (after whichever is the longer of 30 days after the due date and any applicable grace period therefor);
- (iv) an order of any competent court or administrative agency is made or any resolution is passed by the Issuer for the winding-up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders); or
- (v) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been previously approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (Entidad de Crédito according to article 1°-2 of Real Decreto Legislativo 1298/1986 dated 28th June, 1986, as amended and restated) and will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services, Moody's Investors Services or Fitch Ratings Ltd equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation); or

TERMS AND CONDITIONS OF THE NOTES

- (vi) the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent, or any order of any competent court or administrative agency is made for, or any resolution is passed by Issuer or the Guarantor to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or of a substantial part of the assets of either of them (unless in the case of an order for a temporary appointment, such appointment is discharged within 30 days); or
- (vii) the Issuer or the Guarantor stops payment of its debts generally; or
- (viii) the Issuer (except for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders) or the Guarantor (except (i) for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services or Moody's Investor Services equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation) ceases or threatens to cease to carry on the whole or substantially the whole of its business; or
- (ix) an encumbrancer takes possession of the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor or an application is made for the appointment of an administrative or other receiver, manager, administrator or similar official in relation to the Issuer or the Guarantor or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or the Guarantor, or a distress or execution is levied or enforced upon or sued out against any substantial part of the undertaking or assets of the Issuer or the Guarantor and is not discharged within 30 days; or
- (x) the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders, may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the Registrar, as the case may be, effective upon the date of receipt thereof by the Principal Paying Agent or the Registrar, as the case may be, (in the case of paragraph (iv) and, in relation to the Issuer only, (vi) and (vii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment.

For the purpose of Condition 10(a) (vi), (viii) and (ix) a report by the auditors for the time being of the Issuer or the Guarantor, as the case may be, as to whether any part of the undertaking, business or assets of the Issuer or the Guarantor is "substantial" shall, in the absence of manifest error, be conclusive.

(b) Events of Default relating to Subordinated Notes

This Condition 10(b) shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

If any of the following events (each an Event of Default) shall have occurred and be continuing:

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 21 days or more in the payment of any interest due in respect of any of the Notes;
- (ii) an order is made declaring the Issuer insolvent or an order is made or an effective resolution is passed for the dissolution or winding up of the Issuer (other than for the purpose of an

amalgamation, merger or reconstruction approved by the Syndicate of Noteholders of this Series); or

- (iii) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been previously approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (as defined in Condition 10(a)) and will have a rating for long-term subordinated debt assigned by Standard & Poor's Rating Services or Moody's Investors Services equivalent to or higher than the rating for long-term subordinated debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation),

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the Registrar, as the case may be, effective upon receipt thereof by the Principal Paying Agent or the Registrar, as the case may be, (in the case of paragraph (ii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment.

- (c) As used herein:

Capital Markets Indebtedness means any loan or other indebtedness of any person (other than Project Finance Indebtedness) which is in the form of or represented by any bonds, notes, depositary receipts or other securities for the time being quoted or listed, with the agreement of the Issuer and/or the Guarantor, on any stock exchange; and

Project Finance Indebtedness means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of the Issuer or the Guarantor, in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not the Issuer or the Guarantor) is entitled to have recourse solely to such asset and revenues generated by the operation of, or loss or damage to, such asset.

The Insolvency Law came into force in Spain on 1st September, 2004. Among other things, the Insolvency Law provides: (i) that any claim not included in the company's accounts or otherwise reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency may become subordinated, (ii) that provisions in a contract granting one party the right to terminate on the other's insolvency are not enforceable and (iii) for interest to cease to accrue from the date of declaration of the insolvency, see "Spanish Insolvency Law".

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

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The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 provided that no such variation, termination, appointment or changes shall take effect (except in the case of insolvency) within 7 days before any due date for the payment of any Note or any related Receipt or Coupon. Notice of all changes in the identities or specified offices of any Agent will be given promptly by the Issuer to Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in (i) one leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the

fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes except that for so long as any Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Copies of any notices given to Noteholders shall also be given in writing to the representative of Noteholders named in the applicable Final Terms.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS

By purchasing this Note, the holder hereof is deemed to have agreed to the appointment of the representative for the Series of which this Note forms part named in the applicable Final Terms (the **Representative**) and to become a member of the syndicate of Noteholders (the **Syndicate**) of that Series. The pro forma regulations of the Syndicate (the **Regulations**) are scheduled to the Agency Agreement.

The object of the Syndicate is to protect the legitimate interests of Noteholders as against the Issuer, in accordance with the applicable Spanish legislation. The address of the Syndicate is Paseo de la Castellana, 81, 28046 Madrid. The Syndicate shall exist until the Notes have been repaid and shall be automatically dissolved thereafter.

The Representative shall be the chairman and the legal representative of the Syndicate and shall take such action as it considers appropriate to protect the interests of the Noteholders.

16. MODIFICATION AND WAIVER

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law in jurisdictions in which the Issuer or the Guarantor are incorporated provided that where such modification is prejudicial to the interests of the Noteholders or is not solely of a formal, minor or technical nature the proposed modification shall only be made following prior notification to the Noteholders, Receiptholders or Couponholders in accordance with Condition 14.

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Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall, unless notified prior to the relevant modification, be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. SUBSTITUTION

(a) Substitution of the Issuer

(i) The Issuer may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by the Guarantor or any other company of which 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote are directly or indirectly owned by the Guarantor as principal debtor (in such capacity, the Substituted Debtor) in respect of the Notes provided that:

(A) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor, the Representative, the Issuer and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together the Documents) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the New Guarantee) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;

(B) without prejudice to the generality of Condition 18(a)(i)(A), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

- (C) the Documents shall contain a warranty and representation by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be, that each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) of its obligations under the Documents and that all such approvals and consents are in full force and effect;
- (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
- (E) the Issuer shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the Registrar;
- (F) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of Spanish lawyers acting for the Guarantor to the effect that in the case where the Substituted Debtor is not the Guarantor, the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the Registrar;
- (G) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the Registrar;
- (H) the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
- (I) there is no outstanding Event of Default in respect of the Notes;
- (J) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
- (K) the substitution complies with all applicable requirements established under Spanish law.

- (ii) Upon the execution of the Documents as referred to in Condition 18(a)(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.
- (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14.

(b) Substitution of the Guarantor

- (i) The Guarantor may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by another company incorporated anywhere in the world as the guarantor (in such capacity, the **Substituted Guarantor**) in respect of the Notes provided that:
 - (A) a deed poll and such other documents (if any) shall be executed by the Guarantor and the Substituted Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Guarantor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement, and the Senior Guarantee or the Subordinated Guarantee, as the case may be, as fully as if the Substituted Guarantor had been named in the Notes, the Agency Agreement and the Senior Guarantee or the Subordinated Guarantee, as the case may be, as the guarantor in respect of the Notes in place of the Guarantor (or any previous substitute) and pursuant to which the Substituted Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Issuer as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;
 - (B) the Documents shall also contain a covenant by the Substituted Guarantor to indemnify and hold harmless each Noteholder against all liabilities, costs, charges and expenses provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
 - (C) the Documents shall contain a warranty and representation by the Substituted Guarantor that the Substituted Guarantor has obtained all necessary governmental and regulatory

- approvals and consents for such substitution and for the giving by the Substituted Guarantor of the New Guarantee, that the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Guarantor of its obligations under the Documents and that all such approvals and consents are in full force and effect;
- (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Guarantor such Notes would continue to be listed on such stock exchange;
 - (E) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of lawyers in the country of incorporation of the Substituted Guarantor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the Registrar;
 - (F) the Substituted Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Substituted Guarantor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the Registrar;
 - (G) the Substituted Guarantor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (H) there is no outstanding Event of Default in respect of the Notes;
 - (I) the Substituted Guarantor has ratings for long-term senior and subordinated debt assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or Moody's Investors Service, Inc. which are the same as or higher than the credit rating for long-term senior and subordinated debt of the Guarantor or any previous Substituted Guarantor immediately prior to such substitution; and
 - (J) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 18(b)(i) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor in place of the Guarantor (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes and the Guarantees.
 - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.

TERMS AND CONDITIONS OF THE NOTES

- (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with Condition 14.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes (except for Condition 3), the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 3 and the Guarantees are governed by, and shall be construed in accordance with, Spanish law. In addition, the provisions of Condition 15 relating to appointment of the Representative and meetings of Noteholders are governed by Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

(b) Submission to jurisdiction

The Issuer agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints the Guarantor at its registered office for the time being in England as its agent for service of process, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will, in accordance with law 19/2003 of 4th July, 2003 on foreign capital movements and financial transactions and on certain measures to prevent money laundering which amends law 13/1985 of 25th May, 1985 on investment ratios, capital adequacy and information requirements for financial intermediaries, be deposited on a permanent basis with the Guarantor and will be used for the Group's general corporate purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL

Incorporation

BBVA Senior Finance, S.A. Unipersonal (BSF) was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSF's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Paseo de la Castellana, 81, 28046, Madrid, Spain, telephone number 34 91 537 8195. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book O, Page BI-40.901, Inscription 1.

Business

The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

BSF has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BSF is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BSF is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BSF is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans. As at 31st December, 2004, BSF had not raised any debt and its only asset was related to a current account in Banco Bilbao Vizcaya Argentaria, S.A. of €60,102.00. Subsequent to 31st December, 2004, BSF has issued, in aggregate, €7,936,117,205.74.

Management

The Directors of BSF are as follows:

Name	Position at BSF	Present Principal Occupation Outside BSF
Carlos Pertejo Muñoz	Director/President	Director of Financial Management of BBVA
Jose Luis Domínguez de Posada de Miguel	Director	Director of Funding of BBVA
Ana Fernandez Manrique	Director	Director of Capital Management
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA

The business address of the Directors of BSF is Castellana, 81, 28046 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSF.

Corporate Governance

BSF does not need to comply with the Spanish corporate governance regime because it does not list securities on the Spanish Official Secondary Market. Nevertheless, as a Spanish company, BSF is subject to the Spanish Companies Act (*Ley de Sociedades Anónimas*) and any applicable European Regulations, which may include provisions relating to corporate governance which apply to all limited liability companies.

DESCRIPTION OF BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL

Incorporation

BBVA Subordinated Capital, S.A. Unipersonal (BSC) was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSC's registered office is at Gran Vía, 1, Bilbao, Spain operating out of Paseo de La Castellana, 81, 28046, Madrid, Spain telephone number 34 91 537 8195. BSC was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book O, Page BI-40.902, Inscription 1.

Business

The exclusive objects for which BSC was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

BSC has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BSC is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BSC is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BSC is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans. As at 31st December, 2004, BSC had not raised any debt and its only asset was related to a current account in Banco Bilbao Vizcaya Argentaria, S.A. of €60,102.00. Subsequent to 31st December, 2004, BSC has issued €500,000,000.

Management

The Directors of the BSC are as follows:

Name	Position at BSC	Present Principal Occupation Outside BSC
Carlos Pertejo Muñoz	Director/President	Director of Financial Management of BBVA
Jose Luis Domínguez de Posada de Miguel	Director	Director of Funding of BBVA
Ana Fernandez Manrique	Director	Director of Capital Management
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA

The business address of the Directors of BSC is Paseo de la Castellana 81, 28046, Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSC.

Corporate Governance

BSC does not need to comply with the Spanish corporate governance regime because it does not list securities on the Spanish Official Secondary Market. Nevertheless as a Spanish Company, BSC is subject to

DESCRIPTION OF BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL

the Spanish Companies Act (*Ley de Sociedades Anónimas*) and any applicable European Regulations, which may include provisions relating to corporate governance which apply to all limited liability companies.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

History and Development of the Guarantor

The terms BBVA and Group refer to Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated subsidiaries.

