



Bancaja Emisiones, S.A. Unipersonal

(Incorporated with limited liability in the Kingdom of Spain)

Guaranteed by

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja

(Incorporated as a Savings Bank (Caja de Ahorros) under the laws of the Kingdom of Spain)

€10,000,000,000

Euro Medium Term Note Programme

On 30 June 2006 Bancaja Emisiones, S.A. Unipersonal (the **Issuer**) established a €10,000,000,000 Euro Medium Term Note Programme (as amended, supplemented and/or restated from time to time, the **Programme**). This Offering Circular supersedes the previous Offering Circular in respect of the Programme dated 27 June 2007 and is valid for a period of one year from the date hereof. Any Notes (as defined below) to be issued after the date hereof under the Programme are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

Under this Programme the Issuer may from time to time issue senior notes (**Senior Notes**), dated subordinated notes (**Dated Subordinated Notes**) and perpetual subordinated notes (**Perpetual Subordinated Notes**) (the Senior Notes, the Dated Subordinated Notes and the Perpetual Subordinated Notes are together the **Notes** and the Dated Subordinated Notes and the Perpetual Subordinated Notes are together the **Subordinated Notes**) denominated in any currency agreed with the relevant Dealer (as defined below).

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (the **Guarantor** or **Bancaja**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and to any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Offering Circular to the **relevant Dealer** shall, in relation to any issue of Notes, be to the Dealer or Dealers agreeing to purchase 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 of 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 regulated 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 regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments 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 document (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.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Programme has been rated A+ in respect of Senior Notes, A in respect of Dated Subordinated Notes and A in respect of Perpetual Subordinated Notes by Fitch Ratings Ltd. The Programme has been rated A1 in respect of Senior Notes, A2 in respect of Dated Subordinated Notes and A2 in respect of Perpetual Subordinated Notes by Moody's Investors Services Inc. The Programme has been rated A in respect of Senior Notes and A- in respect of Dated Subordinated Notes by Standard & Poors Rating Services. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. The security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer 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 (in the case of Notes admitted to the Official List only) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger
Barclays Capital

Dealers

Barclays Capital
CALYON Corporate and Investment Bank
HSBC
Lehman Brothers

Société Générale Corporate & Investment Banking

BNP PARIBAS
Deutsche Bank
JPMorgan
Merrill Lynch International

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive).

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (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 disclosed in this Offering Circular or incorporated by reference which is an English translation of documents originally published or produced in Spanish is an accurate and direct translation.

Copies of Final Terms will be available from the registered office of the Issuer and from 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 deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not separately 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 in this Offering Circular or of any other information provided in connection with the Programme or any Notes.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

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

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

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuer 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 Issuer and/or the Guarantor during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuer and the Guarantor when deciding whether or not to purchase any of the Notes.

The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this document

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 Issuer, the Guarantor or the Dealers (save for the approval of this document by the UK Listing Authority) which would permit a public offering of any Notes or distribution of this document 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 come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Spain) and Japan (see “Subscription and Sale” below).

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “Subscription and Sale” below).

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed €10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under “Subscription and Sale” and any applicable law or regulation.

Potential Noteholders (as defined herein) are alerted to the statements under “Taxation and Disclosure of Noteholder Information” regarding the tax treatment in the Kingdom of Spain of income in respect of Notes issued by the Issuer and to the disclosure requirements imposed on the Guarantor relating to the identity of certain Noteholders. In particular, in the case of listed Notes issued by the Issuer, income in respect of the Notes will be subject to withholding tax if certain information regarding Noteholders is not received by the Issuer and/or the Guarantor as described herein.

All references in this document to “U.S. Dollars”, “U.S.\$” and “\$” refer to the currency of the United States of America, those to “Japanese Yen” and “Yen” refer to the currency of Japan, those to “Sterling” and “£” refer to the currency of the United Kingdom and those to “euro” or “EUR” or “€” refer to the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended (the “Treaty”).

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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 or effect transactions with a view to supporting the market price of the Notes 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 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. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, if appropriate, a supplemental Offering Circular will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer:	Bancaja Emisiones, S.A. Unipersonal
Guarantor:	Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja
Description:	Euro Medium Term Note Programme (the “Programme”)
Arranger:	Barclays Bank PLC
Dealers:	Barclays Bank PLC BNP PARIBAS CALYON Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Société Générale
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Amount:	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer, the Guarantor and the relevant Dealer, including, without limitation, Australian Dollars, Canadian Dollars, Czech Crowns, Danish Kroner, euro, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, South African Rand, Sterling, Swedish Kronor, Swiss Francs and United States Dollars (as indicated in the applicable Final Terms). 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*” herein).

Maturities:

Such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or by any laws or regulations applicable to the Issuer, the Guarantor or the relevant Specified Currency. The Issuer may also issue Perpetual Subordinated Notes.

Where Notes have a maturity of less than one year from the date of issue and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

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 in bearer form as described in “*Form of Notes*”. Notes issued in bearer form may also be issued in new global note (NGN) form.

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and on redemption and will be calculated on the basis of the Day Count Fraction as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer (as indicated in the applicable Final Terms).

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined either:

- (i) 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 2006 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
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer,

as indicated in the applicable Final Terms.

The Margin (if any) relating to such Floating Rate Notes will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes (as indicated in the applicable Final Terms).

Interest Periods for Floating Rate Notes:

Such period(s) as the Issuer, the Guarantor and the relevant Dealer may agree (as indicated in the applicable Final Terms).

Index Linked Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such index and/or formula as the Issuer, the Guarantor and the relevant Dealer may agree (as indicated in the applicable Final Terms).

Dual Currency Notes:

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 Issuer, the Guarantor and the relevant Dealer may agree (as indicated in the applicable Final Terms).

Redemption:

The Final Terms relating to each Tranche of Notes will indicate either that such Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below) or for taxation reasons or following an Event of Default) or that such Notes will be redeemable prior to their stated maturity at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer and the Guarantor, 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 terms as are indicated in the applicable Final Terms.

The Final Terms may provide that such Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Subordinated Notes cannot be redeemed prior to five years from their date of issue and any redemption of Subordinated Notes will require the prior authorisation of the Bank of Spain (*Banco de España*).

Denominations of Notes:

Such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or by any laws or regulations applicable to the relevant Specified Currency 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 €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Redenomination: The applicable Final Terms may specify that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Final Terms.

Taxation: Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will (subject to certain exceptions described below) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required. In addition to certain customary exceptions, no such additional amounts shall be payable to:

- (a) individual Noteholders who are resident in Spain;
- (b) Noteholders in respect of whom the Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Noteholder's identity and tax residence as it may require in order to comply with Law 13/1985 and any implementing legislation; and
- (c) if the Spanish tax authorities make the determination described in Condition 10(vi) (Taxation).

See "*Terms and Conditions of the Notes – Taxation*" and "*Taxation and Disclosure of Noteholder Information*".

Disclosure of identity of Noteholders: Under Law 13/1985, the Guarantor is obliged to disclose to the Spanish Tax and Supervisory Authorities the identity of Noteholders. The Issuer, the Guarantor, the Agent, the common depositary for the Notes and the clearing systems will follow certain procedures to facilitate the collection of the above details from Noteholders. See "*Taxation and Disclosure of Noteholder Information*". Noteholders should be aware that these procedures may be revised from time to time.

Status of Senior Notes: Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge) unsecured obligations of the Issuer, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

Status of Dated Subordinated Notes: Unless otherwise set out in the applicable Final Terms, Dated Subordinated Notes will constitute direct, subordinated and unsecured obligations of the Issuer, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves and at least *pari passu* with other dated subordinated obligations of the Issuer below any outstanding unsecured and unsubordinated obligations of the Issuer.

Status of Perpetual Subordinated Notes:

Unless otherwise set out in the applicable Final Terms, Perpetual Subordinated Notes will constitute direct, subordinated and unsecured obligations of the Issuer, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves, at least *pari passu* with other perpetual subordinated obligations of the Issuer and below any outstanding unsecured and unsubordinated or dated subordinated obligations of the Issuer.

Status of the Guarantee:

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor.

In respect of Senior Notes, the obligations of the Guarantor will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge) unsecured obligations of the Guarantor, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

In respect of Dated Subordinated Notes, the obligations of the Guarantor will, unless otherwise set out in the applicable Final Terms, constitute direct, subordinated and unsecured obligations of the Guarantor, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves and at least *pari passu* with other dated subordinated obligations of the Guarantor and below any outstanding unsecured and unsubordinated obligations of the Guarantor, all in accordance with Law 13/1985 and related regulations.

In respect of Perpetual Subordinated Notes, the obligations of the Guarantor will, unless otherwise set out in the applicable Final Terms, constitute direct, subordinated and unsecured obligations of the Guarantor, ranking (subject to any applicable statutory exceptions) *pari passu* without any preference among themselves, at least *pari passu* with other perpetual subordinated obligations of the Guarantor and below any outstanding unsecured and unsubordinated or dated subordinated obligations of the Guarantor, all in accordance with Law 13/1985 and related regulations.

Cross Default:

The Senior Notes will contain a cross default in respect of External Indebtedness (as defined in Condition 4) of both the Issuer and the Guarantor.

Negative Pledge:

So long as any of the Senior Notes remains outstanding:

- (a) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other security interest (other than a Permitted Security Interest as defined in Condition 4) upon the whole or any part of its property, assets or revenues, present or future, to secure (i) payment of any External Indebtedness or (ii) any payment under any guarantee or indemnity granted by the Issuer in respect of any External Indebtedness; and
- (b) the Guarantor will procure that neither the Guarantor nor any of its Relevant Subsidiaries (as defined in Condition 4),

will create or permit to subsist any mortgage, charge, pledge or lien (other than a lien arising by operation of law) upon the whole or any part of its property, assets or revenues, present or future, to secure (i) payment of any External Indebtedness or (ii) any payment under any guarantee or indemnity granted by the Guarantor or any of its Relevant Subsidiaries in respect of any External Indebtedness;

without in any such case at the same time according to the Senior Notes the same security or providing such other security for the Notes as may be approved by an Extraordinary Resolution of the Noteholders.

Rating:

The Programme has been rated A+ in respect of Senior Notes, A in respect of Dated Subordinated Notes and A in respect of Perpetual Subordinated Notes by Fitch Ratings Ltd. The Programme has been rated A1 in respect of Senior Notes, A2 in respect of Dated Subordinated Notes and A2 in respect of Perpetual Subordinated Notes by Moody's Investors Service Inc. The Programme has been rated A in respect of Senior Notes and A- in respect of Dated Subordinated Notes by Standard & Poors Rating Services. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. The security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension reduction or withdrawal at any time by the assigning rating agency.

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 regulated market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

Save as described below, the Agency Agreement (excluding the Regulations (as defined in "*Terms and Conditions*") which shall be governed by Spanish law), the Deed of Covenant, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

The status of the Notes as described in Condition 2, the Guarantee, the provisions of Condition 12 relating to the appointment of the Commissioner and the Regulations are governed by, and shall be construed in accordance with, Spanish law.

Selling Restrictions:

There are selling restrictions in relation to the United States, the European Economic Area (including the United Kingdom and Spain), Japan, 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*" below.

RISK FACTORS

Each of the Issuer 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 the Issuer 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 Issuer 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 Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. 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.

Potential Noteholders (as defined herein) are alerted to the statements under "Taxation and Disclosure of Noteholder Information" regarding the tax treatment in the Kingdom of Spain of income in respect of Notes and to the disclosure requirements imposed on the Guarantor relating to the identity of certain Noteholders. In particular, income in respect of the Notes will be subject to withholding tax if certain information regarding Noteholders is not received by the Guarantor as described herein.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Issuer's dependency on the Guarantor

The Issuer is dependent on the Guarantor. The Issuer issues debt securities on behalf of the Group (as defined in "Description of the Guarantor"). Furthermore, the Issuer has been established with a minimum share capital. The Issuer's principal liabilities will comprise the Notes and other debt securities issued by it and its principal assets will comprise its rights (if any) under agreements under which the net proceeds from the issue of the Notes and other debt securities are on-lent or deposited with the Guarantor or other members of the Group. Accordingly, in order to meet its obligations under the Notes, the Issuer is dependent on the Guarantor (or other members of the Group) meeting its (or their, as the case may be) obligations under such agreements or deposits or the Issuer being able to enforce its rights against the Guarantor (or other members of the Group) under such agreements or deposits. The fact that the Issuer is wholly owned by the Guarantor may limit the ability of the Issuer rights to enforce these rights and obligations.