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or "S.A.") under the Spanish Corporations Law on 1st October, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on 18th December, 1999 and registered on 28th January, 2000. It is registered in the Mercantile Registry, in Companies Ledger 2,083, folio 1, inscription 1st, Sheet number BI-17-A. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Paseo de la Casetellana, 81, 28046, Madrid, Spain telephone number 34-91-537-8195. BBVA's agent in the U.S. for U.S. federal securities law purposes is Raúl Santoro de Mattos Almeida (BBVA New York, 1345 Avenue of the Americas, 45th floor, NY, New York, 10105). BBVA is incorporated for an unlimited term.

On 29th March, 2005, BBVA's Board of Directors approved the launch of an exchange offer for the approximately 85.3 per cent. of the shares of Banco Nazionale del Lavoro, S.p.A. (BNL) which it did not already own (the BNL Exchange Offer). Under the terms of the BNL Exchange Offer, BBVA is offering one of its ordinary shares for every five ordinary shares of BNL. On 8th April, 2005, BNL's board of directors announced that it considered the terms of the BNL Exchange Offer to be fair and on 27th April, 2005, the Commission of European Union approved the BNL Exchange Offer as compatible with the European common market. On 14th April, 2005, the Commissione Nazionale per la Borsa (the Italian securities regulator) approved the BNL Exchange Offer and on 13th May, 2005, the Bank of Italy authorised BBVA to acquire more than 50 per cent. of BNL's shares. On 14th June, 2005, an Extraordinary Meeting of Shareholders of BBVA approved a capital increase to finance the BNL Exchange Offer. Under the terms of the proposed capital increase, BBVA will issue up to a maximum of 531,132,133 new ordinary shares. BBVA's shareholders also resolved to delegate to its Board of Directors the authority to determine the appropriate moment to undertake the capital increase. On 21st June, 2005, the Bank of Spain announced that it would not oppose the capital increase.

BBVA launched the exchange offer on 20th June, 2005 and the final day on which acceptances will be accepted will be 22nd July, 2005. The BNL Exchange Offer is not being made and will not be made, directly or indirectly, in or into the United States, Canada, Japan, Australia or any other jurisdiction in which any such exchange offer would require the authorisation of the relevant regulatory authorities or would violate applicable laws or regulations.

Business Overview

BBVA is a diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has a portfolio of industrial holdings in some of Spain's leading companies.

Business Areas

The following is a description of BBVA's business areas:

- **Retail Banking in Spain and Portugal:** formed by BBVA's retail banking, asset management and private banking businesses in Spain and Portugal, covering the residential customer and small and medium entities (SME) segments in these markets. This area also includes the Finanzia / Uno-e group (which specializes in the e-banking business, consumer financing and card product distribution), BBVA Portugal, BBVA's private banking businesses and BBVA's mutual and pension fund management and insurance businesses.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

- **Wholesale and Investment Banking:** includes BBVA's business activities with large companies and institutions through national and international corporate banking and institutional banking. In addition, this business area includes its trading businesses located in Spain, Europe and New York, its equity distribution and origination business and security deposit and custody service business, as well as the part of its real estate business that is not developed by the Group through interests in large corporations.
- **Banking in America:** includes the operations of each of BBVA's subsidiary banks in Latin America and their investee companies, including pension management companies and insurance companies, as well as its international private banking business.
- **Corporate Activities and Other:** includes its holdings in large industrial corporations and in financial entities, as well as the activities and results of its support units, such as the Assets and Liabilities Management Committee (ALCO). In addition, this business area includes its other operations or activities that, by their nature, cannot be assigned to another business area, such as country risk provisions and amortization of goodwill (except for those relating to the holdings owned by the Business and Real Estate Projects unit, which is included in the Wholesale and Investment Banking business area).

The foregoing description of BBVA's business areas is consistent with its current internal organization. The financial information for its business areas for the years 2004, 2003 and 2002 presented below has been prepared on a uniform basis. Unless otherwise indicated, the financial information provided below for each business area does not reflect the elimination of transactions between companies within one business area or between different business areas, since it considers these transactions to be an integral part of each business area's activities.

In BBVA's Annual Report for the years ended 31st December, 2003 and 2002, due to the economic, political and social crises that affected its Argentinean operations in such period, BBVA provided additional disclosure on its Argentinean operations and discussed such operations as if they comprised a separate business area. In 2004, economic, political and social conditions in Argentina have stabilised and the Argentine economy has experienced significant growth. As a result of such stabilisation and growth, BBVA's management no longer tracks its Argentine operations as a separate business area and, accordingly, in its Annual Report for the year ended 31st December, 2004 (which is incorporated by reference in this Offering Circular) it does not discuss its Argentinean operations separately, but rather as part of the business area Banking in America, where these operations were included in BBVA's Annual Report for 2001 and for prior years.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

The following table provides net attributable profit information for BBVA's business areas for the years ended 31st December, 2004, 2003 and 2002.

Business Area	Net Attributable Profit/(Loss)			% of Subtotal			% of Net Attributable Profit/(Loss)		
	2004	2003	2002	Year ended 31st December,			2004	2003	2002
	<i>(in millions of euro)</i>			2004	2003	2002			
Retail Banking in Spain and Portugal.....	1,410	1,239	1,266	45%	51%	53%	50%	56%	74%
Wholesale and Investment Banking.....	515	468	382	16%	19%	16%	18%	21%	22%
Banking in America.....	1,239	725	726	39%	30%	31%	44%	32%	42%
Subtotal.....	3,164	2,432	2,374	100%	100%	100%	112%	109%	138%
Corporate Activities and Other.....	(363)	(206)	(656)				(12)%	(9)%	(38)%
Net attributable profit.....	<u>2,802</u>	<u>2,227</u>	<u>1,719</u>				<u>100%</u>	<u>100%</u>	<u>100%</u>

Retail Banking in Spain and Portugal

The Retail Banking in Spain and Portugal area's main lines of activity focused on providing banking services to private individuals, retailers and small and medium-sized entities, as well as managing mutual funds, pensions and insurance brokerage. This area developed its business activities through 3,397 branch offices.

At 30th June, 2005 the business units included in the Retail Banking in Spain and Portugal business area are:

- Commercial Banking and Small and Medium Entities (SME) Banking;
- Special Financial Services;
- Asset Management and Private Banking;
- BBVA Portugal; and
- Insurance Business in Europe.

Total net lending in this business area as of 31st December, 2004 was approximately €109,591 million, an increase of 20.0 per cent. from €91,295 million as of 31st December, 2003, principally due to growth in mortgage lending and personal loans.

The non-performing loan (NPL) ratio fell to 0.61 per cent. as of 31st December, 2004, from 0.85 per cent. as of 31st December, 2003. The loan coverage ratio rose to 379.4 per cent. as of 31st December, 2004 from 269.5 per cent. as of 31st December, 2003.

Total customer funds (mainly deposits, mutual and pension funds), were €115,399 million as of 31st December, 2004, an increase of 48.7 per cent. compared to 2003 as a result of an increase in deposits collected during the year. Mutual funds under management were €41,988 million as of 31st December, 2004, an increase of 10.5 per cent. compared to 2003.

Commercial Banking and Small and Medium Entities (SME) Banking

This business unit's main lines of activity were focused on the development of the Financial Services Plan (BBVA's business model for this business area adopted in 2002) including Personal Financial Services aimed at residential customers and Commercial Financial Services for SMEs and businesses.

- **Personal Financial Services:** focuses on retail customers and is aimed at providing customers with more value from their relationship with BBVA by being offered a wider range of products and services at attractive prices made available through different channels, along with solutions tailored to their specific needs.
- **Commercial Financial Services:** focuses on professionals, businesses and SMEs by providing them with customised services, a comprehensive range of products and continuous quality financial advice.

In 2004, lending by Commercial Banking achieved a 20.4 per cent. increase to €102,601 million from €85,245 million in 2003, principally due to strong growth in mortgage products such as Hipoteca Fácil (Easy Mortgage). Mortgages increased to €13,646 million during 2004, an increase of 39.8 per cent. over 2003. The Commercial Banking unit reinforced its range of innovative products for car owners through several credit card products offered through joint ventures. These products included the Master Solred and Mutua Automovilística credit cards.

Mutual and pension funds managed by the Commercial Banking business unit increased during 2004 by 7.1 per cent. and 12.9 per cent., respectively.

The SME Banking unit's total loan portfolio was over €36 billion as of 31st December, 2004, a 20 per cent. increase compared to 2003. Billing for leasing and billing for renting, factoring and confirming registered an increase of 25 per cent. and 30 per cent. compared to 2003, respectively.

Customer funds under management by the SME Banking unit increased by €791 million in 2004, primarily due to the success of five mutual funds distributed by the SME Banking network and designed by the Asset Management unit to enable SME's to optimize their cash-flow management.

The SME Banking unit also distributed insurance products such as Segurypyme, Seguleasing, Keyman and Keyman Plus to provide coverage for companies' assets, business and people. As of 31st December, 2004, the SME Banking unit insured approximately 7,000 of BBVA's clients with a total of 41,270 policies and generated €14.5 million in premium revenue.

Asset Management and Private Banking

This unit is the result of the reorganisation of BBVA's private banking activities carried out in 2003. The goal of this reorganisation was to align product creation with its distribution networks and simultaneously give an overall view of the high-income customer segment. Together with subunits that focus primarily on designing and managing products, this unit has responsibility for managing this customer segment.

Total assets managed by this unit as of 31st December, 2004 were €66 billion, an increase of 14.4 per cent. over 2003.

BBVA's private banking business, through its BBVA Patrimonios and Personal Banking subunits, managed total assets of €13.5 billion in 2004, an increase of 12.6 per cent. over 2003. BBVA Patrimonios's business strategy is aimed at increasing the returns it offers to high-net worth customers by employing a team of private banking specialists directly accessible to such customers. The Personal Banking subunit has improved the services it offers to its customer base by marketing funds from the principal mutual funds companies available internationally.

BBVA Portugal

BBVA Portugal experienced significant growth in 2004. Customer loans increased by 21.3 per cent., in part due to a 43 per cent. increase in mortgage lending due primarily to the success of the Hipoteca Custa Final mortgage product.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

The BBVA Portugal unit's funds under management increased by 16.6 per cent. in 2004 principally due to strong growth in mutual fund assets, which increased by 20 per cent. over 2003. BBVA also launched new structured deposit products in 2004, as well as mixed deposits that combine fixed deposits with mutual funds.

Special Financial Services

The Special Financial Services unit which operates through Finanzia and BBVA's online bank Uno-e Bank S.A., operates in the following lines of business: the financing of cars, consumer items and equipment, e-banking, bill payment and car and equipment renting. The workforce is made up of 885 employees; with a distribution network of 37 branches and a customer base of 2.4 million.

- Finanzia manages collaboration agreements with distributors, manufacturers and importers in order to finance their sales. Total net lending amounted to €2,252 million at 31st December, 2004.
- Uno-e Bank had funds under management of €877 million as of 31st December, 2004, principally due to cross-marketing products and increasing its personal loan and mortgage portfolio.

As of 31st December, 2004, total net lending and customer funds managed by this unit were €3,123 million and €941 million, respectively, and the NPL ratio improved by 81 basis points to 1.47 per cent., with a coverage ratio of 162.7 per cent.

European Insurance

The European Insurance business unit comprises several subunits that manage BBVA's insurance business in Spain and Portugal. Such subunits engage in direct sales of coverage (through BBVA Seguros) for life, savings, multi-peril, home and construction insurances, as well as reinsurance and insurance brokering through BBVA Correduría and BBVA Broker.

Wholesale and Investment Banking

The Wholesale and Investment Banking business area focuses on large corporate, governmental, non-governmental organizations and institutional investor clients.

The business units included in this business area are:

- Global Corporate Banking;
- Institutional Banking;
- Global Markets and Distribution;
- Business and Real Estate Projects; and
- Global Transaction Services.

As of 31st December, 2004, lending in this area was €41,672 million, an increase of 5.9 per cent. over 2003. Non-performing loans decreased 57.6 per cent. to an NPL ratio of 0.19 per cent. as of 31st December, 2004, compared to 0.50 per cent. as of 31st December, 2003, principally due to an improvement in risk quality. Funds managed (deposits and mutual funds) recorded an increase of 14.1 per cent. compared to 2003.