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

Solvency risk

The solvency risk is the contingency of loss resulting from a decline in the financial structure of the institution or warranty of title. It may bring about a reduction in the value of the investment or ability to pay.

The Guarantor has been given a fully valid rating by the international rating agencies Moody's Investors Service Inc. (**Moody's**), Fitch Ratings Ltd (**Fitch**) and Standard & Poors Rating Services (**S&P**). These agencies assess Bancaja on an annual basis and carry out a review in order to confirm the ratings. The ratings given by Moody's, Fitch and S&P in 1997 were reviewed in May 2008, July 2007 and March 2008 respectively, these being the latest reviews carried out to date:

<i>Rating Agency</i>	<i>Kingdom of Spain</i>	<i>Evaluation Bancaja</i>		<i>Perspective</i>
	<i>Long term</i>	<i>Long term</i>	<i>Short term</i>	
Moody's	Aaa	A1	P-1	Revision
Fitch	AAA	A+	F1	Stable
S&P	AAA	A	A-1	Stable

These credit ratings are not a recommendation to buy, sell or hold securities. The credit rating may be reviewed, suspended or withdrawn at any time by the rating agency. The aforementioned credit rating is only an evaluation and is not a reason for potential investors to omit carrying out their own analysis of the Guarantor or the securities to be acquired.

Market risk

This risk represents the possibility of losses in the investments held as a result of adverse movements in the market prices. The main object of managing this risk lies in limiting the possibility of losses and in optimising the relationship between the level of exposure assumed and the expected profit, in accordance with the objects of the Guarantor. To such an end, the Market Risk Control unit, which acts as an independent unit with regard to the market areas responsible for contracts, develops a set of policies aimed at measuring risk levels, controlling their adaptation to the established limits and informing the Assets and Liabilities Committee (COAP) of risk levels.

Liquidity risk

This risk reflects the potential inability of a credit institution to reach markets and to dispose of net funds in the required amount and at the right cost to meet payment commitments.

The Guarantor manages this risk from two complementary points of view, distinguishing operating liquidity from structural liquidity; the former is managed in the short term by the Treasury area, the latter, as a consequence of positions generated in the long term or in shorter term but continuous positions, is managed and controlled by Bancaja's management through the Assets and Liabilities Committee (COAP).

Periodically, the liquidity needs in a crisis situation are evaluated. For this reason, analyses of extreme scenarios derived from the possible evolution of the markets and from commercial expectations are undertaken. Evaluation is carried out by means of simulation models designed to assess the possible impact on the liquidity position and to anticipate possible actions that would allow the said impact to be minimised.

Additionally, there exists a COAP-approved Liquidity Contingency Plan, which defines clear objectives and performance principles, a system of indicators and alerts and the corresponding action plans and communication channels that would allow a possible market crisis situation to be dealt with successfully.

Interest rate risk

This balance sheet interest rate risk represents the risk of incurring negative variations in the economic value of the balance sheet or the intermediation margin, which is a consequence of movements in interest rate curves at the rates at which the different balance masses are renewed.

The Group manages interest-rate risk via an internal rate transfer system that permits the interest risk generated by the different business units to be isolated via transference to a structural position managed and controlled by Bancaja's management through the Assets and Liabilities Committee (COAP).

The controls are undertaken by means of gap calculation and analysis (Asset-Liability) of static and projected positions. As a result, the balance totals of interest rates that are susceptible to variations

may be identified and, consequently, the coverage strategies required to minimise possible negative impacts of these variations on future renewals or expiry dates may be determined.

Operational risk

For the Group, operational losses are constituted by direct and indirect losses arising from mistakes or inadequate use of internal processes, human error or system malfunctions, as well as those caused by external events. Such risk, thus, affects all the business activities and, as such, must be managed and minimised.

The main elements employed by the Group to reduce the operational risk are personnel training and the establishment of clear and adequately documented procedures. These procedures are periodically monitored by internal auditing.

Credit risk

Credit risk represents the risk of losses arising from the creditors' non-compliance with payment obligations and loss in value resulting from the decline in credit quality.

Credit risk management is an essential factor in the Group's strategy, the fundamental objective of which lies in obtaining sustained and balanced growth in conjunction with guaranteeing the quality and security of its investments.

The Group's credit risk management model covers all aspects of the risk function (planning, analysis, sanction, follow up and arrears management) and is based on a global and structured system of identification, control and risk evaluation.

Country risk

Country risk represents the credit risk involved in a country's debts as a whole due to circumstances beyond the usual commercial risk. It comprises both sovereign risk and transfer risk.

It is derived from the possibility of financial obligation between two institutions from different countries being affected by changes in the debtor's country of origin or in the currency in which the operation is designated or both.

As of 31 December 2007, the Group managed various positions subject to country risk equivalent to approximately EUR 947 million (EUR 806 million as of 31 December 2006).

The Group's country risk is not significant as the Group has no relevant presence or commercial interests outside Spain.

Counterparty risk

Counterparty risk is the credit risk assumed with other financial institutions in security investment operations, both on-balance sheet and off-balance sheet. Counterparty risk for the Group is measured at the operational level and there is a system that allows the living risk with each of our counterparts to be evaluated in real time.

The lines authorised for the different counterparts are revised on a yearly basis in accordance with their credit quality. Nevertheless, the authorised risk line with a certain counterparty can be blocked at any time should the circumstances so recommend.

The use of OTC derivatives is in compliance with the institution's issue coverage strategies and the distribution of clients. They have also been employed in the macro-coverage strategy.

Exchange rate risk

This risk contemplates the possible unfavourable effects that the Guarantor could suffer as a consequence of variations in the exchange rate of the currencies of the different assets and liabilities, as well as commitments or other off-balance sheet products.

There are very strict limits in effect with regard to this risk, given that the Guarantor's policies do not contemplate currency diversification. There are limitations according to open position and to Value at Risk (VaR) level and there is always an assumed risk at very low or residual values. The largest concentration of currency risk, always within set limits, is usually produced in the U.S. dollar.

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;
- (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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

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 Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer 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 may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its 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 Issuer 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 Issuer 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 will likely 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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, you should consult your own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

Partly-paid Notes

The Issuer 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 his 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 converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, 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 Issuer converts from a floating rate to a fixed rate in such circumstances, 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 Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to liabilities ranking senior thereto. 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 the Issuer become insolvent. Furthermore, Perpetual Subordinated Notes will rank after dated subordinated obligations.

Risk that events of default may be disapplied

Condition 11 (Events of Default) provides that the events or circumstances set out in that condition will be acceleration events unless otherwise specified in the applicable Final Terms. As a result, the Issuer may provide that certain events or circumstances are not considered acceleration events for a particular Series of Notes. The existing regulatory capital regime applicable to Spanish credit entities, which is set out in Bank of Spain Circular 3/2008 of 22 May, provides that certain requirements be met for securities to be considered regulatory capital. These requirements include, for subordinated securities, that the securities may not be accelerated following the non-payment of amounts under such securities. If the Issuer proposes to issue Subordinated Notes and intends that these meet the requirements to be considered regulatory capital, the Issuer may have to disapply a number of the acceleration events set out in Condition 11(b), including those relating to non-payment and breach of other obligations.

Risks related to Notes generally

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

Modification, waivers and substitution

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.

Risk relating to the Commissioner

The Noteholders of each Series of Notes form a Syndicate, which is represented by a Commissioner. Meetings of the Syndicate, duly convened, are empowered, *inter alia*, to protect the interests of Noteholders as against the Issuer, appoint or substitute the Commissioner, undertake any judicial actions against the Issuer and approve the expenses incurred in the protection of the Noteholders' interests. The Commissioner is the chairman and the legal representative of the Syndicate and may bring or take any actions he considers appropriate to protect the interests of Noteholders. The details of the initial Commissioner appointed in respect of a Series of Notes will be set out in the applicable Final Terms and shall be appointed in the Public Deed (*Escritura de Emisión*) (to the extent a Public Deed is required, or, if not required, in another document). The Issuer intends that the initial Commissioner will be an employee of the Group. Noteholders should be aware of the potential conflicts of interest that the Commissioner may face in his capacities as representative of the Syndicate and as employee of a member of the Group. Since the Syndicate is able to substitute the Commissioner, it may be possible to resolve any such conflicts by appointing a third party (who may be a Noteholder) to act as Commissioner. However, there is no assurance that (a) a third party would be willing to act as Commissioner or (b) if a third party was willing to act, the third party would not require payment of certain fees and expenses before agreeing to so act.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 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.

If 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 Issuer 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. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions 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 English law or administrative practice after the date of this Offering Circular.

Risks relating to the Spanish withholding tax regime

There are a number of risks associated with the Spanish withholding tax regime which are described below.

Risks relating to procedures for collection of holders' details

Under Spanish law, the Guarantor is obliged to disclose to the Spanish Tax and Supervisory Authorities the identity and tax residence of Noteholders and the amount of interest received by such Noteholders in respect of listed Notes. Euroclear and Clearstream, Luxembourg (the ICSDs) have established procedures to assist entities in complying with the reporting obligations required by Spanish tax law and regulations and to enable Noteholders to obtain a refund of amounts withheld on interest payments. These procedures were implemented by the ICSDs in response to certain tax rulings made by the Spanish tax authorities (Consultas V 2050-07, V 2051-07, V 0175-08 and V 0179-08). The procedures which the Issuer and other parties expect to follow are based on the global tax procedures published by the ICSDs, in effect on the date hereof, and are set out in the Agency Agreement. In this regard, Noteholders should also consult announcements in relation to these global tax procedures published on a periodic basis on the websites of the ICSDs (www.Euroclear.com, www.Clearstream.com).

Noteholders should be aware that these procedures may be revised from time to time in accordance with applicable Spanish laws and regulations, further clarification from the Spanish tax authorities regarding such laws and regulations and the operational procedures of the ICSDs or in the event that the relevant Notes are not bearer Notes in global form which are held by the Agent in its capacity as Common Depositary or, as the case may be, Common Safekeeper for Euroclear and Clearstream, Luxembourg, and, in such circumstances, the parties undertake to use their best endeavours to revise the procedures and, if required by the Issuer, ensure that relevant Noteholders are made aware of such revised procedures. Any revision to the procedures agreed by the Issuer and Agent shall be binding on all parties. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Paying Agents and the ICSDs assumes any responsibility therefor.

Risks that payments will be made subject to withholding tax

Under Spanish law, income in respect of listed Notes issued by the Issuer will be subject to withholding tax in Spain, currently at the rate of 18%, in relation to payments to (a) individual Noteholders who are resident in Spain, (b) holders in respect of whom the Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such holder's identity and tax residence as it may require in order to comply with Law 13/1985 of 25 May on investment ratios, capital adequacy and information requirements for financial intermediaries, as amended (**Law 13/1985**) and any implementing legislation, and (c) Spanish Corporate Income Tax taxpayers, in respect of Notes listed on an organised market of a non-OECD country and Notes listed on an organised market of an OECD country which are placed in Spain (as explained below).

Under Spanish law, income in respect of non-listed Notes will be subject to withholding tax in Spain, currently at the rate of 18 per cent., save if the Noteholder is (a) resident in a European Union Member State (other than Spain) or a permanent establishment in a European Union Member State (other than Spain) of a resident of another European Union Member State or (b) resident for tax purposes in a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any beneficial owner. In order to implement the exemption from withholding tax or the application of a reduced tax treaty rate, the procedures laid down in the Order of 13 April 2000 will need to be followed.

Neither the Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases.

Possible withholding tax to certain Spanish investors in respect of listed Notes initially placed in Spain

In accordance with Section 59(s) of the Corporate Income Tax Regulations, there is no obligation to make a withholding on income obtained by Spanish Corporate Income Tax payers (which, for the sake of clarity, includes Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Where Notes are admitted to trading on the regulated market of the London Stock Exchange, they will, upon admission to trading, fulfil the requirements legally established for the application of the withholding tax exemption.

The General Directorate for Taxation (*Dirección General de Tributos*), on 20 July 2004, issued a tax ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that, in addition to being traded on organised markets in OECD countries, the Notes be placed outside Spanish territory in another OECD country. The Issuer intends to require the relevant Dealers to place the Notes outside Spain in the primary market. Consequently, the Issuer will not make any withholding on distributions to Spanish Corporate Income Tax payers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter, however, the Issuer will be bound by that opinion and will, with immediate effect, make the appropriate withholding, and the Issuer will not, as a result, be under any obligation to pay additional amounts.

Risks arising under the Spanish Insolvency Law

Certain risks arise under the Spanish Insolvency Law which will apply in the event of the Issuer or the Guarantor's insolvency.

Risk of Noteholders' claims being subordinated as a result of being especially related to the Issuer and/or the Guarantor

Under Law 22/2003, of 9 July, on Insolvency (the **Spanish Insolvency Law**) the claims of creditors are classified as either: credits against the estate (*créditos contra la masa*), privileged credits (*créditos privilegiados*), ordinary credits (*créditos ordinarios*) or subordinated credits (*créditos subordinados*). On insolvency of an entity under the Spanish Insolvency Law, ordinary creditors rank ahead of subordinated creditors but behind privileged creditors and creditors with claims against the estate. It is intended that claims under the Notes against the Issuer and claims under the Guarantee against the Guarantor will be classified as ordinary credits. However, certain actions or circumstances which are beyond the control of the Issuer and the Guarantor may result in these claims being classified as subordinated credits. For example, under Article 92.5 of the Spanish Insolvency Law, the claims of those persons especially related to the Issuer or the Guarantor (as the case may be) will be classified as subordinated creditors.

The following persons may be considered especially related to the Issuer and/or the Guarantor: (a) actual or shadow directors (including those who acted as such in the two years leading up to the declaration of insolvency); and (b) members of the same Group of Companies as the Issuer and/or the Guarantor and their shareholders. Furthermore, any person who acquires credits which were held by one of the above persons is also presumed to be especially related if the acquisition takes place in the two years leading up to the declaration of insolvency. This presumption is rebuttable.

The claims of Noteholders may, therefore, to the extent they are considered especially related to the Issuer and/or the Guarantor, be subordinated as a result of the application of the provisions of the Spanish Insolvency Law. Noteholders should be aware of this subordination risk and take those precautions they consider appropriate to ensure that their claims are not subordinated.

Risk of Noteholders' claims being subordinated as a result of the Guarantee

The claims of creditors who benefit from a guarantee may be subordinated on insolvency. Under Article 87.6 of the Spanish Insolvency Law, the classification of such creditors' claims against the debtor is equivalent to the least onerous between those of the guarantor and those of the creditor. Since the Issuer is a wholly owned subsidiary of the Guarantor, the claims of the Guarantor in the Issuer's insolvency will be subordinated and, as a result, Noteholders' claims against the Issuer may also be classified as subordinated. This risk is mitigated by the fact that the Issuer is a special purpose vehicle whose only activity relates to the issue of Notes under the Programme and so, excluding Noteholders, has few creditors. There are currently conflicting first instance decisions in relation to the interpretation of Article 87.6 of the Spanish Insolvency Law. This provision of the Spanish Insolvency Law would not affect Noteholders' claims against the Guarantor: even if their claims against the Issuer were reclassified as subordinated on the Issuer's insolvency, the payment obligations of the Guarantor under the Guarantee would continue to be classified as ordinary debts in the event of the Guarantor's insolvency.

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

The 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 the Notes.

Exchange rate risks and exchange controls

The Issuer 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.

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 are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal 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 and have been filed (i) in the case of the Guarantor, with the *Comisión Nacional del Mercado de Valores* (CNMV, the Spanish stock market authority) and the UK Listing Authority and (ii) in the case of the Issuer, with the UK Listing Authority, shall be incorporated in, and form part of, this Offering Circular:

- (a) the auditors' report and audited consolidated annual financial statements of the Guarantor in accordance with international financial reporting standards for the financial years ended 31 December, 2006 and 2007, pages 43-198 (inclusive) and pages 1-125 (inclusive), respectively;
- (b) the unaudited consolidated interim accounts of the Guarantor for the six months ended 30 June 2008;
- (c) the auditors' report and audited unconsolidated short form annual financial statements of the Issuer for the financial years ended 31 December 2006 and 2007; and
- (d) the terms and conditions of the Notes contained in the previous Offering Circulars dated 30 June 2006, pages 38-64 (inclusive) and 27 June 2007, pages 37-62 (inclusive) prepared by the Issuer in connection with the Programme.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

The documents listed in (a) to (c) above are English translations of documents originally published or produced in Spanish and represent accurate and direct translations thereof. Copies of documents incorporated by reference in this Offering Circular (together with the English translations thereof) can be obtained from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in London and from the website of the Guarantor at www.bancaja.es.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

The Issuer 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.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for, Euroclear (Clearstream, Luxembourg).

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form only to the extent that certification (in a form to be provided) as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearance system as appropriate and Euroclear and/or Clearstream, Luxembourg and/or such other agreed clearance system, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, 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) (the **Distribution Compliance Period**), interests in such Temporary Global Note will be exchanged (free of charge) upon a request as described therein either for interests in a Permanent Global Note without receipts, interest coupons or talons or (if specified in the applicable Final Terms) for Definitive Notes with, where applicable, receipts, interest coupons and talons attached in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*” below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer) after the completion of the distribution of the Notes of such Tranche.

Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form without any requirement for certification of non-U.S. beneficial ownership. Unless specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole, but not in part, for Definitive Notes with, where applicable, Coupons for principal and interest (the **Coupons** and each a **Coupon**) and talons (each a **Talon**) for further coupons attached only upon occurrence of an Exchange Event. **Exchange Event** means (A) an Event of Default as set out in Condition 11 has occurred and is continuing; (B) the Issuer has been notified that both Euroclear or 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 alternative clearing system satisfactory to the Agent is available; or (c) Euroclear or Clearstream, Luxembourg or any relevant clearing system withdrawing or announcing its intention to withdraw its acceptance of the Notes for clearance and settlement through its system. In the event of the occurrence of an Exchange Event, the holder of the Note may give notice to the Agent and the Issuer.

Any such exchange of the Permanent Global Note shall occur on or after the exchange date specified in the notice requiring exchange, which date shall be any day not less than 40 days after the date on which the notice requiring exchange is given.

The following legend will appear on all global Notes, Definitive Notes, receipts, interest coupons and talons:

“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 holders who are United States persons (as defined in the United States Revenue Code of 1986, as amended), with certain exceptions, will not be entitled to deduct any loss on 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 Notes, receipts or interest coupons.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a global Note and a holder of such Note so represented and credited to his securities account with Euroclear or Clearstream, Luxembourg gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such global Note, such global Note will become void. At the same time, holders of interests in such global Note credited to their accounts with Euroclear or Clearstream, Luxembourg will become entitled to proceed directly against the Issuer and/or the Guarantor on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant dated 1 August 2008, executed by the Issuer (the **Deed of Covenant**).

FORM OF 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]

*Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja
under the €10,000,000,000
Euro 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 1 August 2008, 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, the Guarantor 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 [website] [and] during normal business hours at [address], and copies may be obtained from [address].

[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 1 August 2008, 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, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 1 August 2008 and [original date]. Copies of such Offering Circulars are available for viewing at [website] [and] during normal business hours at [address], and copies may be obtained from [address].

[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 subparagraphs. 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 the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: Bancaja Emisiones, S.A. Unipersonal
- (b) Guarantor: Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja
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. (a) [Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (a) Specified Denominations: []
- []
- (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 €50,000 minimum denomination is not required.)*
- (b) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
8. Maturity Date: [Fixed rate - specify date/
Floating rate – Interest Payment Date falling in or nearest to [specify month]/Perpetual (only in case of Perpetual Subordinated Notes)]
9. Interest Basis: [[] per cent. Fixed Rate]
- [LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
- [Index Linked Interest]
- [Dual Currency Interest]
- [specify other]
- (further particulars specified below)
- (N.B. Consider appropriate amendments if Subordinated Notes and set out in these Final Terms)*
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 other 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) (N.B. Consider appropriate amendments if Subordinated Notes and set out in these 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] (N.B. Not applicable for Subordinated Notes)
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior/[Dated/Perpetual] Subordinated]
(b) Status of the Guarantee: [Senior/[Dated/Perpetual]Subordinated]
(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 subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi annually/quarterly/other (specify)] in arrear]
(If payable other than annually, consider amending Condition [Interest])
- (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 Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment date falling [in/on] []
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (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 which are not of equal duration.
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [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): []
- (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 Agent): []
- (f) Screen Rate Determination:
- 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 TARGET2 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 Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum

- (k) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 5(b) for alternatives)
- (l) Fallback 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. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(N.B. If the Final Redemption Amount is other 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 Prospective Directive Regulation will apply.)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): []
- (d) 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 adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum

- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other 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 Prospective Directive Regulation will apply)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [give name (and if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (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 adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs 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 Calculation Amount/specify other/see Appendix]
- (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 [or Trustee])

20. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs 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 Calculation Amount/specify other/see Appendix]
- (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)
21. Final Redemption Amount of each Note: [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other 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)
22. 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 6(e)): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note, which is exchangeable for Definitive Notes only upon an Exchange Event]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
[Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]

- (b) New Global Note: [Yes][No]
24. Additional Financial Centre(s) or other special provisions relating to Payment Days: [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 17(f) relate*)
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
26. 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. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
27. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/*give details*]
- (b) Instalment Date(s): [Not Applicable/*give details*]
28. Redenomination applicable: Redenomination [not] applicable
(*If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)
29. Other final terms: [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.*)
(*N.B. Consider appropriate amendments to Perpetual Subordinated Notes and set out in these Final Terms*)

DISTRIBUTION

30. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]
(*Include names of entities agreeing to underwrite the issue on a firm commitment basis and names 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*]
31. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]

- 32. U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable]
- 33. Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange’s regulated market and Listing on the Official List of Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Bancaja Emisiones, S.A. Unipersonal.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components]* has been extracted from *[specify source]*. 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) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market and to be listed on the Official List with effect from []] [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: The Notes to be issued have been rated:

[Fitch: []]
[Moody’s: []]
[S&P: []]
[[Other]: []]

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

[Save for any fees payable to the [Managers/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*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive)]

4. 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: []. *[Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”]*

(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required)

5. YIELD (Fixed Rate Notes only)

Indication of yield: []

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

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

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, 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]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)

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

[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]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive)]

The Issuer does not intend to provide post-issuance information.

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

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, 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]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)

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

[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]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive)]

The Issuer does not intend to provide post-issuance information.

8. 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
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected, in which case the Notes must be issued in NGN form]
- (vii) Commissioner of Syndicate of Noteholders: []

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 and each Definitive Note, in the latter case only if permitted by the relevant stock exchange or authority (if any) and agreed by the Issuer, the Guarantor 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 Temporary Global Note, Permanent Global Note and Definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series of Notes (as defined herein) which expression shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency, (ii) Definitive Notes issued in exchange for a global Note and (iii) any global Note issued in accordance with an amended and restated issue and paying agency agreement (the "Agency Agreement", which expression shall include any amendments or supplements thereto) dated 1 August 2008 and made between Bancaja Emisiones, S.A. Unipersonal (the "Issuer") as issuer of senior notes ("Senior Notes"), as issuer of dated subordinated notes ("Dated Subordinated Notes") and as issuer of perpetual subordinated notes ("Perpetual Subordinated Notes" and together with the Dated Subordinated Notes, "Subordinated Notes"), Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja as Guarantor (the "Guarantor"), The Bank of New York Mellon, London Branch in its capacities as Issuing and Principal Paying Agent (the "Agent", which expression shall include any successor to The Bank of New York Mellon, London Branch in its capacity as such) and the Paying Agents named therein (the "Paying Agents", which expression shall include the Agent and any substitute or additional Paying Agents appointed in accordance with the Issue and Paying Agency Agreement). The Senior Notes and the Subordinated Notes shall hereafter be referred to as the "Notes". The Notes, the Receipts and the Coupons (each as defined below) issued by the Issuer have the benefit of a deed of covenant dated 1 August 2008 in relation to the Notes (the "Deed of Covenant" which expression shall include any amendments or supplements thereto). The Guarantor has executed and delivered a guarantee dated 1 August 2008 for the benefit of the holders of the Notes (the "Guarantee Agreement") (amending and restating the guarantee dated 27 June 2007), under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Notes and the Deed of Covenant as and when the same shall become due and payable. "Guarantee" means the guarantee of the Notes given by the Guarantor pursuant to the Guarantee Agreement. The holders of the Notes are herein referred to as "Noteholders".