Global Corporate Banking

The Global Corporate Banking business unit provides services to large Spanish and multinational corporations. Its organisational structure is aimed at improving the capacity to satisfy customer needs with an integral offer of products and services that feature special characteristics for each local market. The unit is represented in 15 countries by the following subunits:

- Global and Investment Banking: formed by the Capital Markets, Fixed-Income Security Origination and Corporate Finance product units, which serve the different areas of the Group.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

- Corporate Banking Ibérica: specialising in Spanish and Portuguese corporations.
- Corporate Banking Europe and Asia: servicing European and Asian markets from its branches in London, Paris, Milan, Frankfurt, Tokyo, Hong Kong and Beijing.
- Corporate Banking America: managing the wholesale business of the United States and the Group's banks in Latin America from its branch in New York.

In 2004, the Global Corporate Banking unit managed over €21.6 billion in loans and approximately €10 billion of customer funds. The Capital Markets subunit is responsible for BBVA's syndicated loan and structured financing transaction activities, including significant transactions in Spain during 2004 carried out by Telefónica, Iberdrola, Enagas, Red Eléctrica de España and Ferrovial, while in Latin America BBVA was involved as mandated lead arranger in syndicated loans to Pemex, Telmex and Codelco as well as the financing of the "Sistema Carretero del Oriente" of the Mexican federal government.

Institutional Banking

The Institutional Banking business unit focuses on governmental and institutional clients, including the Spanish government and the governments of Spain's autonomous communities as well as private organisations, associations, foundations and insurance companies. The Institutional Banking unit operates in these markets under the BBVA brand name and through Banco de Crédito Local (BCL) an entity specialising in long-term financing.

In 2004, the Institutional Banking unit submitted 44 bids for public contracts launched by the Central Government. Among the new contracts awarded to the Institutional Banking unit were the management of the treasury of the State Lotteries and Bets organisation and the Official Gazette of Spain and designation by the European Commission as its treasurer bank in Spain.

Global Markets and Distribution

The Global Markets and Distribution business unit focuses on a wide range of securities market-oriented activities. This business unit engages in both treasury operations on behalf of BBVA and transactions for third-parties. In the equity securities area the Global Markets and Distribution business unit acted as book runner in BBVA's capital increase and Banco Sabadell's public bid to finance its purchase of Banco Altántico. Global Markets and Distribution was also the global coordinator in the initial public offerings of Cintra and Fadesa.

The Global Markets and Distribution unit's derivative trading activities decreased in 2004 due to downward trends in these markets, while the fixed-income securities business increased during 2004 principally due to the cross-selling of products and services with other BBVA business areas and units. For example, the Global Markets and Distribution unit has made fixed-income and equity security products, as well as mutual funds, available for marketing and sale through BBVA's retail banking branch network. The Global Markets and Distribution unit also established its independent research subunit BBVA Research in September 2004 to ensure an independent and integral view of markets and geographical areas.

The Global Markets and Distribution unit is particularly active in a number of securities and trading markets, including the AIAF fixed-income market, the Spanish stock market, the Spanish foreign exchange market for euro/U.S. dollar transactions and the Spanish government debt securities market.

Business and Real Estate Projects

The Business and Real Estate Projects unit manages a portfolio of enterprises and real estate businesses, with an approach based on four key elements: profitability, rotation, liquidity and optimisation of the use of economic capital. The unit manages a portfolio of 116 investments with a book value as of 31st December, 2004 of €841 million and unrealized gains amounting to €859 million compared to €749 million as of 31st December, 2003. Its investment portfolio is diversified among the real estate, capital goods and services sectors.

Divestitures from this investment portfolio in 2004 amounted to approximately €550 million, generating capital gains of €250 million. The most significant dispositions were the sale of its 3 per cent., 5 per cent., 33.3 per cent. and 17.2 per cent. interests in the capital stock of Gamesa, Acerinox, Grubarges and Vidrala, respectively.

In 2004, the Business and Real Estate Projects unit launched the brand Anida, which currently has a property development portfolio of 3 million m² of buildable land and almost 4,000 buildings under management.

Global Transaction Services

The Global Transaction Services unit supports the specialised management of corporate and institutional transaction business both in the wholesale area and in the Group's other areas, offering a wide range of products and services, including domestic and international collections and payments, loans, trade bill discounting, factoring, confirming, credit cards, foreign trade, electronic banking, correspondent banking and cash pooling systems services.

Banking in America

Unless otherwise specified, information included below relating to macroeconomic data in the Latin American countries in which BBVA operates, such as GDP or inflation, has been drawn from its internal statistical studies based on information published by local governmental or regulatory authorities.

The economic conditions in the Latin American countries in which BBVA operates improved in 2004, with average growth in gross domestic product (GDP) of 6 per cent. Inflation was relatively moderate in 2004, whereas trends in interest rates have been mixed. In Mexico, increased interest rates had a positive effect on the Banking in America area's net interest income, whereas the decrease in interest rates in Venezuela and Chile had a negative effect on the area's net interest income. The majority of Latin American currencies experienced lower declines in value against the dollar in 2004 compared to 2003, with some currencies appreciating in value against the dollar. However, the depreciation of the dollar's value against the euro has negatively impacted the Banking in America business area's contribution to BBVA's consolidated profits.

The Banking in America business area includes the banks, pension fund managers and insurance companies managed by BBVA in Latin American countries, as well as BBVA's international private banking business. BBVA's Banking in America activities are carried out through 3,300 branches in the region with over 51,000 employees.

The Banking in America business area strategy in 2004 has been to restore growth in lending, where after years of restrictions, conditions are more favourable. This strategy was reflected in specific acquisitions, which sought to complement the strong growth potential of the area's existing businesses with growth by acquiring other businesses with similarly strong potential for growth. Examples of such acquisitions include the purchase of minority holdings in Bancomer and the purchase of Hipotecaria Nacional to improve the area's position within the growing mortgage segment in Mexico, as well as the acquisitions of Laredo National Bancshares in Texas and Valley Bank in California (each of which were integrated into the area's new U.S. subunit), which were selected as targets because of their potential for increased growth within BBVA's Banking in America area due to this area's experience in specific customer segments traditionally serviced by these acquired businesses.

As of 31st December, 2004, the Banking in America business area had total assets of €74,992 million, which represented 24.1 per cent. of BBVA's total assets. In 2004 the net attributable profit of this business area was €1.2 billion, which represented 44.2 per cent. of the Group's total net attributable profit.

BBVA's Mexican operations form the core of its activities in Latin America and they contributed approximately two-thirds of the Banking in America business area's total assets, operating profit and pre-tax profit as of 31st December, 2004.

The following is a description of BBVA's operations and the economic and political factors that most significantly affect such operations, on a country-by-country basis, in the Banking in America business area.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

The operating results described below refer to each individual unit's contribution to the Banking in America business area's operating results, unless otherwise stated.

Mexico

BBVA reaffirmed its strategic commitment to Mexico by successfully launching a tender offer for 40.6 per cent. of the shares of Bancomer it did not already own in February 2004. After the conclusion of the tender offer process and subsequent purchases, its interest in Bancomer increased to a 99.7 per cent. interest in its share capital as of 31st December, 2004.

The continued recovery of the U.S. economy in 2004, particularly in terms of industrial output, benefited BBVA's business in Mexico, which had the highest rate of growth in GDP in the last three years (approximately 4 per cent.). This economic growth led to a moderate rise in inflation (approximately 5 per cent.). Exchange rates, however, were volatile. As of 31st December, 2004, exchange rates for the Mexican peso had depreciated 4.3 per cent. and 13 per cent. against the dollar and the euro, respectively, from exchange rates as of 31st December, 2003. This volatility in exchange rates, as well as the increase in interest rates in the U.S., led the Bank of Mexico to implement a restrictive monetary policy, which led to a rise in interest rates. The TIIE (Mexico's Interbank offered rate), which had fallen below the 5 per cent. mark at the beginning of 2004, was at 8.9 per cent. at 31st December, 2004. The average TIIE rate for 2004 was 7.2 per cent., compared to 6.8 per cent. in 2003. Long-term interest rates experienced a sharp increase in 2004, which had a negative effect on Bancomer's results of operations.

Within this economic background, Bancomer has experienced increased growth in its operations, in spite of increasing competition in the Mexican banking sector. Total net lending at 31st December, 2004 was €13.5 billion, an increase of 15.8 per cent. compared to 2003. Bancomer retained its position as one of the Mexican market leaders, with a market share of 28.6 per cent. as of 31st December, 2004 (source: Sistema de Intercambio de Bancos, December 2004).

Bancomer's retail products that experienced the highest growth rates were consumer loans and credit cards, which jointly increased by 62.8 per cent. in 2004. Bancomer issued 1.5 million credit cards during 2004 and nearly 500,000 "Credítón Nómina" loans were granted. Bancomer also granted more than 39,000 car loans in 2004.

Bancomer's Corporate and Institutional Banking subunit focused its resources on granting loans to SMEs, with an increase of 46 per cent. compared to 2003. The commercial loan portfolio for large corporations was approximately €5.9 billion by 31st December, 2004, a 28 per cent. increase compared to 2003. Bancomer's mortgage portfolio began to improve in 2004. The total mortgage portfolio (excluding UDI trusts) was €865 million, an increase of 22.9 per cent. over 2003.

In January 2005, Bancomer bought Hipotecaria Nacional, one of the leading home financiers in Mexico, with the goal of complementing BBVA Bancomer's commercial mortgage loan business with residential mortgage loans, while also providing Bancomer with a new segment of customers for cross-marketing purposes.

Bancomer is the leader in Mexico in terms of customer deposits, with a market share of 32.7 per cent. as of 31st December, 2004 (source: Sistema de Intercambio de Bancos, December 2004). In 2004, Bancomer continued its policy of increasing the range of deposit products available while focusing on increasing the volume of lower cost deposits. Much of the growth in deposits is due to the success of the various "Savings Fortnights" organised during 2004, which allowed Bancomer to maintain its position as market leader in this segment.

As part of its initiative to offer diversified products in the area of mutual funds, Bancomer launched the "Fondo Triple," a guaranteed-return fund that proved highly successful in 2004. BBVA Bancomer had a market share in mutual funds of 19.3 per cent., 26 basis points higher than at the close of 2003.

In the area of pension fund management and insurance, the Group operates in Mexico through Afore BBVA Bancomer in pensions, BBVA Pensiones Bancomer in the annuities business, BBVA Seguros Bancomer in insurance and Preventis-Meximed (recently merged with Vitamédica) in the area of health.

Pension funds in Mexico did not experience positive growth or returns in 2004 as a result of both the slow recovery of employment rates and the volatility of financial markets, all of which had a negative impact on the income of pension fund managers. However, even under these circumstances, Afore Bancomer increased its fee income slightly and enjoyed increases of 13.3 per cent. in net profit and 65.6 per cent. in net attributable profit.

BBVA's insurance companies in Mexico had a joint net attributable profit of €55 million, a 23.8 per cent. increase over 2003. BBVA Seguros Bancomer experienced a 15.8 per cent. increase in the volume of premiums managed.

Argentina

The Argentine economy experienced a severe crisis in 2001 and 2002, marked by the continued movement of capital out of Argentina, the end of convertibility of the peso, the devaluation of the peso and the return of inflation. The emergency measures adopted by the Argentine government in response to the economic crisis at the end of 2001 and during 2002 that affected BBVA's results of operations included: freezing public debt payments, ending convertibility between the Argentinean peso and the dollar, imposing cash withdrawal limits on sight and savings accounts, re-scheduling of term deposit maturities and converting dollar assets and liabilities to pesos at different exchange rates. In 2001, BBVA took substantial provisions and write-downs totalling €1,354 million relating to its investments in, and exposure to, Argentina. In 2002, BBVA took an additional provision of €131 million. In 2004, the Argentine economy stabilised and experienced significant growth, but uncertainty regarding the scope, sustainability and pace of the recovery remained.