The Issuer will, if so required by Spanish law, execute a public deed (the "Public Deed") before a Spanish notary public in relation to the Notes and will register such Public Deed with the Mercantile Registry of Castellón on or prior to the issue date of the Notes. The Public Deed shall contain, among other information, the terms and conditions of the Notes.

Interest bearing Definitive Notes (unless otherwise indicated in the applicable Final Terms) 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 Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are attached hereto or endorsed hereon and supplement these Terms and Conditions (the "Conditions") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these

Conditions, supplement, replace or modify these Conditions for the purposes of this Note. References herein to “applicable Final Terms” are to the Final Terms attached hereto or endorsed hereon.

As used herein, “Tranche” means all 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 Tranche 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 Price.

Copies of the Deed of Covenant, the Agency Agreement, the Guarantee Agreement and the Final Terms applicable to this Tranche of Notes are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. 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 Guarantee Agreement, 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 Deed of Covenant, the Agency Agreement, the Guarantee Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency, the applicable Final Terms will prevail.

1. FORM

The Notes are in bearer form and, in the case of Definitive Notes, serially numbered in the Specified Currency and the Specified Denomination(s) and Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, an Indexed Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms. This Note may also be a Dual Currency Note, a Partly Paid Note and/or an Indexed Note (where payment in respect of principal and/or interest is linked to an index and/or a formula) if, in each case, the applicable Final Terms so indicates and the appropriate provisions of these Conditions will apply accordingly.

Definitive Notes are issued with Coupons attached.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. Subject as set out below, the Issuer, the Guarantor, and any Paying Agent will deem and treat (except as otherwise required by law) the bearer of any Note, Receipt or Coupon 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. (“Euroclear”) and/or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”), each person other than Euroclear or Clearstream, Luxembourg who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg 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 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 Paying Agents as the holder of such nominal amount of Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of 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 Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system specified in the applicable Final Terms.

2. STATUS OF THE NOTES

Senior Notes

- (a) Senior Notes and the relative Receipts and Coupons (if any) are direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer, ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; and (ii) at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

Dated Subordinated Notes

- (b) Dated Subordinated Notes and the relative Receipts and Coupons (if any) are direct, subordinated and unsecured obligations of the Issuer, ranking as set out in the applicable Final Terms or, if not so set out, ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; (ii) at least *pari passu* with other dated subordinated obligations of the Issuer; and (iii) below any outstanding unsecured and unsubordinated obligations of the Issuer.

Perpetual Subordinated Notes

- (c) Perpetual Subordinated Notes and the relative Receipts and Coupons (if any) are direct, subordinated and unsecured obligations of the Issuer, ranking as set out in the applicable Final Terms or, if not so set out, ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; (ii) at least *pari passu* with other perpetual subordinated obligations of the Issuer; and (iii) below any outstanding unsecured and unsubordinated or dated subordinated obligations of the Issuer.

3. STATUS OF THE GUARANTEE

Guarantee of Senior Notes

- (a) The payment of principal and interest together with all other sums payable by the Issuer, as the case may be, in respect of the Senior Notes has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such senior Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; and (ii) at least *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

Guarantee of Dated Subordinated Notes

- (b) The payment of principal and interest together with all other sums payable by the Issuer, as the case may be, in respect of the Dated Subordinated Notes has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such dated subordinated Guarantee constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor, ranking as set out in the applicable Final Terms or, if not so set out, ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; (ii) at least *pari passu* with other dated subordinated obligations of the Guarantor; and (iii) below any outstanding unsecured and unsubordinated obligations of the Guarantor, all in accordance with Law 13/1985, of 25 May, on investment coefficients, own funds and information obligations of financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversion, recursos propios y obligaciones de información de los intermediarios financieros*) (as amended, "Law 13/1985") and related regulations.

Guarantee of Perpetual Subordinated Notes

- (c) The payment of principal and interest together with all other sums payable by the Issuer, as the case may be, in respect of the Perpetual Subordinated Notes has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such perpetual subordinated Guarantee constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor, ranking as set out in the applicable Final Terms or, if not so set out, ranking (subject to any applicable statutory exceptions): (i) *pari passu* without any preference among themselves; (ii) at least *pari passu* with other perpetual subordinated obligations of the Guarantor; and (iii) below any outstanding unsecured and unsubordinated or dated subordinated obligations of the Guarantor, all in accordance with Law 13/1985 and related regulations.

4. NEGATIVE PLEDGE

So long as any Senior Note remains outstanding (as defined in the Agency Agreement):

- (a) the Issuer will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its property, assets or revenues, present or future, to secure (i) payment of any External Indebtedness or (ii) payment under any guarantees or indemnity granted by it in respect of any External Indebtedness; and
- (b) the Guarantor will:
- (i) not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues, present or future (including uncalled capital), to secure any External Indebtedness;
 - (ii) procure that no Relevant Subsidiary of the Guarantor will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues, present or future (including uncalled capital), to secure any External Indebtedness of the Guarantor, such Relevant Subsidiary or any other Person;
 - (iii) not give any guarantee (except a Permitted Guarantee) of External Indebtedness of any Person (other than a subsidiary of the Guarantor); and
 - (iv) not permit any Person to give any guarantee (except a Permitted Guarantee) of External Indebtedness of the Guarantor or any of its Relevant Subsidiaries without

(in the case of paragraph (i) or (ii)) at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other security for the Senior Notes as may be approved by an Extraordinary Resolution of the Noteholders.

In this Condition 4:

“guarantee” means any obligation of any Person to pay any External Indebtedness of another Person including (without limitation):

- (i) any obligation to purchase such External Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such External Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such External Indebtedness; and
- (iv) any other agreement to be responsible for such External Indebtedness;

“Banking business” means in relation to any company (a) banking business as ordinarily carried on or permitted to be carried on at the relevant time by banking institutions in the country in which such company is incorporated or carries on business or (b) the seeking or obtaining from members of the public of moneys by way of deposit or (c) any other part of the business of such company which an expert (which expression shall for this purpose include any officer of the Guarantor) nominated in good faith for such purpose by the Guarantor or such company shall certify to be part of, or permitted to be part of, such company’s banking business;

“External Indebtedness” means any obligation (whether present or future, actual or contingent) in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over the counter market or other securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed or ordinarily dealt in if the terms of the issue thereof expressly so provide);

“Permitted Guarantee” means any guarantee arising by operation of law or in the ordinary course of Banking business;

“Permitted Security Interest” means either:

- (i) a Security Interest arising by operation of law or in the ordinary course of Banking business including a Security Interest created or arising in respect of any security created under the Kingdom of Spain’s mortgage market law of 25 March 1981 (*Ley de Regulación del Mercado Hipotecario 2/1981*) in relation to cédulas hipotecarias, bonos and participaciones hipotecarias issued pursuant to such law; or
- (ii) a Security Interest over assets purchased by the Guarantor or any of the Guarantor’s Subsidiaries after 24 June 1997 which (A) is created or arises or, in the case of real estate, exists at the time of the purchase of such assets and (B) secures solely all or part of the unpaid balance of the purchase price of such assets; or
- (iii) a Security Interest created on or prior to 24 June 1997 which was already in existence at the Issue Date of the Notes;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Relevant Subsidiary” means a Subsidiary of the Guarantor:

- (i) whose net assets represent not less than 10 per cent. of the net consolidated assets of the Group (as hereinafter defined) as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of such company and the then latest audited consolidated accounts of the Group; or

- (ii) whose gross revenues represent not less than 10 per cent. of the gross consolidated revenues of the Group, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of such company and the then latest audited consolidated accounts of the Group;

“Security Interest” means any mortgage, charge, pledge, lien or other security interest arising after 24 June 1997; and

“Subsidiary” means, at any particular time in respect of a company, any other company more than 50 per cent. of whose issued equity share capital (or equivalent) is then directly or indirectly owned by that company and/or one or more of that company’s subsidiaries.

5. INTEREST

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest 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.

If the Notes are in definitive form, 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.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, 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. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) 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

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) 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
 - (B) 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
- (b) 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.

In the Conditions:

“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 Limited Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (1) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (2) 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:

- (A) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(2) 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
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) 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
- (D) 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 London and each 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 London and 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 (“TARGET2” System) (the “TARGET2 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 Notes will be determined in the manner specified in the applicable Final Terms.

(1) 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 subparagraph (1), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap

transaction under the terms of an agreement incorporating the 2006 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:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (“LIBOR”) or on the Eurozone interbank 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 subparagraph (1), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(2) 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:

- (A) the offered quotation; or
- (B) 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 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 quotations) shall be disregarded by the 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 (A) above, no such offered quotation appears or, in the case of (B) 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 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 above provisions 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 above provisions 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 Amount*

The 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 Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, 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. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period, and unless any other basis is specified in the relevant Final Terms;

- (i) if "Actual/Actual (ISDA)" 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 leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (iii) 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;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) 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, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (m_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (m_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (m_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (a) that day is the last day of February or (b) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (a) that day is the last day of February but not the Maturity Date or (b) such number would be 31, in which case D₂ will be 30.

(v) Notification of Rate of Interest and Interest Amount

The 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, the Guarantor and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed, and to be published in accordance with Condition 15 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 notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15.

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 paragraph (b) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the other Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor or

the Noteholders shall attach to the Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Notes

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

(d) Partly Paid Notes

In the case of Partly Paid 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) Perpetual Subordinated Notes

In the case of Perpetual Subordinated Notes, the provisions applicable in respect of interest are as specified in the applicable Final Terms.

(f) 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 due 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 thereon (after as well as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the relevant Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which the Agent having received the funds required to make such payment, notice is given to the Noteholders in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Noteholder).

(g) Calculation Agent

The Issuer will procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Conditions applicable to the Notes and for so long as any Notes are outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION AND PURCHASE

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer, failing which the Guarantor, 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 specified in the applicable Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the applicable Final Terms (in the case of a Floating Rate Note).

(b) Redemption for Tax Reasons

If, in relation to any Series of Notes (i) as a result of any change in the laws or regulations of the Kingdom of Spain, or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the applicable Final Terms, the Issuer or the Guarantor, as applicable, would be required to pay additional amounts as provided in Condition 10 and (ii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor, as applicable, to the Agent of a certificate signed by two directors of the Issuer or the Guarantor, as applicable, stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes (subject, in the case of Subordinated Notes, to the prior consent of Banco de España) comprising the relevant Series at their Early Redemption Amount or such other amount as may be specified in or determined in accordance with the applicable Final Terms, less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer or the Guarantor, as applicable, would be obliged to pay such additional amounts were a payment in respect of the Notes then due. In the case of Subordinated Notes, redemption for taxation reasons may not take place within a period of five years of their date of issue unless otherwise specified in the applicable Final Terms (subject to compliance with any applicable laws and stock exchange requirements or other relevant authority requirements).

(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, to the prior consent of the *Banco de España*), having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Agent;

(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. Any 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 the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (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 15 not less than 15 days prior to the date fixed for redemption. 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 Condition 6(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 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 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, 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. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

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 at any time during normal business hours of such Paying Agent 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 (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 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 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 or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(d) and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(e) Early Redemption Amounts

For the purposes of paragraph (b) above and Condition 10, each Note will be redeemed at an amount (the "Early Redemption Amount") determined or calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

- (ii) in the case of Notes (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 Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is set out in that Final Terms, at their nominal amount.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(f) Instalments

If the Notes are repayable in instalments, they will be repaid in the Instalment amounts and on the Instalment Date specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(e).

(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 Relevant Subsidiary of the Guarantor may at any time purchase Notes (together, in the case of definitive Notes, with all unmatched Receipts and Coupons appertaining thereto) at any price in the open market or otherwise. The Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor will be entitled to hold and deal with Notes so purchased as the Issuer, the Guarantor or the Relevant Subsidiary of the Guarantor thinks fit.

(i) Cancellation

All Notes which are redeemed in full will forthwith be cancelled and Notes which are purchased by or on behalf of the Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor may, at the election of the Issuer, be cancelled (together in each case with all unexpired Receipts and Coupons attached thereto or delivered therewith). Notes redeemed by or on behalf of the Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor may not be reissued or resold other than to the Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor.

7. 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 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 10.

(b) Presentation of Notes, Receipts, Coupons and Talons

Payments of principal in respect of Definitive 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 Notes and payments of interest in respect of Definitive 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 Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7(a) above only 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 Condition 7(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive 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 form (other than Dual Currency Notes or Indexed Notes) 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 ten years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 14) 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 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 or Indexed Note in definitive 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.

If the due date for redemption of any Definitive 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 Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to Definitive 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 such global Note,

distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of the relevant 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 as the holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, 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 the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer or, as the case may be, the Guarantor in respect of any payments due on that global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of 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 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.

(c) 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, unless otherwise specified in the applicable Final Terms, "Payment Day" means any day which is both:

- (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) London;
 - (C) each Additional Financial Centre specified in the applicable Final Terms; and
- (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, London and 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 TARGET2 System is open.

(d) Interpretation of Principal and Interest

Any reference in these 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 10;
- (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; and
- (vi) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these 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 10.

8. AGENT AND PAYING AGENTS

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

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

- (i) 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 with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (ii) there will at all times be a Paying Agent in a jurisdiction within continental Europe other than the jurisdiction in which the Issuer is incorporated;
- (iii) there will at all times be an Agent; and
- (iv) 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.

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 the final paragraph of Condition 7(b). 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 15 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date, as the case may be.

9. EXCHANGE OF TALONS

On and after the Interest Payment Date, as appropriate, 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 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 Notes to which it appertains) a further Talon, subject to the provisions of Condition 13. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

10. TAXATION

All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) 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, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts receivable by any Noteholder or any holder of any Receipt or Coupon, 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 in relation to any payment in respect of any Notes, Receipts or Coupons:

- (i) presented for payment by or on behalf of a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Kingdom of Spain, other than the mere holding of such Note, Receipt or Coupon;
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Noteholder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days assuming that day to have been a Payment Day (as defined in Condition 7(c));
- (iii) presented for payment in the Kingdom of Spain;
- (iv) 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a Noteholder who would have been 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; or
- (vi) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or
- (vii) to, or to a third party on behalf of, a Noteholder in respect of whom the Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Noteholder's identity and tax residence as it may require in order to comply with general tax laws and, in particular, with Law 13/1985 and any implementing legislation.

For the purposes of these Conditions: the "Relevant Date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the monies payable has not been received by the Agent on or prior to such due date, it means the first date on which, the full amount of such monies having been so received and being available for payment to Noteholders, notice to that effect shall have been duly given to the Noteholders of the relevant Series in accordance with Condition 15.

Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 10.

See "Taxation and Disclosure of Noteholder Information" for a fuller description of certain tax considerations (particularly in relation to Noteholders who are resident in Spain) relating to the Notes, the formalities which Noteholders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Guarantor relating to the identity of Noteholders.

11. EVENTS OF DEFAULT

- (a) Unless otherwise specified in the applicable Final Terms, the following events or circumstances (each an "Event of Default") shall be acceleration events in relation to the Senior Notes of any Series (and references to "Notes" shall be construed accordingly), namely:
- (i) *Non-payment*: the Issuer or the Guarantor, as the case may be, fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days after the due date for payment thereof; or
 - (ii) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Guarantee or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer or the Guarantor, as the case may be, by the relevant Noteholder, has been delivered to the Issuer or the Guarantor, as the case may be, to the specified office of the Agent; or
 - (iii) *Cross-Default*: (a) any External Indebtedness of the Issuer or the Guarantor or of any Relevant Subsidiary of the Guarantor individually or in an aggregate principal amount in excess of U.S.\$25,000,000 (or its equivalent in any other currency) is not paid when due or (as the case may be) within any originally applicable grace period, (b) such External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the obligor or (if no event of default, howsoever described, has occurred) any person entitled to such External Indebtedness or (c) the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor fails to pay when due any amount payable by it under any guarantee; or
 - (iv) *Enforcement proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied or enforced upon or against any of the assets or revenues of any of the Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor and is not discharged or stayed within 30 days; or
 - (v) *Security enforced*: a security party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the issuer or the Guarantor or any of their Subsidiaries; or
 - (vi) *Insolvency etc*: (a) the Issuer or the Guarantor or any of their Subsidiaries becomes insolvent (*concurso*) or is unable to pay its debts as they fall due, (b) a curator, administrator or liquidator of the Issuer or the Guarantor or any Relevant Subsidiary of

the Guarantor is appointed in respect of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or Relevant Subsidiary (or application for any such appointment is made), (c) the Issuer or the Guarantor or any of their Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its External Indebtedness or any guarantee given by it, or (d) the Issuer or the Guarantor or any of their Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; or

- (vii) *Winding up*: an order is made or an effective resolution is passed for the winding up of the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor; or
- (viii) *Analogous event*: any event occurs which under the laws of any jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above, including, but not limited to, *concurso*; or
- (ix) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Guarantee and the Agency Agreement (as the case may be), (b) to ensure that those obligations are legal, valid, binding and enforceable and (c) to make the Notes and Agency Agreement admissible in evidence in the courts of the Kingdom of Spain, is not taken, fulfilled or done and such failure remains unremedied 15 days after written notice thereof to the Issuer and the Guarantor; or
- (x) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Guarantee or the Agency Agreement; or
- (xi) *Sale of Business*: the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor (disregarding sales in the ordinary course of business) sells, leases, transfers, or otherwise disposes of, by one or more transactions or series of transactions (whether related or not), the whole or any part (the book value of which is thirty per cent. or more of the book value of the whole) of its revenues or its assets (unless the Issuer, the Guarantor or the Relevant Subsidiary of the Guarantor, as the case may be, received adequate consideration in respect of such sale, lease, transfer or disposal); or
- (xii) *Guarantee*: the Guarantee in respect of the Notes ceases to be, or is claimed by the Guarantor not to be in full force and effect.

If any Event of Default shall occur in relation to any Series of Notes, then either (i) any Noteholder of the relevant Series may declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note be forthwith due and payable; or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders may declare all the Notes and (if such Notes are interest-bearing) all interest then accrued on such Notes be forthwith due and payable, in each case, by written notice to the Issuer and the Guarantor, at the specified office of the Agent, whereupon the same shall become immediately due and payable at its or their Early Redemption Amount together with all interest (if any) accrued thereon.

- (b) Unless otherwise specified in the applicable Final Terms, the following events or circumstances (each an "Event of Default") shall be acceleration events in relation to the Subordinated Notes of any Series (and references to "Notes" shall be construed accordingly), namely:
 - (i) *Non-payment*: the Issuer or the Guarantor, as the case may be, fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof

or fails to pay any amount of interest in respect of the Notes within 14 days after the due date for payment thereof; or

- (ii) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Guarantee or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer or the Guarantor, as the case may be, by the relevant Noteholder, has been delivered to the Issuer or the Guarantor, as the case may be, to the specified office of the Agent; or
- (iii) *Enforcement proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied or enforced upon or against any of the assets or revenues of any of the Issuer, the Guarantor or any Relevant Subsidiary of the Guarantor and is not discharged or stayed within 30 days; or
- (iv) *Security enforced*: a security party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the issuer or the Guarantor or any of their Subsidiaries; or
- (v) *Insolvency etc.*: (a) the Issuer or the Guarantor or any of their Subsidiaries becomes insolvent (*concurso*) or is unable to pay its debts as they fall due, (b) a curator, administrator or liquidator of the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor is appointed in respect of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or Relevant Subsidiary (or application for any such appointment is made), (c) the Issuer or the Guarantor or any of their Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its External Indebtedness or any guarantee given by it, or (d) the Issuer or the Guarantor or any of their Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; or
- (vi) *Winding up*: an order is made or an effective resolution is passed for the winding up of the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor; or
- (vii) *Analogous event*: any event occurs which under the laws of any jurisdiction has an analogous effect to any of the events referred to in paragraphs (iii) to (vi) above, including, but not limited to, *concurso*; or
- (viii) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Guarantee and the Agency Agreement (as the case may be), (b) to ensure that those obligations are legal, valid, binding and enforceable and (c) to make the Notes and Agency Agreement admissible in evidence in the courts of the Kingdom of Spain, is not taken, fulfilled or done and such failure remains unremedied 15 days after written notice thereof to the Issuer and the Guarantor; or
- (ix) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Guarantee or the Agency Agreement; or
- (x) *Sale of Business*: the Issuer or the Guarantor or any Relevant Subsidiary of the Guarantor (disregarding sales in the ordinary course of business) sells, leases, transfers, or otherwise disposes of, by one or more transactions or series of transactions (whether related or not), the whole or any part (the book value of which is thirty per cent. or more of the book value of the whole) of its revenues or its assets (unless the Issuer, the

Guarantor or the Relevant Subsidiary of the Guarantor, as the case may be, received adequate consideration in respect of such sale, lease, transfer or disposal); or

- (xi) *Guarantee*: the Guarantee in respect of the Notes ceases to be, or is claimed by the Guarantor not to be in full force and effect.

If any Event of Default shall occur in relation to any Series of Notes, then either (i) any Noteholder of the relevant Series may declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note be forthwith due and payable; or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders, may declare all the Notes and (if such Notes are interest-bearing) all interest then accrued on such Notes be forthwith due and payable, in each case, by written notice to the Issuer and the Guarantor, at the specified office of the Agent, whereupon the same shall become immediately due and payable at its or their Early Redemption Amount together with all interest (if any) accrued thereon.

- (c) In this Condition “External Indebtedness”, “Relevant Subsidiary” and “guarantee” shall have the respective meanings ascribed to them in Condition 4.

12. SYNDICATES OF NOTEHOLDERS AND MODIFICATION

The Noteholders of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Noteholders (the “Regulations”). The Regulations shall contain the rules governing the functioning of each Syndicate of Noteholders and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed. The Regulations will be in the form set out in the Agency Agreement or any other form agreed by the relevant Dealer, the Issuer and the Agent in respect of a Series of Notes.

A temporary Commissioner will be appointed for each Syndicate of Noteholders. Upon the subscription of the Notes, the temporary Commissioner will call a general meeting of the Syndicate of Noteholders to ratify or reject the acts of the temporary Commissioner, confirm his appointment or appoint a substitute Commissioner for him and to ratify the Regulations.

Provisions for meetings of Syndicates of Noteholders will be contained in the Regulations relating to the relevant Series and in the Agency Agreement. Such provisions shall have effect as if incorporated herein.

The Issuer may agree, with the consent of the Agent, but without the consent of the relevant Commissioner or the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Agency Agreement which does not affect the terms and conditions of the Notes of such Series or the interests of the Noteholders.

The Issuer may agree, with the consent of the Agent and the Relevant Commissioner, but without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of these Conditions, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of these Conditions, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law; or
- (c) any modification of the withholding tax documentation procedures which is necessary as a result of changes in law, regulation or administrative direction or as a result of the practices of the relevant clearing systems; or
- (d) any modification of these Conditions, the Deed of Covenant or the Agency Agreement to effect a substitution of the Issuer in accordance with Condition 17.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

Subject as aforesaid, no other modification may be made to these Conditions, the Deed of Covenant or the Agency Agreement except with the sanction of a resolution of the relevant Syndicate of Noteholders (which may be adopted by resolution passed at a duly convened meeting of the relevant Syndicate of Noteholders or in the form of written resolution signed in counterpart or otherwise by or on behalf of all the relevant Noteholders).