In 2004, the GDP of Argentina grew by 8 per cent. and the Argentine economy also benefited from an increase in domestic and foreign investment. Inflation increased to 6.1 per cent. in 2004 and interest rates remained steady at an average rate of approximately 3 per cent., which was similar to the average rate in 2003. The exchange rate of the Argentine peso against the U.S. dollar ranged between ARP2.85 and ARP3.00 to \$1.00, which was similar to the exchange rates between these currencies in 2003. However, the Argentine peso depreciated 8.1 per cent. against the euro in 2004.

The financial sector of the Argentine economy benefited from an increase in deposits in 2004, principally due to the increased liquidity resulting from government tax incentives that encouraged customers to deposit their savings in banking products. Banco Francés also benefited from an increase in lending of 25 per cent. in 2004, which had fallen for several prior years.

Banco Francés increased its lending activity during 2004, which had been significantly reduced in prior years due to the Argentine financial crisis, and continued to provide basic bill payment and cheque cashing services, which had generated the majority of its revenues in 2002 and 2003. The financial brokerage business of Banco Francés also improved in 2004.

Loans to the private sector (mainly personal loans, credit cards to individuals and export financing, through financial trusts and short-term credit lines, for companies) increased by 19.3 per cent. in 2004. Banco Francés focused successfully on reducing its credit exposure to the public sector in 2004, leading to an improvement in its asset mix.

As a result of these developments, Banco Francés's net interest income increased 286.3 per cent. in 2004, compared to 2003, while its net fee income increased 29.3 per cent. in 2004 compared to 2003. The efficiency ratio of Banco Francés improved to 47.7 per cent. Banco Francés also implemented a debt rescheduling policy of the non-performing loans portfolio, leading to a decrease in provisions for non-performing loans during 2004 compared to 2003.

These improvements have led to an increase in net attributable profit in 2004, despite the significant costs incurred in making payments to clients under judicial orders which permitted clients to withdraw deposits at a higher peso-dollar exchange rate than the prevailing market rate.

Banco Francés designed a compliance plan to comply with new minimum capital requirements established by the Argentine Central Bank in January 2004. The most important measures taken were (i) a capital

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTINA S.A.

increase with a par value of ARP385 million, which BBVA subscribed to by capitalising a €78 million loan it granted to Banco Francés and (ii) the sale to BBVA by Banco Francés of its entire interest in Banco Francés (Cayman) Limited for \$238.5 million. As a result of these and other measures, Banco Francés had net assets of over ARP1.6 billion at 31st December, 2004, more than ARP1.0 billion above the required minimum.

BBVA's affiliate, the Consolidar Group, operates in the Argentine pension fund sector and had more than 1.5 million participants and assets under management of ARP 10,378 million, with a market share of 19.6 per cent. as of November, 2004 (source: *Superintendencia Administradora de Fondos de Jubilaciones y Pensiones*). For 2004, Consolidar Group's net attributable profit was €17 million.

Chile

In 2004, the macroeconomic situation in Chile was generally favourable and the country experienced GDP growth of 5.6 per cent., compared to 3.2 per cent. in 2003. Favourable economic growth was due in part to improvements in exports and the recovery of internal demand. An increase in the prices of raw materials and the appreciation in the value of the Chilean peso kept inflation low in 2004. However, interest rates rose 50 basis points following increases in U.S. lending rates, to close at 31st December, 2004 at 2.25 per cent.

The financial sector in Chile experienced a considerable increase in loans, from a growth rate of 5.7 per cent. during 2003 to approximately 13 per cent. in 2004. BBVA Chile had lending growth of 16.9 per cent. and a market share in lending of 7.7 per cent. in 2004, compared to 7.2 per cent. in 2003 (source: the *Superintendencia Bancaria* as of 31st November, 2004). BBVA Chile's consumer-banking subunit experienced a growth rate of 16.9 per cent., with a good performance in mortgage loans and new products such as the Mini Visa. BBVA Chile's corporate banking subunit's total net lending increased by 5.1 per cent. and experienced a 22.4 per cent. increase in overall wholesale banking.

BBVA Chile's deposits increased by 27 per cent. in 2004, primarily due to the success of products such as the PLUS time deposit. BBVA Chile's market share in deposits increased to 8.6 per cent. in 2004 (source: the *Superintendencia Bancaria* as of 31st November, 2004) compared to 7.8 per cent. in 2003.

BBVA's Chilean pension fund manager affiliate, AFP Provida, had funds under management of \$19,134 million as of 31st December, 2004. Provida's market share in pension fund management was 31.5 per cent. as of 31st December, 2004, according to the *Superintendencia de Administradoras de Fondos de Pensiones* of Chile, with approximately 2.9 million pension fund participants. In 2004, Provida earned a net attributable profit of €15 million.

Colombia

The Colombian economy experienced an increase in GDP of 3.8 per cent., as well as moderate inflation and relatively stable interest rates.

Total net lending by BBVA Colombia (formerly known as Banco Ganadero) exceeded €1.3 billion in 2004, an increase of 28.1 per cent. compared to 2003. BBVA Colombia's market share of lending increased by 1 per cent. in 2004 to 8.0 per cent. (source: *Superintendencia Bancaria of Colombia, November 2004*). This growth was experienced across all BBVA Colombia's subunits. In its consumer banking subunit some of the most important products were the "Creditón", "easy mortgages" and the launch of the mini-sized cards. In its corporate banking subunit, some new products were the first credit card for SMEs in Colombia, business cards, the agricultural credit campaign and the CDT business gift.

In 2004, BBVA Colombia's deposits increased by 21.6 per cent., increasing its market share to 8.1 per cent. (source: *Superintendencia Bancaria of Colombia, November, 2004*). This growth was principally due to the success of low-cost products, particularly savings accounts.

BBVA operates in the Colombian pensions market through AFP BBVA Horizonte Pensiones y Cesantías, with an 18.2 per cent. market share in pension funds managed (source: *Superintendencia Bancaria of Colombia, November, 2004*). Net attributable profit from AFP BBVA Horizonte Pensiones y Cesantías was €7 million in 2004, a 24.2 per cent. increase from 2003.

Panama

The Panamanian economy experienced an increase in GDP of 4 per cent. during 2004, which allowed the financial sector of the economy to improve the quality of its credit portfolio. BBVA Panama's total net lending increased by 14.7 per cent. while deposits increased by 11.1 per cent., principally due to strong growth in banking business with private individuals and the success of new products targeted at specific groups based on their potential for growth.

BBVA operates in the pensions market in Panama through two companies, BBVA Horizonte and Progreso, which manage a total of €263 million.

Paraguay

The most significant development in Paraguay's economy in 2003 was the continued sharp decline in interest rates from 17 per cent. to 6 per cent. The Paraguayan economy in 2004 also benefited from low inflation, the stability of the guarani (local currency) and a 2.7 per cent. increase in GDP.

BBVA Paraguay focused its actions on price management and lending, seeking to diversify its customer base to reduce risk and increase interest and fee income. By 31st December, 2004 BBVA Paraguay's total net lending increased by 38.1 per cent. compared to 2003, with a market share of 17.3 per cent. (source: *Superintendencia de Bancos*, November, 2004). Deposits increased by 39.4 per cent. in 2004 compared to 2003, with a market share of 15.8 per cent. (source: *Superintendencia de Bancos*, November, 2004).

Peru

The Peruvian economy experienced an increase in GDP of approximately 4.5 per cent. during 2004. The Peruvian economy in 2004 also benefited from low inflation, the appreciation of the sol (local currency) against the dollar and historically low interest rates.

In 2004, BBVA Banco Continental's loans and deposits increased by 2.4 per cent. and 1.5 per cent. compared to 2003, with market shares of 20.8 per cent. and 25.9 per cent., respectively (source: *Superintendencia de Banca y Seguros* of Peru, November, 2004).

BBVA operates in the Peruvian pension fund sector through BBVA Horizonte, with assets under management of €1,954 million as of 31st December, 2004, representing a market share of 25.5 per cent. (source: *Superintendencia de Banca y Seguros* of Peru, December 2004) and a net attributable profit of €11 million.

Puerto Rico

The Puerto Rican economy experienced an increase in GDP of approximately 2.5 per cent. in 2004 compared to 1.6 per cent. in 2003.

In retail banking, BBVA Puerto Rico's car financing division (BBVA Auto) granted over \$400 million in new loans, an 11 per cent. increase over 2003, with an aggregate portfolio of approximately \$1 billion, while in the mortgage market, BBVA Puerto Rico increased its portfolio of mortgage loans by \$178 million, a 40 per cent. increase over 2003. The number of loans awarded to SMEs by BBVA Puerto Rico in 2004 increased by 478 per cent.

In September 2004, BBVA Puerto Rico issued \$150 million in floating rate senior notes maturing in 2007 and \$50 million in subordinated notes maturing in 2014.

BBVA operates in the Puerto Rican insurance market through BBVA Seguros INC, which had €18 million in insurance premium revenues in 2004, an increase of 17.8 per cent. over 2003.

Uruguay

The Uruguayan economy experienced an increase in GDP of approximately 10 per cent. in 2004, with inflation at approximately 9 per cent. Uruguay's sovereign risk in 2004 was the lowest level since the financial crisis of 2002. The peso (local currency) appreciated against the U.S. dollar.

During 2004, BBVA Uruguay's market share in lending was 10.7 per cent. (source: *Banco Central of Uruguay*, November, 2004). In 2004, BBVA Uruguay implemented a strict pricing policy for deposits, which succeeded in reducing its average cost to below 1 per cent., while maintaining the aggregate amount of deposits stable with a market share of 10.2 per cent. (source: *Banco Central of Uruguay*, November, 2004).

Despite the trends in the exchange rate, since all liquid assets are invested in U.S. dollars, and inflation, BBVA Uruguay managed to reduce its losses to €5 million in 2004, as compared to a €20 million loss in 2003.

Venezuela

The Venezuelan economy experienced an increase in GDP of approximately 12.3 per cent. in 2004, principally due to high oil prices. Increased levels of investments denominated in foreign currencies resulting from oil exports and the strict control of exchange rates led to a significant increase in liquidity, with a corresponding significant fall in interest rates.

In 2004, BBVA Banco Provincial's management sought to adapt its strategic objectives to the economic situation of the country. Lending and deposits increased by 91.4 per cent. and 47.9 per cent., respectively, compared to 2003.

BBVA operates in the Venezuelan insurance market through BBVA Seguros Provincial, which had net attributable profit of €3 million in 2004, with €6 million in insurance premium revenues in 2004 generated by bank assurances granted of €7 million, an increase of 11.8 per cent. and 13.7 per cent., respectively, over 2003.

Other countries

BBVA also has pension fund management operations in Bolivia and the Dominican Republic.

During 2004, BBVA sold its pension fund management business in El Salvador for U.S.\$42.8 million (€34.76 million). The sale generated a profit of €12.3 million.

International Private Banking

The International Private Banking business unit focuses on providing investment advice and asset management services to high net worth individuals. In 2004, the process for the implementation and improvement of a management model for the International Private Banking business unit, and the customer segmentation process began in 2003, was completed. The area closed its offices in Latin America and all the unit's activities are being concentrated in the offices of Andorra, Zurich and Miami.

In 2004, BBVA's International Private Banking business unit faced a difficult economic scenario, primarily due to volatility in international financial markets and the depreciation of the U.S. dollar against the euro. Total funds managed reached €1.3 billion at 31st December, 2004. Fees generated in 2004 increased by 3.3 per cent. over 2003 to €145 million with a net attributable profit for 2004 of €68 million.

Corporate Activities and Other

The Corporate Activities and Other business area includes BBVA's portfolio of strategic and financial investments, the Assets and Liabilities Management Committee (ALCO) and other BBVA units that cannot be assigned to any other business area. The results from operations of the Corporate Activities and Other business area include the amortisation of goodwill (except for goodwill associated with business and real

estate projects, which is included in BBVA's Business and Real Estate Projects business unit) and provisions associated with country risk and other items that cannot properly be allocated to any one business area.

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee (ALCO) manages the group's overall financing needs and interest and exchange rate risks. ALCO also manages the group's investments and capital resources in order to improve the return on capital for BBVA shareholders.