For the purposes of these Conditions:

- (a) "Commissioner" means the *comisario* as this term is defined under the Spanish Corporations Law (*Ley de Sociedades Anónimas*) of each Syndicate of Noteholders; and
- (b) "Syndicate of Noteholders" means the *sindicato* as this term is described under the Spanish Corporations Law (*Ley de Sociedades Anónimas*).

Noteholders shall, by virtue of purchasing Notes, be deemed to have agreed to the appointment of the temporary Commissioner for the relevant Series named in the relevant Final Terms and to have become a member of the relevant Syndicate of Noteholders.

13. 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 Agent in London (or such other place as may be notified to the Noteholders) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) therefore.

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 14 or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

15. NOTICES

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

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on or by a listing authority, stock exchange and/or quotation system, the listing authority, stock exchange and/or quotation system agrees), so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as appropriate, for communication by them to the Noteholders and in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading 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 Noteholders on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

In addition, the Issuer shall also ensure that whilst any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, all notices regarding the Notes will be delivered, in writing, to Euroclear and/or Clearstream, Luxembourg.

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 Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

17. SUBSTITUTION OF THE ISSUER

- (a) The Issuer and the Guarantor may at any time, without the consent of the Noteholders or the Couponholders, substitute for the Issuer any company which is wholly-owned by the Guarantor (the "Substitute") upon notice by the Issuer, the Guarantor and the Substitute to be given in accordance with Condition 15 provided that:
- (i) no Event of Default has occurred in respect of the Notes;
 - (ii) no payment in respect of the Notes, the Receipts or the Coupons or the Guarantee Agreement (as the case may be) is at the relevant time overdue;
 - (iii) the Substitute shall, by means of a deed poll in the form approved by the Fiscal Agent (the "Deed Poll"), agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
 - (iv) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant shall be unconditionally and irrevocably guaranteed by the Guarantor by means of the Deed Poll;
 - (v) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents and compliance with all applicable Spanish laws) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect;

- (vi) the Substitute shall have become party to the Agency Agreement with any appropriate consequential amendments, as if it had been an original party to it;
 - (vii) legal opinions shall have been delivered to the Fiscal Agent from lawyers of recognised standing in each jurisdiction referred to in (iii) above, in Spain and in England as to the fulfilment of the requirements of this Condition 17 and the other matters specified in the Deed Poll and that the Notes, Receipts, Coupons and Talons are legal, valid and binding obligations of the Substitute;
 - (viii) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substitute, the Notes will continue to be listed on such stock exchange;
 - (ix) Moody's, Fitch and/or S&P, as the case may be, shall have confirmed that following the proposed substitution of the Substitute, the credit rating of the Notes will not be adversely affected; and
 - (x) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings in the courts of England arising out of or in connection with the Notes.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Notes and the Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Notes and under the Agency Agreement.
 - (c) After a substitution pursuant to Condition 17(a), the Substitute may, without the consent of any Noteholder, effect a further substitution. All the provisions specified in Conditions 17(a) and 17(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
 - (d) After a substitution pursuant to Conditions 17(a) or 17(c) any Substitute may, without the consent of any Noteholder, reverse the substitution, *mutatis mutandis*.
 - (e) The Deed Poll and all documents shall be delivered to, and kept by, the Agent. Copies of such documents will be available free of charge at the specified office of each of the Agents.

18. GOVERNING LAW; SUBMISSION TO JURISDICTION

- (a) Save as described below, the Agency Agreement (excluding the Regulations) which shall be governed by Spanish law), the Deed of Covenant, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law. The status of the Notes as described in Condition 2, the status of the Guarantee as described in Condition 3, the provisions of Condition 12 relating to the appointment of the Commissioner and the Regulations and the Guarantee Agreement are governed by, and shall be construed in accordance with, Spanish law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Notes.
- (c) Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) Condition 18(b) is for the benefit of the Noteholders only. As a result, nothing in this Condition 18 prevents any Noteholder from taking proceedings relating to a Dispute

("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in England in relation to those Proceedings may be served on it by being delivered to Confederación Española de Cajas de Ahorros (CECA), London Branch at 16 Waterloo Place, London SW1Y 4AR or, if different, its registered office for the time being or at any address of the Issuer or the Guarantor in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and the Guarantor, the Issuer and the Guarantor (acting together) shall, on the written demand of any Noteholder addressed and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

19. THIRD PARTIES

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds from each issue of Notes (net of commissions and expenses) will be on-lent by the Issuer by way of a permanent deposit to the Guarantor or other companies within the Bancaja Group (as defined in “*Description of the Guarantor*”). If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

SUMMARY OF GUARANTEE

A guarantee in respect of the Programme was entered into on 1 August 2008 by the Guarantor in favour of the Holders and the Relevant Account Holders (each as defined below) (the **Guarantee**) (amending and restating the guarantee dated 27 June 2007).

In this summary:

Holder in relation to any Note means, at any time, the person who is the bearer of such Note; and

Relevant Account Holder means any Relevant Account Holder defined as such in the Deed of Covenant.

The Guarantor has unconditionally and irrevocably guaranteed on first demand (*garantía a primer requerimiento*):

- (a) to each Holder the due and punctual payment of any and every sum or sums of money which the Issuer shall at any time be liable to pay under or pursuant to any Note as and when the same shall become due and payable and agreed unconditionally and irrevocably to pay to such Holder, forthwith upon demand (*a primer requerimiento*) by such Holder and in the manner and currency prescribed by such Notes for payments by the Issuer thereunder, any and every sum or sums of money which the Issuer shall at any time be liable to pay under or pursuant to such Note and which the Issuer shall have failed to pay at the time such demand is made; and
- (b) to each Relevant Account Holder the due and punctual payment of all amounts due to such Relevant Account Holder under the Deed of Covenant as and when the same shall become due and payable and agreed unconditionally to pay to such Relevant Account Holder, forthwith on demand (*a primer requerimiento*) by such Relevant Account Holder and in the manner and in the currency prescribed pursuant to the Deed of Covenant for payments by the Issuer thereunder, any and every sum or sums of money which the Issuer shall at any time be liable to pay under or pursuant to the Deed of Covenant and which the Issuer shall have failed to pay at the time demand is made.

As a separate, additional and continuing obligation, the Guarantor has unconditionally and irrevocably undertaken with each Holder and each Relevant Account Holder that, should any amount referred to in paragraphs (a) and (b) above not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Note, any provision of any Note, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, as a sole, original and independent obligor, upon first written demand under paragraphs (a) and (b) above, make payment of such amount by way of a full indemnity in such currency and otherwise in such manner as is provided for in the Notes or the Deed of Covenant (as the case may be) and indemnify each Holder and each Relevant Account Holder against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur under or in connection with the Notes, the Deed of Covenant or the Guarantee.

The Guarantor has expressly represented that its irrevocable and unconditional guarantee is an autonomous and independent obligation (*garantía abstracta*) and is not ancillary in respect to the obligations of the Issuer, under the Notes and the Deed of Covenant, so that the Guarantor shall be bound to comply with the obligations contained within the Guarantee upon the written demand of the relevant Holder or Relevant Account Holder, not needing such Holder or Relevant Account Holder to express or demonstrate any other requirement of whatsoever nature.

All amounts in respect of the Guarantee (whether in respect of principal, redemption amount, interest or otherwise) in respect of all the Notes will be made free and clear of and without

withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain, as the case may be, or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by any Holder or Relevant Account Holders after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Notes or Coupon as provided in the Guarantee.

The Guarantor has acknowledged and covenanted that the obligations binding upon it contained in the Guarantee are owed to, and shall be for the benefit of, each and every Holder and Relevant Account Holder, and that each Holder and each Relevant Account Holder shall be entitled severally to enforce the said obligations against the Guarantor.

The Guarantor may not assign or transfer all or any of its rights, benefits and obligations under the Guarantee.

The Guarantee and all matters arising from or connected with it are governed by, and shall be construed in accordance with, Spanish law. The courts of Valencia have exclusive jurisdiction to settle any dispute, arising from or connected with the Guarantee (including a dispute regarding the existence, validity or termination of the Guarantee) or the consequences of its nullity.

A copy of the Guarantee applicable to Notes issued under this Offering Circular is available for inspection during normal business hours at the specified office of each of the Paying Agents.

DESCRIPTION OF THE ISSUER

General Information

The Issuer was incorporated on 25th October, 2004 for an indefinite period of time as a limited liability company (*sociedad anónima*) under the laws of the Kingdom of Spain, with its registered office at Calle Caballeros 2, 12001 Castellón de la Plana, Spain, with telephone number +34 96 387 5545. The Issuer is registered in Volume 1238, Book 801, Folio 38, Sheet CS-22796, Registration 1 of the Spanish Mercantile Registry (Registro Mercantil). The Issuer has no subsidiaries.

Share capital

The authorised share capital of the Issuer is €60,500 divided into 605 ordinary shares, each with a par value of €100. The subscribed and fully paid up share capital is €60,500.

There are currently no arrangements in place, the operation of which may at a future date result in a change of control of the Issuer. There are no measures in place to ensure that the control of the Issuer by Bancaja is not abused.

Business

The objects of the Issuer are to issue all kinds of debt securities guaranteed by the Guarantor on a subordinated or unsubordinated basis, pursuant to Law 13/1985 which are to be traded on Spanish and international markets.

The net proceeds from the issuance of the debt securities will be deposited with Bancaja and used for the general corporate purposes of the Group. The Issuer is dependent on Bancaja to service its obligations under these debt securities.

Management

The directors of the Issuer are Bancaja, represented by Miguel Angel Soria Navarro, Bageva Inversiones, S.A. represented by Benito Castillo Navarro and Grupo Bancaja Centro de Estudios, S.A. represented by Santiago de Santos Radigales, in each case to exercise the functions of the position of director of the Issuer on its behalf. Each of these appointments was made by way of power of attorney.

The business address of Miguel Angel Soria Navarro, Benito Castillo Navarro and Santiago de Santos Radigales is C/Cardenal Benlloch 67, 46021 Valencia, Spain.

Outside the Issuer, Miguel Angel Soria Navarro, Benito Castillo Navarro and Santiago de Santos Radigales work principally as executives of Bancaja.

There are no potential conflicts of interest between the duties of the joint directors of the Issuer and their private interests or other duties. None of the directors performs any significant activities outside the Issuer.

Material contracts

The material contracts entered into by the Issuer (other than in its ordinary course of business) which are relevant to its ability to meet its obligations in respect of the Programme are the Dealership Agreement, the Agency Agreement, the Deed of Covenant and each Public Deed entered into in respect of Notes issued under the Programme.

Long-term debt

Since the latest unconsolidated annual financial statements of the Issuer dated 31 December 2007, as at 30 June 2008 the long-term debt of the Issuer had decreased from €2,261,538,914 to €2,225,757,628.

DESCRIPTION OF THE GUARANTOR

Introduction

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (Bancaja) is incorporated under the laws of the Kingdom of Spain and regulated and supervised by the Bank of Spain. Bancaja was founded in 1878 for an unlimited duration as Caja de Ahorros de Valencia. Bancaja is the result of the mergers in 1989 of Caja de Ahorros de Valencia with Caja de Ahorros y Monte de Piedad de Segorbe (founded in 1884), in 1991 with Caja de Ahorros y Monte de Piedad de Castellón (founded in 1899), in 1993 with Caja de Ahorros y Socorros de Sagunto (founded in 1841) and in 2001 with Caja de Ahorros y Préstamos de Carlet (founded in 1909). After the merger with Caja de Ahorros y Monte de Piedad de Castellón in 1991, the resulting entity adopted the brand name of “Bancaja”.

Bancaja is registered in the Special Register of Popular Savings Banks of the Bank of Spain, as number 49 on page 30, on the Register of Savings Banks of the Region of Valencia as number 4 and in the Provincial Mercantile Register of Castellón (Tome 532, Book 99, General Section, page number CS-2749). Bancaja’s registered office is at C/Caballeros 2, 12001 Castellón de la Plana, Spain (with telephone number +34 96 387 5545) and Bancaja’s head office is at C/Pintor Sorolla 8, 46002 Valencia, Spain.