ALCO's hedging policy permitted BBVA to decrease the negative effect of exchange rate depreciation on reserves by €170 million at a cost of €47 million net of taxes. In addition, ALCO's hedging policy contributed €103 million, net of taxes, to BBVA's income from market operations in 2004.

ALCO also actively manages interest rate risk. As of 31st December, 2004, BBVA's portfolio of fixed-income assets, which is held to reduce the negative effect on BBVA's net interest income of a fall in interest rates, amounted to €22,987 million. The portfolio generated €310 million of net interest income and €62 million of net trading income in 2004.

Large Industrial Corporations

The Large Industrial Corporations unit manages BBVA's strategic investments in certain large industrial companies, mainly in the Spanish telecommunications and energy sectors. In 2004, this unit had a net attributable profit of €408 million, an increase of 53.7 per cent. compared to 2003. During 2004, €689 million of investments and €749 million of divestments were made, which generated capital gains of €168 million. Divestments made in January 2004, amounting to €304 million, were intended to generate cash to finance part of the acquisition of the minority interest in Bancomer.

As of 31st December, 2004, the market value of BBVA's large industrial corporations portfolio amounted to approximately €5 billion, with unrealised capital gains of approximately €1.6 billion.

Financial Holdings

The financial holdings unit manages BBVA's financial investments. As of 31st December, 2004, this unit owned BBVA's interests in Banca Nazionale del Lavoro and Bradesco, having sold its interests in Banco Atlántico in March, 2004 pursuant to a tender offer by Banco Sabadell for all of Banco Atlántico's outstanding shares, giving rise to a €218 million capital gain.

Organizational Structure

Below is a simplified organizational chart of BBVA's significant subsidiaries as of 30th April, 2005. An additional 383 companies are domiciled in the following countries: Germany, Brazil, Belgium, Costa Rica, Cuba, Chile, Ecuador, Bolivia, El Salvador, Spain, France, Netherlands, Ireland, Italy, Luxembourg, Morocco, Mexico, United Kingdom, Switzerland, United States, Canada, Panama, Paraguay, the Dominican Republic and Uruguay.

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Subsidiary	Country	Activity	BBVA	BBVA	Total
			Voting Power (per cent.)	Ownership	Assets (in millions of euro)
Administradora de Fondos Para el Retiro Bancomer, S.A. de C.V.	Mexico	Financial services	100.00	97.23	96
Administradora de Fondos de Pensiones Provida	Chile	Financial services	64.32	64.32	229
Banc Internacional D'Andorra, S.A.....	Andorra	Bank	51.00	51.00	2,377
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	Portugal	Bank	100.00	100.00	3,612
Banco Bilbao Vizcaya Argentaria Puerto Rico, S.A.....	Puerto Rico	Bank	100.00	100.00	4,497
Banco Continental, S.A.....	Peru	Bank	92.04	46.05	3,458
Banco de Crédito Local, S.A.	Spain	Bank	100.00	100.00	12,635
Banco Provincial S.A.—Banco Universal	Venezuela	Bank	55.60	55.60	3,204
BBVA Chile, S.A.	Chile	Bank	66.27	66.27	4,982
BBVA Banco Francés, S.A.	Argentina	Bank	76.10	76.08	3,418
BBVA Colombia, S.A.	Colombia	Bank	95.37	95.37	2,171
Grupo Financiero BBVA Bancomer, S.A. de C.V.	Mexico	Bank	99.88	99.88	545
BBVA Privanza Bank (Switzerland) Ltd.	Switzerland	Bank	100.00	100.00	557
BBVA Privanza Bank (Jersey) Ltd.	Channel Islands	Bank	100.00	100.00	376
BBVA Seguros, S.A.	Spain	Insurance	99.93	87.11	14,331
Consolidar A.F.J.P., S.A.....	Argentina	Financial services	100.00	87.11	69
Finanzia, Banco de Credito, S.A.	Spain	Bank	100.00	100.00	1,780
Uno-e Bank, S.A.	Spain	Bank	67.00	67.00	81
Laredo National Bancshares Inc. ⁽¹⁾	U.S.	Bank	100.00	100.00	297
Valley Bank	U.S.	Bank	100.00	100.00	81

(1) Information for Laredo National Bancshares Inc. is as of 31st May, 2005. BBVA acquired 100% of the shares of Laredo National Bancshares Inc. on 28th April, 2005.

Trend Information

The European financial services sector is likely to remain competitive with increasing numbers of providers of financial services and alternative distribution channels. Further consolidation in the sector (through mergers, acquisitions or alliances) is likely as the other major banks look to increase their market share or combine with complementary businesses. It is foreseeable that regulatory changes will take place in the future that will diminish barriers to such consolidation transactions.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material effect on BBVA or that would cause the financial information disclosed herein not to be indicative of its future operating results or financial condition:

- uncertainties relating to economic growth expectations and interest rate cycles, especially in the United States, and the impact they may have over the yield curve and exchange rates;
- the effect that an economic slowdown may have over Latin American markets and fluctuations in local interest and exchange rates;
- the chance that a worsening in the macroeconomic environment will further deteriorate the quality of credit;

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- a downturn in capital markets or a downturn in investor confidence, linked to factors such as geopolitical risk;
- inflationary pressures and the resulting negative effect they may have on interest rates and economic growth;
- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, BBVA plans for expansion into other European markets could be affected by entry barriers in such countries; and
- a severe decline in housing prices in the various countries where BBVA hold mortgages over residential homes as collateral.

Selected Financial Data

Spanish GAAP Data

The historical financial information set forth below has been selected from, and should be read together with, the Consolidated Financial Statements incorporated by reference herein.

Consolidated statement of income data

	Year ended December 31, 2004 2003 <i>(in millions of euro)</i>	
Net interest income	7,069	6,741
Ordinary revenue	11,053	10,656
Net operating income	5,440	4,895
Net attributable profit.....	2,802	2,227

Consolidated balance sheet data

	Year ended December 31, 2004 2003 <i>(in millions of euro)</i>	
Total assets	311,072	287,150
Loans and leases, net.....	170,248	148,827
Deposits	147,051	141,049
Capital and reserves ⁽¹⁾	14,270	11,473

(1) Capital and reserves caption includes capital stock, additional paid-in capital, and retained earnings.

Transition to International Financial Reporting Standards

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July, 2002, all companies governed by the law of a European Union member state and whose securities are admitted to trading on a regulated market of any member state must prepare their consolidated financial statements for the years beginning on or after 1st January, 2005 in conformity with the IFRS. Therefore, BBVA will be required to prepare its consolidated financial statements for the year ending 31st December, 2005 in conformity with the IFRS which had been ratified by the European Union at that date.

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards, BBVA's consolidated financial statements for 2005 must necessarily include, for comparison purposes, a consolidated balance sheet as of 31st December, 2004 and a consolidated statement of income for the year then ended prepared in accordance with IFRS.

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On 22nd December, 2004 the Bank of Spain issued Circular 4/2004 on Public and Restricted Financial Reporting Standards and Model Financial Statements, which sets forth new accounting rules applicable to Spanish banks based on IFRS.

BBVA is currently implementing a plan for transition to IFRS, which includes, among other things, an analysis of the differences between Spanish GAAP and IFRS, the selection of the accounting policy to be applied when alternative policies are permitted and an assessment of changes in reporting procedures and systems it will be required to undertake in order to transition to IFRS.

As of the date of this Offering Circular, BBVA is in the process of preparing its Consolidated Financial Statements for the year ended 31st December, 2004 in accordance with the IFRS currently in force. However, continuing developments in IFRS could occur until 31st December, 2005 and, accordingly, there is uncertainty concerning what IFRS will be in effect when BBVA prepares its first consolidated financial statements in accordance with IFRS as of and for the year ended 31st December, 2005. Consequently, as at 30th June, 2005, BBVA was unable to estimate the net effect that applying IFRS will have on its results of operations or financial condition, or any component thereof. The effect of such differences, however, may be material, individually or in the aggregate, to financial items reported in its Consolidated Financial Statements relating to, among other things, the accounting treatment for derivative instruments, financial instruments, intangible assets, deferred costs, business combinations and goodwill. The adoption of IFRS may, as a result, affect the valuation methods BBVA uses to measure and evaluate BBVA's performance and make it more difficult to compare its results of operations and financial condition for periods in respect of which IFRS is applied to BBVA's results of operations and financial conditions to periods in respect of which Spanish GAAP was applied.

DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a board of directors which, in accordance with its current by-laws (*Estatutos*) as approved by the General Meeting of shareholders on 28th February, 2004, must consist of no less than nine and no more than 16 members. All members of the board of directors are elected to serve five-year terms. One fifth of the members are subject to re-election every year by the shareholders at a general meeting.

The Board of Directors has created the Executive Committee, the Audit and Compliance Committee, the Appointments and Compensation Committee and the Risk Committee. All the Board of Directors Committees were formed on 28th June, 2002.

BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors, which, under BBVA's Regulations of the Board of Directors, must be comprised of at least half plus one independent director. The Board of Directors delegates all management functions, except those that it must retain due to legal or statutory requirements, to the Executive Committee.

Board of Directors

The Board of Directors of BBVA is currently comprised of 15 members. The business address of the Directors of BBVA is Paseo de la Castellana 81, 28046 Madrid.

The following table sets forth the names of the members of the Board of Directors as of the date of this Offering Circular, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and five-year employment history.

BBVA may, from time to time, enter into transactions in the ordinary course of its business, and on an arms-length basis, with the Directors.

BBVA's Regulations for the Board of Directors include rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that Directors with a potential conflict of interest may not participate in meetings at which those situations are being considered. Accordingly, there are no potential conflicts of interest between the private interests or other duties of the Directors and their duties to BBVA.

DIRECTORS AND SENIOR MANAGEMENT

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History ⁽¹⁾
Francisco González Rodríguez ⁽¹⁾	Chairman and Chief Executive Officer	18th December, 1999	26th February, 2005	Director, Empresa Nacional de Electricidad, S.A., October 1996 – October 2000; Chairman, Argentaria, May 1996 – January 2000; Chairman, Uno-e Bank, S.A., December 1999 – January 2000; Chairman, BBVA, since January 2000.
José Ignacio Goirigolzarri Tellaheche ⁽¹⁾	President and Chief Operating Officer	18th December, 2001	1st March, 2003	Director, Telefónica. S.A., April 2000- April 2003; Vice President, Repsol YPF, S.A., April 2002 – April 2003; Director, BBVA Bancomer Servicios, S.A ; Director, Grupo Financiero BBVA Bancomer; Director, BBVA Bancomer, S.A.; Managing Director, Retail Banking, BBV, 1995 – 2000; Managing Director, Banking in America, BBVA, 2000 – 2001, President and Chief Operating Officer, BBVA, since 2001.
Juan Carlos Álvarez Mezquíz ⁽¹⁾⁽³⁾	Independent Director	18th December, 1999	10th March, 2001	Managing Director, Grupo Eulen; Director, Bodegas Vega Sicilia, S.A.
Richard C. Breeden	Independent Director	29th October, 2002	28th February, 2004	Chairman, Richard C. Breeden & Co.; Chairman, President and CEO, Equivent Finance, Inc., 1996 – 2002; Bankruptcy Trustee, Bennett Funding Group, 1996-2002.
Ramón Bustamante y de la Mora ⁽²⁾⁽⁴⁾	Independent Director	18th December, 1999		Director, Ctra. Inmo. Urba. Vasco-Aragonesa, S.A.
José Antonio Fernández Rivero ⁽⁴⁾	Non-independent External Director	28th February, 2004		Appointed General Manager of BBVA Systems and Operations, 1999, Appointed Group General Manager, 2000, since 2003; Deputy Chairman of Telefónica and Member of its Audit and Regulation Committees, Member of the Board and Executive Committee of Iberdrola, Director of Banco de Crédito Local and Chairman of Adquira; Currently Director of Iberdrola S.A. and Vice-president of Telefonica S.A.
Ignacio Ferrero Jordi ⁽²⁾⁽³⁾	Independent Director	18th December, 1999		Chairman, Nutrexpa, S.A.
Román Knörr Borrás ⁽¹⁾	Independent Director	28th May, 2002	1st March, 2003	Chairman, Carbónicas Alavesas, S.A.; Director, Aguas de San Martín de Veri, S.A.; Director, Mediasal 2000, S.A.; Chairman, Confebask (Basque Business Confederation).
Ricardo Lacasa Suárez ⁽²⁾⁽⁴⁾	Independent Director	28th May, 2002	1st March, 2003	CEO, Banco Popular Español, S.A., until 1999.
Carlos Loring Martínez de Irujo ⁽²⁾⁽³⁾	Independent Director	28th February, 2004		Partner, J&A Garrigues, since 1977; Director of the Department of Mergers and Acquisitions, of Banking and Capital Markets, Member of the Management Committee since 1985.

DIRECTORS AND SENIOR MANAGEMENT

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History ^(*)
José Maldonado Ramos ⁽¹⁾⁽⁵⁾	Director and General Secretary	18th December, 1999	28th February, 2004	Director, Telefónica S.A., February 1999-April 2003; Secretary of the Board of Directors and Director and General Secretary, Argentaria since May 1997-2000; Director and General Secretary, BBVA, since January 2000.
Enrique Medina Fernández ⁽¹⁾⁽⁴⁾	Independent Director	18th December, 1999	28th February, 2004	Director and Secretary, Sigma Enviro, S.A.
Susana Rodríguez Vidarte ⁽²⁾	Independent Director	28th May, 2002	1st March, 2003	Dean of Deusto "La Comercial" University since 1996.
José María San Martín Espinós ⁽¹⁾⁽³⁾	Independent Director	18th December, 1999	10th March, 2001	Director and Managing Director, Construcciones San Martín, S.A.
Telefónica de España, S.A. ⁽⁶⁾	Non-independent External Director	17th April, 2000	26th February, 2005	

(*) Where no date is provided, positions are currently held.

(1) Member of the Executive Committee

(2) Member of the Audit and Compliance Committee

(3) Member of the Appointment and Compensation Committee

(4) Member of the Risk Committee

(5) Secretary of the Board of Directors

(6) Represented by Mr. Angel Vilá Boix

Major Shareholders

As far as BBVA are aware, as of the date of this Offering Circular, no shareholder or other person, corporation or government holds beneficially, directly or indirectly, more than five per cent. of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to it, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 28th June, 2005, there were 1,042,577 holders of BBVA's shares, with a total of 793,250,073 shares held by 69 shareholders with registered addresses in the United States. Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders. BBVA's directors and executive officers did not own any ADRs as of 28th June, 2005.

Legal Proceedings

On 15th March, 2002, the Bank of Spain announced that it was opening an administrative proceeding against BBVA and certain individuals who have served as members of BBVA's board of directors or as executive officers. This announcement was the result of BBVA's voluntary disclosure to the Bank of Spain on 19th January, 2001 that BBVA funds then amounting to approximately Ptas. 37,427 million (approximately €225 million) had been held in offshore accounts and not been reflected in its financial statements. These funds had been generated largely as a result of capital gains realised on transactions in BBV and Argentaria shares and were included in BBVA's financial statements in 2000. The Bank of Spain subsequently conducted a confidential investigation which led to the commencement of its administrative proceeding. The Bank of Spain's administrative proceeding was suspended upon commencement of the proceeding initiated by the National Criminal Court (discussed below) and has remained suspended pending completion of such proceeding.

At the time the Bank of Spain proceeding was suspended, no formal charges had been made by the Bank of Spain relating to the facts and events under investigation. BBVA is therefore unable to determine what, if any, charges will be made by the Bank of Spain and to what conduct any such charges may relate. However,

DIRECTORS AND SENIOR MANAGEMENT

based on BBVA's assessment of the probable charges and penalties that could be imposed by the Bank of Spain and that since the initiation of the Bank of Spain proceeding, BBVA has continued to be engaged regularly in extending commercial and other types of credit and accepting demand and other types of deposits, BBVA believes that once the Bank of Spain proceeding is recommenced after the conclusion of the National Criminal Court's proceeding, resolution of such proceeding would not have a material adverse effect on BBVA or its consolidated financial position or results of operations.

National Criminal Court (Audiencia Nacional)

On 9th April, 2002, Tribunal No. 5 of Spain's National Criminal Court presided by Judge Baltasar Garzón commenced a criminal proceeding regarding the previously unreported funds and suspended the administrative proceeding initiated by the Bank of Spain. The National Criminal Court proceeding was initially directed at 28 of BBVA's former directors and executive officers and was subsequently split into two separate proceedings. One proceeding relates to the use of the unreported funds to create pension accounts. In this proceeding, three of BBVA's former directors and two former executive officers have been formally charged. The second proceeding, which generally relates to the unreported funds, is still in the investigation phase and is directed at four of BBVA's former directors and two former executive officers. None of these directors and executive officers continue to serve as directors on BBVA's Board of Directors or are affiliated with BBVA in any other capacity. Under Spanish law, criminal liability may only be imposed on a corporation's employees and members of its board of directors but not on the corporation itself. Consequently, BBVA does not have any criminal liability under Spanish law and none of its current officers or directors are party to this proceeding. BBVA is cooperating fully with the National Criminal Court proceeding, which commenced more than two years ago and is currently pending.

Spanish National Market Commission (the "CNMV")

On 22nd May, 2002, the Spanish securities market regulator, the CNMV, instituted administrative proceedings against BBVA for alleged violations of the Spanish Securities Markets Act of 1988 in connection with the same events being investigated by the Bank of Spain. As with the Bank of Spain proceeding, the National Criminal Court requested that the CNMV suspend its proceedings until resolution of the National Criminal Court's criminal proceeding described above. The CNMV proceeding was suspended on 7th January, 2003 and has remained suspended pending completion of the proceeding initiated by the National Criminal Court.

Based on BBVA's assessment of the probable charges and penalties that could be imposed by the CNMV, and the fact that since the initiation of the CNMV proceeding the CNMV has not restricted BBVA from continuing to be actively involved in capital markets transactions in Spain, including by conducting offerings of its own debt and equity securities, BBVA believes that once the CNMV proceeding is recommenced after the conclusion of the National Criminal Court's proceeding, resolution of such proceeding would not have a material adverse effect on BBVA or its consolidated financial position or results of operations.

Internal Control Procedures

As a result of BBVA's discovery that BBVA funds had been held in offshore accounts and not been reflected in its financial statements, it has implemented several accounting internal control procedures in order to obtain reasonable assurance that breaches of its internal controls do not occur. For example, BBVA has significantly strengthened its internal audit function. BBVA's internal audit department is responsible for such matters as verifying accuracy and completeness of BBVA's financial reporting and ensuring the compliance, appropriateness and effectiveness of BBVA's internal control systems and procedures. BBVA has also enhanced its internal audit function, including by broadening the scope of its internal audit activities to include all of BBVA's diverse operations, both in terms of business area and geographical location. In addition, in 2002, BBVA implemented a "Directors Plan" in respect of fiscal years 2003 and 2004 to further strengthen its internal controls. As part of this plan, BBVA's internal audit function was further expanded to include review of information and documentation used by the management of each business unit, review of BBVA's financial statement consolidation process and review and assessment of BBVA's compliance with

capital adequacy requirements. In addition, the Directors Plan provides for the standardisation of internal audit work procedures, from making initial contact with the business area or unit being audited to documenting the results of the audit.

BBVA has also reinforced its internal compliance department. This department, whose functions have been established by the Audit and Compliance Committee of BBVA's Board of Directors, is responsible for developing and implementing internal norms and procedures to ensure compliance with legal requirements and ethical guidelines established by BBVA, such as BBVA's Code of Conduct. For example, this department is responsible for establishing internal controls and procedures related to matters such as the prevention of money-laundering and trading in BBVA's securities.

Besides the accounting internal control procedures implemented by BBVA described above, in order to further obtain reasonable assurance that breaches of BBVA's internal controls do not occur, BBVA has taken a series of steps to strengthen its corporate governance structures in keeping with the most recent trends in this area and new legislation that has taken effect in Spain and the other countries in which BBVA operates.

Other Proceedings

Puerto Rico

Two proceedings, were initiated in Spain based on the testimony of a former BBV Puerto Rico employee. These proceedings included allegations of money-laundering and bribery against BBVA and certain of its employees. To date, however, no person has been charged with any wrongdoing or named as a defendant in connection with these proceedings.

BBVA Privanza Bank Ltd. (Jersey)

A proceeding was initiated alleging that certain employees of BBVA Privanza Bank Ltd. (Jersey) cooperated in the creation of accounts and financial products in Jersey which were allegedly used by Spanish individuals to avoid Spanish tax obligations. The proceedings also included an allegation of a tax offence due to the purported non-consolidation of a fully-owned subsidiary. These proceedings are ongoing and charges have not been brought against any BBVA employee or director.

In light of the surrounding events and circumstances, BBVA's legal advisers do not expect that the proceedings described above will have a material effect on BBVA.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. The Issuers and the Guarantor take responsibility for the correct extraction and reproduction of the information in this section concerning the Clearing Systems, but none of the Issuers, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or

maintain a custodial relationship with an account holder of either system. For further information on Euroclear and Clearstream, Luxembourg relating to the Notes, please see “*Taxation*”.

Book-entry Ownership of and Payments in respect of DTC Notes

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of a Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants’ account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (Custodian) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

Acquisition of the Notes

The issue of, subscription for, transfer and acquisition of the Notes is exempt from Transfer and Stamp Tax (Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados) and Value Added Tax (Impuesto sobre el Valor Añadido).

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 4/2004 of 5th March, 2004 approving the consolidated text of the Corporate Income Tax Law (Impuesto sobre Sociedades), Royal Legislative Decree 3/2004 of 5th March, 2004 approving the consolidated text of the Individuals Income Tax Law (Impuesto sobre la Renta de las Personas Físicas) and Royal Legislative Decree 5/2004 of 5th March, 2004 approving the consolidated text of the Non-Resident Income Tax Law (Impuesto sobre la Renta de los no Residentes). Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1777/2004 of 30th July, 2004 approving the Corporate Income Tax Regulations, Royal Decree 1775/2004 of 30th July, 2004 approving the Individuals Income Tax Regulations and Royal Decree 1776/2004 of 30th July, 2004 approving the Non-Resident Income Tax Regulations).

On 6th July, 2003, new legislation came into force in Spain relating to, *inter alia*, the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary (Additional Provision Two of Law 13/1985 of 25th May, 1985 on investment ratios, own funds and information obligations of financial intermediaries, as promulgated by Law 19/2003 of 4th July, 2003). Consideration has also been given to Royal Decree 1778/2004 of 30th July, 2004 establishing information obligations in relation to preferred securities and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules.

Individuals or entities with tax residency in Spain

Individuals Income Tax

Income obtained by Noteholders who are Individuals Income Tax payers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in Section 23.2 of Individuals Income Tax Law (IRPF) and therefore will be taxed at the marginal rates set out in the IRPF (currently ranging between 15 per cent. and 45 per cent.).

In this sense, in the event of revenues derived from receipt of Notes, the aggregate income shall be determined by the amount of interest received, including the withholding tax made, as the case may be.

Furthermore, in the event of transfer, redemption or repayment of the Notes, the income on investment shall be deemed to be the difference between the transfer, redemption or repayment value (less properly supported ancillary disposal expenses) and the acquisition or subscription value (plus properly supported

ancillary acquisition expenses). Expenses corresponding to discretionary or individual portfolio management are not computed for these purposes.

Both types of income received shall be subject to a 15 per cent. withholding tax on account of the individuals' final IRPF tax liability.

If the period during which such income is generated exceeds two years a reduction of 40 per cent. will be applied, for the effect of both withholding and inclusion in taxable income.

Corporate Income Tax

Income obtained both as interest and in connection with the transfer, redemption or repayment of the Notes by Corporate Income Tax payers, shall be computed as taxable income in accordance with the rules set out in Title IV of the Corporate Income Tax Law and will therefore be taxed at the current rate of 35 per cent.