Unlike commercial banks, savings banks have no share capital, nor shareholders. Savings banks allocate part of their surplus to reserves in order to comply with Bank of Spain regulations on financial institutions’ capitalisation. Any surplus not allocated to reserves is invested in community, social and cultural projects.

As at 31 December 2007, Bancaja was Spain’s third largest savings bank and the parent entity of the sixth largest banking group by total assets.

As at 31 December 2007, Bancaja and its consolidated subsidiaries (the Group) had 1,561 branches mainly located on the east Mediterranean coast of Spain, 8,079 employees dedicated to banking activities and over two million customers.

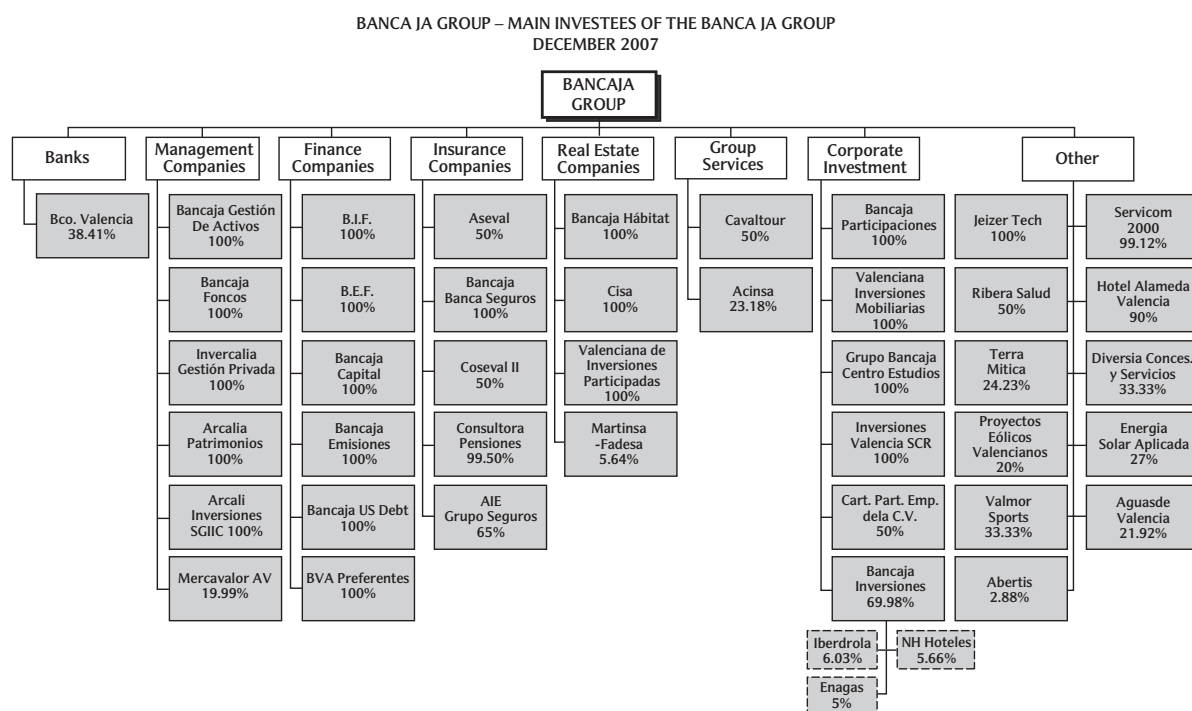
As at 31 December 2007 Bancaja’s regulatory equity, BIS regulation, amounted to €9,107.3 million. The Group’s total capital to risk-weighted asset ratio, calculated in accordance with Bank of Spain capital adequacy criteria, as at 31 December 2007 was 12,95 per cent.

The Group is comprised of a series of companies incorporated by Bancaja or in which Bancaja owns a holding, including long-standing financial institutions and service companies. The Group aims to diversify and specialise in the range of products offered to its customers and to distribute the products through various channels over a large geographical area to achieve economies of scale and of scope.

Bancaja, the parent entity of the Group, coordinates the activities of the companies it manages, providing support in several areas, including financial innovation, technological development and training.

Group Structure

The following is an organisational chart of the Group as of 31 December 2007 including the name of each member of the Group and the percentage shareholding of Bancaja in each company:



Note: The percentage shown indicates the controlling interest (the sum of Bancaja's direct shareholding plus its unweighted indirect shareholding through companies that it controls and its weighted indirect shareholding through companies that it does not control).

The companies shown in broken-line boxes are direct ownership interests of Bancaja Inversiones, S.A., together with Banco de Valencia, S.A., which is shown separately in the organisation chart insofar as it is structured by business activity.

Business

Bancaja's main business is retail deposit taking and mortgage lending, as well as lending to the public sector and medium-sized companies. Bancaja's strategy is to achieve sufficient presence in the Spanish market, covering all towns with more than 50,000 inhabitants, and in particular, areas of growth in tourism and property development.

The Group's non-banking subsidiaries provide specialised services in insurance (Bancaja BancaSeguros, Aseval), investment fund management (Bancaja Gestión de Activos, Bancaja Fondos, Arcalia), travel (Cavaltour) and real estate services (Bancaja Hábitat).

Performance of the Group in 2007

2007 was characterised by two very distinct phases; the turning point came in July and August, when the international financial markets were hit by the turmoil caused by the US sub-prime mortgage crisis, which hindered access to sources of financing due to a confidence crisis in the wholesale markets.

In the second half of the year, the Spanish economy witnessed a moderate slowdown in growth, and domestic demand became less robust due mainly to the downturn in private consumption and, above all, in investments in construction. Private consumption was influenced negatively by the rise in energy and food prices and by more severe financial conditions (mainly triggered by the rise in interest rates), which was one of the reasons behind the increase in non-performing loans in the financial sector.

With respect to the labour market, although employment rates increased by 2.38% in 2007 (less than in 2006), there was evidence of a decline in the second half of the year, particularly in the last quarter, with a drop in employment with respect to the same period in 2006, most notably in the services and construction industries.

Against this background, in general terms, the financial sector registered slower growth than in 2006. The Bancaja Group was equipped to face this deterioration in the economic situation, since it has consolidated its growth process, enabling it to increase business volumes by 20.2% (less than in 2006), whilst channelling its marketing strength on the capture of retail deposits and on the adequate promotion of customer loyalty, with a focus on cross-selling and value generation.

The most noteworthy aspects of the Bancaja Group's position at year-end, in terms of the main aggregates and the changes therein in 2007, are as follows:

- 2007 was characterised by the consolidation of business volumes; gross customer lending and managed funds increased by 21.83% and 18.79%, respectively. Disregarding the effect of accounting for securitisations, the actual growth in gross customer lending was 20.19%. This growth was slightly slower than in previous years, particularly in the second half of the year, since business reacted to the market uncertainty (the slowdown in the real estate market and the reduction of activity in the financial markets).
- With respect to recurring income in 2006, the increase in income was underpinned by the growth in the banking business, with an increase in gross income of 19.71%. The containment of operating expenses, together with the opening of new branches in the year to consolidate prior expansion, and the other projects in progress, such as specialising management by division in the entire Spanish network, led to a year-on-year increase in net operating income of 24.33% and 5.7% improvement in the efficiency ratio to 36.0%. Profit before tax totalled EUR 774.3 million, 17.1% higher than in 2006. After-tax profit was EUR 604 million, up 20.6% on 2006. Lastly, the after-tax profit attributable to the Group was up 15.5% at EUR 491.2 million.
- As a result of the expected industry-wide increase in non-performing loans, the Bancaja Group's non-performing loans ratio stood at 0.85%. This trend dampened the coverage ratio, although the strength of net operating income boosted the allowances for impairment losses, maintaining strong income growth and a coverage ratio of 230.4%.
- As regards solvency, eligible capital increased by EUR 1,441 million (up 18.8%) with respect to 2006 due to the generation of profit, the entry of institutional investors in Bancaja Inversiones and the capital increase of Banco de Valencia. The core capital ratio stood at 6.7% and total capital reached EUR 9,107 million, with a solvency ratio of 12.9% and a cushion of EUR 3,480 million (61.8%) over the minimum eligible capital requirement.

Key financial figures

The following key financial figures for the Group have been extracted from the Group's audited consolidated figures for the financial year ended 31 December 2007.

	31/12/2007	Variation		
		2007/2006	%	% ⁽⁴⁾
Business				
Total Balance-Sheet Assets	99,584,939	20,007,692	25.14	
Turnover	174,278,253	29,271,108	20.19	
Loans and credits	81,315,622	14,569,592	21.83	
Customer funds under management	92,962,631	14,701,516	18.79	
Balance-sheet funds	80,100,267	14,518,679	22.14	
Off-balance-sheet transactions ⁽¹⁾	12,862,864	183,337	1.45	
Results				
Net interest income	1,399,420	201,638	16.83	16.83
Gross income	1,876,688	(247,991)	-11.67	19.71
Net operating income	1,205,120	(321,089)	-21.04	24.33
Profit before taxes	774,281	(471,951)	-37.87	17.10
Consolidated profit for the year	491,170	(304,839)	-38.30	15.50

	31/12/2007	Variation	
		2007/2006	%
Sources			
Employees dedicated to ordinary activities ⁽²⁾	8,079	501	6.61
Branches ⁽³⁾	1,561	79	5.33
ATMs	1,954	177	9.96

(1) Mutual funds (Group and non-Group), pension plans, technical insurance reserves and Asset Management.

(2) Including Bancaja and Banco de Valencia.

(3) Not including representation offices.

(4) Increase with respect to recurring income in 2006, including non-recurring income of EUR 371 million, arising mainly from the sale of the 6% ownership interest in Metrovacesa.

Geographical distribution of branches as of 31 December 2007⁽¹⁾

	Bancaja	Banco de Valencia	Total
AUTONOMOUS COMMUNITY OF VALENCIA	650	258	908
Alicante	120	67	187
Castellon	121	33	154
Valencia	409	158	567
CATALONIA	104	33	137
Barcelona	77	26	103
Lleida	5	1	6
Girona	9	3	12
Tarragona	13	3	16
MADRID	100	43	143
ANDALUSIA	68	21	89
Almería	9	18	27
Cadiz	10	-	10
Córdoba	3	-	3
Granada	4	-	4

	<i>Bancaja</i>	<i>Banco de Valencia</i>	<i>Total</i>
Huelva.....	4	-	4
Jaen	1	-	1
Malaga	19	3	22
Seville	18	-	18
BALEARIC ISLANDS	39	8	47
CANARY ISLANDS	28	-	28
Las Palmas de Gran Canaria	17	-	17
Santa Cruz de Tenerife.....	11	-	11
CASTILLA-LA MANCHA	29	3	32
Albacete	18	-	18
Ciudad Real	4	-	4
Cuenca	2	-	2
Guadalajara	2	1	3
Toledo.....	3	2	5
CASTILLA-LEON	16	-	16
Avila	1	-	1
Burgos.....	3	-	3
León	3	-	3
Palencia	1	-	1
Salamanca	1	-	1
Segovia.....	1	-	1
Soria	1	-	1
Valladolid.....	4	-	4
Zamora	1	-	1
GALICIA	18	-	18
A Coruña	8	-	8
Lugo	2	-	2
Ourense	1	-	1
Pontevedra	7	-	7
MURCIA AUTONOMOUS COMMUNITY	18	65	83
ARAGON	14	12	26
Huesca	3	3	6
Teruel	1	-	1
Zaragoza	10	9	19
BASQUE COUNTRY.....	10	-	10
Álava	1	-	1
Guipúzcoa	2	-	2
Vizcaya	7	-	7
ASTURIAS	6	-	6
EXTREMADURA	3	-	3
Badajoz.....	2	-	2
Caceres.....	1	-	1
CANTABRIA	3	-	3
NAVARRA	2	4	6
LA RIOJA	3	2	5
UNITED STATES	1	-	1
Miami	1	-	1
TOTAL	1,112	449	1,561

(1) Not including representation offices.