The aforesaid income shall not be subject to withholding tax as provided by Section 59(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements – as Notes issued under the Programme are expected to do – laid down by the reply to the consultation of the Directorate General for Taxation (Dirección General de Tributos), on 20th July, 2004, indicating that in the case of issues made by entities resident in Spain, as with the Issuer, application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries.

Individuals or entities with no tax residency in Spain

Income obtained by Noteholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or redemption of the Notes, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation in Spain under Legislative Royal Decree 5/2004 of 5th March, 2004 approving the Consolidated Non-Resident Income Tax Law, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation (DTT).

Income obtained through a permanent establishment in Spain

The holding of Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by Non Spanish resident holders acting through a permanent establishment in Spain will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as has been set out for Spanish Corporate Income Tax payers.

Income not obtained through a permanent establishment in Spain

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain are exempt from such Non-Resident Income Tax, except if such income is obtained through countries or territories considered as Tax Havens pursuant to Royal Decree 1080/1991 of 5th July, 1991 in which case such income will be subject to Non-Resident Income Tax in Spain at the rate of 15 per cent. to be withheld by the Issuer.

For these purposes it is necessary to fulfil certain disclosure obligations relating to the identity and tax residence of the Noteholders, as described below under “*Disclosure of Noteholder information in connection with interest payments*”, in accordance with Section 12 of Royal Decree 2281/1998 as amended by Royal Decree 1778/2004. If these disclosure obligations are not complied with in the required manner, the Issuer will apply a withholding of 15 per cent. and neither the relevant Issuer nor the Guarantor will, as a result, be under any obligation to pay additional amounts.

Wealth Tax

Spanish Wealth Tax (Impuesto sobre el Patrimonio) is levied on the net worth of an individual's assets at rates ranging between 0.2 per cent and 2.5 per cent. Individuals who are resident in Spain for tax purposes and who hold Notes at 31st December of each year would be subject to tax, taking into account the Notes for the purposes of calculating their tax liability.

Non-Spanish residents (other than those holding their Notes through a Tax Haven) whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above, shall be exempt from Wealth Tax on the Notes.

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

The transfer of the Notes to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones) even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

The applicable tax rates, after applying all relevant factors, range between 7.65 per cent and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

Tax rules for payments made by the Guarantor

Payments which may be made by the Guarantor to Noteholders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuers.

Tax Havens

Pursuant to Royal Decree 1080/1991 of 5th July, 1991 the following are each considered to be a tax haven:

Principality of Andorra,	Channel Islands	Hashemite Kingdom of Jordan,
Netherlands Antilles,	(Jersey and Guernsey),	Republic of Lebanon,
Aruba,	Jamaica,	Republic of Liberia,
Kingdom of Bahrain,	Republic of Malta,	Principality of Liechtenstein,
Sultanate of Brunei,	Falkland Islands,	Grand Duchy of Luxembourg
Republic of Cyprus,	Isle of Man,	Area (as regards the income
United Arab Emirates,	Marianas Islands,	received by the Companies
Gibraltar,	Mauritius,	referred to in paragraph 1 of
Hong-Kong,	Montserrat,	Protocol annexed Avoidance
The Island of Anguila,	Republic of Nauru,	of Double Taxation Treaty,
Islands of Antigua and Barbuda,	Solomon Islands,	dated 3rd June, 1986),
The Bahamas,	Saint Vincent & the Grenadines,	Macao,
The Island of Barbados,	Saint Lucia,	Principality of Monaco,
The Bermuda Islands,	Republic of Trinidad	Sultanate of Oman,
Cayman Islands,	and Tobago,	Republic of Panama,
The Cook Islands,	Turks and Caicos Islands,	Republic of San Marino,
The Republic of Dominica,	Republic of Vanuatu,	Republic of Seychelles,
Grenada,	British Virgin Islands,	Republic of Singapore
Fiji Islands,	Virgin Islands	
	(of the United States),	

Disclosure of Noteholder Information in connection with Interest Payments

The procedure summarised below is subject to review and amendment by the European Clearing System as well as to further requirements of the Spanish tax authorities. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuers, the Guarantor, the Dealers, the Paying Agents or the European Clearing Systems assume any responsibility therefore.

Therefore, each Noteholder is deemed to be aware of the obligations set out below regarding the disclosure of Noteholder information and the consequences of non-compliance. Specifically, Noteholders are deemed to be aware of the application of Spanish withholding tax if certain information is not provided in a timely manner.

Legal Entities with Tax Residence in Spain subject to Spanish Corporate Income Tax

The Principal Paying Agent must be provided with a list of those investors who are Spanish Corporate Income Tax payers together with their name, address, Tax Identification Number, ISIN code of the relevant Series, number of Notes of the relevant Series held at each interest payment date, gross income and amount withheld. All of the records mentioned should be provided in the form set out in Annex A below.

Individuals and Legal Entities which are Non Tax Residents in Spain

The information requirements to be complied with in order to apply the exemption are those established by Section 12 of the Royal Decree 2281/1998 (Section 12) as set out in Royal Decree 1778/2004, being the following:

The Guarantor must make a return on a yearly basis to the Spanish tax authorities enclosing the following information related to the Notes and the investors:

- The identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, then the identity and country of residence of that third party must be provided too;
- The amount of income received; and
- Identification of the Notes involved.

In addition, the following supporting documentation drafted in Spanish must be obtained in respect of each payment of income evidencing the identity and residence of each Noteholder:

- (a) If the non-resident Noteholder (beneficial owner) acts on its behalf and is a Central Bank, or any other public law institution, an International Organisation, a bank or a credit or financial entity, including Collective Investment Institutions, Pension Funds and Insurance Entities, resident in an OECD country or in a country or territory having a double tax treaty with Spain (including an information exchange clause), the mentioned entity should certify its name and tax residence as is established by Annex I of the Ministerial Order of 16th September, 1991 (see Annex B below).
- (b) In the case of transactions in which any of the entities referred to in (a) above acts as an intermediary, it has to certify according to its own records, the name and tax residence of each Noteholder as is established by Annex II of the Ministerial Order of 16th September, 1991 (see Annex C below).
- (c) In the case of transactions channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by one of an OECD country, the mentioned entity should, in accordance with the information contained in its own records, certify the name and tax residence of each Noteholder as is established by Annex II of the Order of 16th September, 1991 (see Annex C below).

- (d) In other cases, the tax residence should be evidenced by submission of the certificate of tax residence issued by the tax authorities of the country of residence of the Noteholder. These certificates will be valid for one year from the date of issuance and shall be the original ones.

Further, for the purpose of applying the withholding tax exemption for non-resident investors when the specific information required by Section 12 is provided, the following procedure must also be followed:

- On each Interest Payment Date, the Issuer or the Paying Agent on its behalf must transfer the net amount (85 per cent. of the entitled amount) to the entities referred to in the above paragraphs (a), (b) and (c). If the above mentioned supporting documentation has been received prior to the Interest Payment Date, then the Issuer or the Paying Agent shall gross up the 15 per cent. withheld.

If a beneficial owner intends to benefit from a withholding tax exemption, the above supporting documentation should be provided to the Paying Agent following the procedures established in the Agency Agreement. Copies of the Agency Agreement may be obtained as set out under “*General Information*”.

- If the Paying Agent does not receive complete supporting documentation in respect of a Noteholder by an Interest Payment Date, such holder may obtain a refund of the full amount of withholding tax by ensuring the supporting documentation described above has been received by the Paying Agent no later than 10:00 a.m. (Central European time) on second business day prior to the 10th calendar day of the month following the Interest Payment Date (the **Refund Deadline**).
- Noteholders entitled to a refund but in respect of whom relevant supporting documentation has not been provided to the Paying Agent on or before the Refund Deadline may apply for a full refund of the withholding tax directly to the Spanish tax authorities (by means of the standard refund procedure).

Set out below are Annexes A, B and C. Sections in English have been translated from the original Spanish for information purposes. In the event of any discrepancy, the Spanish version shall prevail.

Annex A

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de No Residentes

Certificate for application of the exemption on withholding to Spanish Corporate Income Tax payers and to permanent establishments of non-resident income tax taxpayers

(nombre) (name)

(domicilio) (address)

.....

.....

(NIF) (fiscal ID number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

**CERTIFICO:
CERTIFY:**

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of
(pais, estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de (Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).
5. Que, a través de la Entidad que represento, los titulares incluidos en la relacion adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.
That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax payers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.
6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en a de de 20

I certify the above in on the of of 20.....

**RELACION ADJUNTA
TO BE ATTACHED**

Identificación de los valores:
Identification of the securities

Razón social / Domicilio / Número de identificación fiscal / Número de valores / Rendimientos brutos / Retención al 15%
Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount withheld at 15%.

Annex B

Modelo de certificación en inversiones por cuenta propia

Form of Certificate for Own Account Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.a) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.a) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004

CERTIFICO:

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(pais, estado, ciudad), con el número
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de** (Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under(governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseidos por cuenta propia

Identification of securities held on own account:

Importe de los rendimientos

Amount of income

Lo que certifico en a de de 20

I certify the above in on the of of 20.....

Annex C

Modelo de certificación en inversiones por cuenta ajena

Form of Certificate for Third Party Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.b) y c) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.b) and c) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004

CERTIFICO:

CERTIFY:

- 1. Que el nombre o razón social de la Entidad que represento es: that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente: that its residence for tax purposes is:
3. Que la Entidad que represento está inscrita en el Registro de that the institution I represent is recorded in the Register of (pais, estado, ciudad), con el número (country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de (Organo supervisor) that the institution I represent is supervised by (Supervision body) en virtud de (normativa que lo regula) under (governing rules).
5. Que, de acuerdo con los registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España o en los países o territorios que tienen en España la consideración de paraíso fiscal de acuerdo con las normas reglamentarias en vigor. That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the amounts of the corresponding income is accurate, and does not include person(s) or institution(s) resident either in Spain or in tax haven countries or territories as defined under Spanish applicable regulations.

Lo que certifico en a de de 20

I certify the above in on the of of 20.....

RELACIÓN ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores: Identification of the securities

Listado de titulares: List of beneficial owners:

Nombre / País de residencia / Importe de los rendimientos

Name / Country of residence / Amount of income

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SPANISH INSOLVENCY LAW

Since 1st September, 2004, Spain's Law 22/2003 of 9th July, 2003 on Insolvency Proceedings (the Insolvency Law) has been in full force and effect. The Insolvency Law applies to all Spanish insolvency proceedings commenced on or after 1st September, 2004.

An insolvency will be subject to the Insolvency Law provided that the debtor has its "centre of principal interests" in Spain (which is the case for each Issuer and the Guarantor). This centre is deemed to be where the debtor conducts the administration of its interests on a regular basis and is recognised as such by third parties.

Concept and petition for insolvency

Under the Insolvency Law a debtor is insolvent when it cannot comply with its due obligations on a regular basis. A petition for insolvency may be filed by the debtor, any creditor or any other interested third party.

The debtor must petition for insolvency within two months of the date when it becomes aware, or should have become aware, of its insolvency. A creditor can seek a declaration of insolvency for a debtor based on demonstration of:

- (a) an instrument on which the creditor had requested enforcement, establishing that the debtor has insufficient assets;
- (b) a general failure of the debtor to meet its current payment obligations;
- (c) enforced seizures of the debtor's assets;
- (d) a general liquidation of the debtor's assets at less than full value; or
- (e) a general failure by the debtor to comply with tax, social security, salary and other employment obligations during a given period.

Insolvency is considered mandatory (*concurso necesario*) if filed by a third party creditor and voluntary (*concurso voluntario*) if filed by the debtor.

As a general rule, the debtor in a voluntary insolvency retains all management and disposal powers over its assets, but is subject to the intervention (*intervención*) of the insolvency administrators. In the case of mandatory insolvency, the debtor's management is suspended, and management's power, including the power to dispose of assets, is conferred solely upon the insolvency administrators.

Voluntary insolvency can be current (*actual*) or imminent (*inminente*). Imminent insolvency arises when the insolvent company foresees that it will not be able to comply with its obligations regularly and in a timely manner.

Creditors are required to report their claims to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency. Failure to do so may result in the claim being subordinated, see "*Ranking of creditors*" below.

Conclusion of insolvency: Proposal of agreement or liquidation

The Insolvency Law provides that insolvency concludes following either the implementation of an agreement between the creditors and the debtor (*convenio*) or on the liquidation of the debtor.

- (a) Contents of convenio

As a general rule, a proposal may not: (i) include a reduction of more than 50 per cent. in the amount of the ordinary claims or a deferral for payment of claims for more than five years from the approval of the convenio; (ii) consist of an assignment of assets for the repayment of claims; (iii) consist of any form of global liquidation of the insolvent's estate; or (iv) entail a change in the mandatory ranking

of creditors. A proposal must also be unconditional, although it may contain different repayment proposals for each class of creditors.

A proposal may be presented by the insolvent debtor or by creditors representing at least 20 per cent. of the aggregate of ordinary claims. A proposal cannot be presented if the debtor has requested liquidation. Any proposal must be accepted by the creditors and subsequently approved by the insolvency court.

(b) Approval of *convenio*

The Insolvency Law includes provisions regulating the level of consent required to approve the *convenio* at a meeting of creditors, as well as the procedure and parties that are entitled to contest the approval of the *convenio* by the insolvency court. It further provides grounds for challenging the insolvency court's approval of the *convenio*, as well as grounds for the insolvency court to deny the approval.

Generally speaking, creditors representing at least 50 per cent. of the ordinary claims would need to approve the composition (with a majority vote of ordinary creditors present at the meeting if the composition proposes payment of no less than 80 per cent. of ordinary claims or a delay in payment of no more than three years).

If a composition is not possible, the outcome of the insolvency proceedings will be liquidation.

(c) Liquidation

The debtor may request that it be liquidated instead of filing a proposal for agreement with its creditors. This request may be made if: (i) the debtor no longer supports its own proposal; or (ii) a creditor (or group of creditors) presents a competing proposal.

The debtor may also request liquidation while the *convenio* is in force if it is unable to comply with the terms thereof. A creditor may request liquidation of the debtor while the *convenio* is in force on the same grounds that entitle a creditor to file an application for insolvency.

The insolvency court may order liquidation of the debtor if: (i) there is no proposal for a *convenio*; (ii) no proposal for a *convenio* is agreed upon by the creditors' meeting; or (iii) there is a final judgement rejecting the *convenio*, declaring the *convenio* a nullity or declaring a breach of the *convenio*.

Certain effects of insolvency on contracts

(a) No Termination

Article 61 of the Insolvency Law establishes the general principle that all agreements remain effective (*vigentes*).

The declaration of insolvency of the debtor does not, by itself, alter the effectiveness of contracts with reciprocal outstanding obligations. The debtor's outstanding obligations must be satisfied out of the insolvency estate. However, the administrators may terminate the contract if this is in the interests of the debtor's estate.

Provisions in a contract that grant a party the right to terminate a contract upon insolvency of the debtor are not enforceable. It is nonetheless possible to terminate contracts as a result of a default in performance by the other party but then any claim against the debtor will be listed in the creditors list and classified accordingly. In this case, the insolvency judge can reinstate the agreement if it is in the benefit of the insolvency in which case the consideration payable by the debtor shall be paid out of the insolvency estate.

(b) Interest

From the date of declaration of the insolvency, interest ceases to accrue, except for interest or credits corresponding to credits secured with an *in rem* right up to the secured amount.

Notwithstanding the above, if the creditors agree to a convenio that does not imply a reduction of the insolvent's debt, they may agree to the payment of interest, whether totally or partially, accrued at the Spanish legal interest rate or at the conventional interest rate if lower. In case of liquidation, any moneys remaining after payment of the whole of the insolvency claims shall be applied to the payment of interest accrued at the conventional interest rate.

(c) Set-off

As a general rule, once insolvency is declared, set-off is prohibited unless the requirements for the set-off were satisfied prior to the declaration of insolvency. However, the declaration of insolvency will not affect a creditor's right to set-off its rights against a debtor if the law that governs the debtor's reciprocal claim allows such set-off upon insolvency.

(d) Detrimental Acts and Rescission

Under the Insolvency Law, once insolvency is declared, acts detrimental (*perjudiciales*) to the debtor's estate carried out during the two years prior to the date the insolvency is declared may be rescinded, regardless of fraudulent intention.

Article 71 contains an irrefutable presumption that the following acts are detrimental:

- (i) acts where no consideration is received for a disposed asset; and
- (ii) acts which result in the early repayment of obligations which would have become due after the declaration of insolvency.

In addition, unless the debtor or another affected party (such as a creditor) can prove otherwise to the court's satisfaction, the following acts are presumed to be detrimental:

- (i) a disposal made in favour of a related person or entity; and
- (ii) the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one.

In the case of actions not included in these two categories, the burden of proof is on the person bringing the action of rescission.

Qualification of the insolvency

If a "convenio" proposing a reduction in the amount of ordinary claims of more than one-third or a deferral of payments of more than 3 years is agreed by the creditors and in any liquidation, the insolvency judge must qualify the insolvency as "fortuitous" (*concurso fortuito*) or "guilty" (*concurso culpable*). A "*concurso culpable*" shall be declared in circumstances where the insolvent has acted in bad faith or by wilful misconduct.

In the case of a culpable insolvency, the persons affected (including, for example, directors and persons specially empowered to manage the insolvent's business and their accomplices) may be prohibited from managing third party's assets or representing or administering any third party rights for a period of between 2 to 15 years and may also lose any rights as creditors they may have against the insolvency estate. Such persons may also be required to reinstate any rights or assets unlawfully obtained from the insolvent's estate and to compensate it for damages. In the case of liquidation, the administrators or liquidators of the insolvent company (including former ones up to two years from the declaration of the insolvency) may be condemned to pay the insolvency creditors amounts not satisfied pursuant to the liquidation of the insolvency estate.

Ranking of creditors

Under Spanish Law the ranking of creditors is solely governed by the Insolvency Law.

Under the Insolvency Law, the mandatory ranking of creditors is as follows:

- (1) *Claims against the insolvency estate*, including, amongst others, claims for salaries relating to the 30 days prior to the declaration of insolvency in an amount that does not exceed twice the Spanish minimum statutory salary (*salario mínimo interprofesional*);
- (2) *Credits with a special privilege*, including, amongst others, those holding claims secured by a legal or voluntary mortgage, moveable mortgage or pledge without displacement of possession over the mortgaged or pledged assets; claims secured by securities; and claims secured by a possessory pledge executed in a public document over the goods or rights in possession of the creditor or a third party. In these cases, the privilege extends only to the secured asset;
- (3) *Credits with a general privilege*, including claims for salaries that do not have a special privilege, severance payments and indemnities for the termination of employment agreements, indemnities owed for labour accidents or sickness and surcharges on dues owed for unpaid labour health duties accrued prior to the declaration of insolvency; amounts relating to unpaid withholding taxes and social security contributions up to 50 per cent. of the aggregate amount; claims for non-contractual liabilities; and up to 25 per cent. of the aggregate amount of the unsubordinated claims of the creditor that has requested the insolvency declaration;
- (4) *Credits (other than subordinated credits)* which are not classified in any or the above categories, will rank *pari-passu* and be paid *pro rata*; and
- (5) *Subordinated credits*, including, amongst others, (i) late or incorrect claims; (ii) contractually subordinated claims (such as the Subordinated Notes); (iii) interest (such as accrued and unpaid interest due on the Notes at the commencement of the insolvency proceeding (*concurso*)); (iv) fines; (v) claims of creditors which are related to the Issuer; and (v) detrimental claims against the Issuer where a Spanish court has determined that a relevant creditor has acted in bad faith (*rescisión concursal*). Subordinated credits shall be paid in the above-mentioned order and *pro rata* within each class.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the Programme Agreement) dated 18th July, 2005, agreed with each Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuers (failing which, the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms and may only continue for a period of 30 days following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is two years after the later of the last Issue Date for the Series and the last date on which the relevant Issuer

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

or an affiliate of the relevant Issuer was the owner of such Notes, only (i) to the relevant Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (RULE 144A)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN INSTITUTIONAL ACCREDITED INVESTOR); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION, AS DETERMINED AND CERTIFIED BY THE RELEVANT DEALER OR, IN THE CASE OF AN ISSUE OF NOTES ON A SYNDICATED BASIS, THE RELEVANT LEAD MANAGER, OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.”; and

- (h) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

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- (d) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (Regulation S Notes), it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). To the extent that an Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

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- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the **Securities and Exchange Law**) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Spain

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

Republic of Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to professional investors (“operatori qualificati”), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the **Banking Act**), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in accordance with any other applicable laws and regulations.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Netherlands

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has not transferred or accepted and will not transfer or accept any bearer Zero Coupon Notes and other Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) other than through the mediation of either the Issuer or a Member of Euronext Amsterdam N.V. with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (iii) the issue and trading of those Notes, if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that any Notes with a maturity of less than 12 months will either have a minimum denomination of €50,000 or be offered anywhere in the world in circumstances where another exemption or a dispensation from the requirement to make a prospectus publicly available has been granted under Article 4 of the Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*).

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme on 18th January, 2005, the update of the Programme on 18th July, 2005 and the issue of Notes have been duly authorised by a resolution of the shareholders' meeting and of the Board of Directors of BSF dated 21st December, 2004 and a resolution of the shareholders' meeting and of the Board of Directors of BSC dated 21st December, 2004. The giving of the Guarantees has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 26th November, 2004.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Companies Act of 1989, as amended, including registration of the issue in the Registro Mercantil, the appointment of a Representative and the constitution of a Syndicate.

Details of each issue under the Programme must also be published in the Corporate Registry Gazette (*Boletín Oficial del Registro Mercantil*) (the BORME), and be evidenced in a public deed of issue (*Escritura de Emisión*).

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available from the registered office of the relevant Issuer or the Guarantor and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents (with an English translation thereof) of each Issuer and the constitutional documents (with an English translation thereof) of the Guarantor;
- (b) the audited financial statements of each Issuer in respect of the financial year ended 2004 and the consolidated and non-consolidated financial statements of the Guarantor in respect of the financial years ended 2003 and 2004 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuers and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuers and the Guarantor (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuers do not prepare unaudited interim accounts. The Guarantor currently prepares unaudited consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement, the Agency Agreement, the Guarantees, the Deeds of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Offering Circular;
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference; and

GENERAL INFORMATION

- (g) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuers since 31st December, 2004.

There has been no significant change in the financial or trading position of the Group since 31st March, 2005 and there has been no material adverse change in the financial position or prospects of the Group since 31st December, 2004.]

Litigation

Neither of the Issuers nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuers are Deloitte, S.L., registered as auditors on the *Registro Oficial de Auditores de cuentas* who have audited the Issuers' accounts without qualification which have been prepared in accordance with generally accepted accounting principles and practices in Spain for the period from 3rd November, 2004 until 31st December, 2004. The auditors of the Issuers have no material interest in the Issuers.

The auditors of the Guarantor are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), who have audited the Guarantor's accounts without qualification which have been prepared in accordance with generally accepted accounting principles and practices in Spain for each of the two financial years ended 31st December, 2003 and 2004. The auditors of the Guarantor have no material interest in the Guarantor.

Post-issuance information

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

ISSUERS

BBVA Senior Finance, S.A. Unipersonal
Gran Vía, 1
Bilbao

BBVA Subordinated Capital, S.A. Unipersonal
Gran Vía, 1
Bilbao

GUARANTOR

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PRINCIPAL PAYING AGENT

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London EC2N 2DB

REGISTRAR, EXCHANGE AGENT AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
60 Wall Street
New York
New York 10005

OTHER PAYING AGENT AND TRANSFER AGENT

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To the Dealers as to the laws of England and Wales and as to the laws of Spain

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London EC4A 2BB

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8 Canada Square
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London E14 5LE

Merrill Lynch International
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London EC1A 4NP

Société Générale
SG House
41 Tower Hill
London EC3N 4SG

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