Group Service Points by type as of 31 December 2007

	<i>Bancaja</i>	<i>Banco de Valencia</i>	<i>Total</i>
Commercial Banking			
Branches.....	920	449	1,369
Other offices	105	–	105
Corporate Banking	48	1	49
Real Estate Developers.....	6	1	7
Individual Banking.....	25	–	25
Specialised Customer Service modules and branches	8	–	8
Other Centres.....	–	–	–
Monte de Piedad	1	–	1
Exhibition and Auction Rooms (Bancarte)	1	–	1
Telephone Banking:			
Telephone Authorisation Centres	1	–	1
Telephone Services	1	1	2
Ticket Sales Service.....	1	–	1
ATMs	1,519	435	1,954
Tele-Purchase Customer Service Points	21,089	10,520	31,609
Automatic Passbook Update Points	188	-	188

Commercial banking network

ATMs

At the end of 2007, Bancaja had a total of 1,519 ATMs and over 65 million transactions, which was a 6.7 per cent. increase over the previous year.

Credit cards

Bancaja has issued over 1,944,558 credit cards. Cards in issue increased by 11.14 per cent. with respect to 2006.

Total credit card purchases amounted to over €2,704 million in 2007 (an increase of 19.75 per cent. compared with 2006).

Bancaja card sales at business

As at 31 December 2007 a total of 21,089 point-of-sale terminals were installed, an increase of 25.66 per cent. on 2006. Total related purchases were over €1,555 million.

Telephone banking

During 2007, Línea Directa received almost 1,136,015 calls which were answered by an automatic system (IVR) in 63.7 per cent. of cases.

2.9 million calls were made to Línea Directa in 2007 and to the other telephone services (such as collection activities, ticket sales, ATM customer services, credit cards and internet services).

Bancaja Próxima Particulares

In 2007, 2.54 million business transactions were carried out, totalling EUR 3,963 million (a year-on-year increase of 50.67% and 68.82%, respectively).

This service was used by 506,000 customers, which represents a 25.89% increase with respect to 2006.

Bancaja Próxima Empresas

The number of transactions increased by 18.44 per cent. in 2007. Over 1.68 million business transactions (representing more than €7.667 million) were made.

In addition to simple transactions, over 668,352 AEB (Spanish Banking Association) transactions were processed through this channel, with a turnover of over €12,280 million.

C.A.T. – Mortgage Loan Centre

In 2007, the Telephone Authorisation Centre (CAT) facilitated loans amounting to over €2,229 million (over 13,000 mortgage transactions). This represents a 25% decrease in volume due to the new situation in the real estate industry and the adoption of new risk criteria.

Community welfare projects

On 31 May 2007, Bancaja's General Assembly agreed to allocate (out of the 2006 cash surplus) €72 million to community welfare projects.

Institutional and corporate banking

The most noteworthy co-operation agreements entered into with central government and other public bodies for the financing of investments qualifying for official aid are as follows:

- The agreements with mutual guarantee societies (SGR). At 31 December Bancaja had entered into 14 agreements with mutual guarantee societies in Spain. As a result of the agreement with the Valencia Autonomous Community SGR to finance SME investment schemes, 29 transactions were performed totalling EUR 17.6 million.
- The agreements for housing and land activities eligible for government sponsorship. Total transactions granted by Bancaja under the agreement with the Ministry of Housing amounted to EUR 165.3 million in 2007. Also, transactions totalling EUR 26.5 million were performed under agreements with Autonomous Community Governments.
- The agreements with Instituto de Crédito Oficial (ICO) to help SMEs purchase new fixed assets. The financing provided by Bancaja in 2007 as part of the Business Development Plan totalled EUR 182.7 million. In relation to the agreement entered into with Instituto de Crédito Oficial and the Centre for Industrial and Technological Development (CDTI) to support companies that invest in technological development and industrial design projects, the financing provided by Bancaja amounted to EUR 6.7 million in 2007.
- The agreement with Instituto de Crédito Oficial to facilitate citizens' access to the information society. 2,752 loan transactions for a total of EUR 8.8 million were granted under the ICO-Avanza agreement.
- The agreements entered into with the Department of Economy, Finance and Employment of the Valencia Autonomous Community Government for the promotion of employment, under which loans totalling EUR 2.8 million were granted in 2007.

Capital market activity

Despite the turbulence and crises in the capital markets in 2007, Bancaja continued to have a significant presence in the bond and securitisation markets as part of its 2007 Financing Plan and, once again, was one of the main Spanish issuers and a benchmark for the European securitisation market.

Four mortgage securitisation transactions totalling EUR 7,450 million (up 63.7% on 2006) were performed in a year of strong growth in mortgage asset portfolios. As set forth in the table below,

EUR 6,450 million of this amount related to the securitisation of individuals' mortgages and the remaining amount of EUR 1,000 million to those of SMEs.

In the senior debt market, in line with the strategy of diversifying financing sources and instruments, the Group launched issues in U.S. Dollars, Sterling, Japanese Yen and Euro, in fixed and floating interest rate instruments.

Bancaja once again turned to the United States, this time with the launch of a four-year bond issue amounting to U.S.\$ 1,300 million. A four-year bond issue was launched for £250 million and public issues were launched on the European market for EUR 3,150 million. A new development in 2007 was the decision to promote private placements with investors, taking advantage of Bancaja's reputation as issuers, obtaining EUR 1,067 million from transactions of different types and structures, including one denominated in Japanese yen, which represented a substantial portion of the funds raised in the capital markets this year.

In the Spanish promissory note market, Bancaja extended the issue programme to EUR 6,000 million, allocating these instruments to satisfy the short-term investment requirements of investment funds, insurance companies and the treasury departments of financial institutions.

Also, Bancaja launched a mortgage bond issue for EUR 1,150 million, both as sole issuer for private placements and as co-issuer for public placements, the latter with a view to retaining them in Bancaja's portfolio to increase the assets available for deposit at the central bank. Around 13% of the amounts issued in the year were maintained in the portfolio for short-term liquidity management purposes.

As a result of these actions, Bancaja continued to increase and diversify its sources of financing in terms of both geographical markets and instruments.

Bancaja international issues in 2007

Public bond issues

<i>Issuer</i>	<i>Maturity</i>	<i>Instrument</i>	<i>Issue^(*)</i>
Bancaja	January 2012	Non-convertible bonds	1,500
Bancaja	February 2017	Non-convertible bonds	500
Bancaja Emisiones	February 2011	EMTN issue in pounds sterling	379
Bancaja	March 2012	Non-convertible bonds	300
Bancaja	April 2014	Non-convertible bonds	850
Bancaja US Debt	July 2012	6-M extendible bonds	942

Securitisation issues

<i>Issuer</i>	<i>Average maturity</i>	<i>Issue^(*)</i>
RMBS Bancaja 10 FTA	February 2013	2,600
MBS Bancaja 4 FTA	April 2012	1,850
RMBS Bancaja 11 FTA	July 2013	2,000
FTPYME Bancaja 6 FTA	September 2012	1,000

Bond issues

<i>Issuer</i>	<i>Maturity</i>		<i>Issue^(*)</i>
Cédulas Multicontribuidas AyT	November 2012	Bonds	350
Cédulas Multicontribuidas TdA	November 2010	Bonds	500
Cédulas Bancaja	December 2008	Bonds	300

(*) Figures in millions of euro.

Bancaja is analysed annually by the three benchmark rating agencies, Fitch, Moody's and Standard & Poor's.

In its latest report on Bancaja, Standard & Poor's highlighted Bancaja's dominant position in its core market, its well-executed diversification strategy and its excellent operational efficiency.

Moody's evaluated positively the sound performance of profitability, efficiency and solvency, supported by the diversification arising from the expansion in Spain and the diversification of the sources of income of the various lines of activity which make up the Bancaja Group's results.

Banco de Valencia Group

	<i>Balance</i>	<i>Variation</i>	
	<i>31/12/2007</i>	<i>2007/2006</i>	<i>%</i>
Business (thousands of euro)			
Total Balance-Sheet Assets.....	19,633,198	3,769,290	23.76%
Turnover	34,144,751	6,544,001	23.71%
Loans and credits	17,745,234	3,545,711	24.97%
Customer funds under management	16,399,517	2,998,290	22.37%
Balance-sheet funds	15,271,911	2,973,728	24.18%
Off-balance-sheet transactions ⁽¹⁾	1,127,606	24,562	2.23%
Book Results before taxes	197,627	28,081	16.56%
Profit after taxes	135,535	22,842	20.27%
Profit attributed to the group	135,861	22,499	19.85%

(1) Mutual funds (Group and non-Group) and pension plans.

	<i>Number</i>	<i>Variation</i>	
		<i>2007/2006</i>	<i>%</i>
Resources			
Employees	2,171	128	6.27%
Branches	449	22	5.15%
ATM's	435	44	11.25%

The following are certain aspects of Banco de Valencia's recent performance in 2007:

- The marked 22% increase in managed funds, above the industry average, including most notably the 24.18% year-on-year increase in borrowed funds.
- A 27.78 per cent. growth in family mortgage portfolio, which represents more than 59 per cent. of total loans.
- A rise in the non-performing loans ratio, from 0.44 per cent. at 31 December 2006 to 0.62 per cent., at 31st December 2007.
- A 16.44 per cent. Return on Equity in 2007, a 1.10 per cent. Return on Assets and a 35.23 per cent. increase in operating margin.
- An increase of €257.6 million in total capital gains in the participations portfolio, reflecting a 8.7 million increase in 2007.
- A €1.19 increase in profit per share.

Insurance Group

The Insurance Group is composed of insurance companies, including Aseguradora Valenciana de Seguros y Reaseguros (Aseval), and insurance brokers, through Operador de Banca-seguros

Vinculado (Bancaja BancaSeguros), and it offers an integral service to the two major customer segments: individuals, on the one hand, and companies and professionals, on the other.

Highlights

	<i>Balance</i>	<i>Variation</i>	
	<i>31/12/2007</i>	<i>2007/2006</i>	<i>%</i>
	<i>(thousands of euro)</i>		
Results before taxes.....	89,728	(1,181)	(1.30)
Insurance Life, casualty and illness			
Premiums.....	735,558	(7,147)	(0.96)
Technical reserves.....	3,910,054	(206,208)	(5.01)
Pension Plans			
Assets managed	2,039,127	181,682	9.78
Contributions	383,279	61,610	19.15
Brokerage			
Premiums from open policies	99,545	20,047	25.22
Fees	43,756	9,256	26.83
		<i>Variation</i>	
	<i>Number</i>	<i>2007/2006</i>	<i>%</i>
	<i>(thousands of euro)</i>		
Number of Bancaja Insurance Group Customers			
Insurance Life, casualty and illness	2,022,776	341,004	20.28
Participants	396,631	121,820	44.33
Open policies intermediated	355,668	49,391	16.13

Investment management

Bancaja Fondos (formerly Gebasa)

At 31 December 2007, Bancaja Fondos S.G.I.I.C., S.A. managed 82 investment funds broken down as follows:

Investment management funds

Collective Investment Undertakings	2007
Capital market investment fund (FIM)	82
Short-term fixed-income	11
Long-term fixed-income	2
International fixed-income	1
Mixed fixed-income	6
– Funds	3
– Fund of funds	3
Mixed equities	5
– Funds	2
– Fund of funds	3
Spanish equities	2
Euro equities	8
Guaranteed equities	22
International equities	9
– Funds	5
– Fund of funds	4
Global	16
– Funds	6
– Fund of funds	10

At 31 December 2007, the volume of investments managed exceeded €3.793 million, an increase of 1.05 per cent. with respect to 2006.

For the year ended 31 December 2007, Bancaja Fondos profit before taxes amounted to €8.87 million.

Real Estate Group

The Real Estate Group (comprising Bancaja Hábitat, S.L. and its investees) is present in all phases of the real estate business through the performance of the following activities:

- Land management and development
- Real estate development and marketing
- Diversification
- International expansion

In addition, it also owns a differentiated business area for the management and sale of foreclosed assets (CISA, Cartera de Inmuebles, S.L.).

In 2007, the Real Estate Group's consolidated profit after taxes (including holdings in companies using the equivalence method) amounted to €17 million. The financial highlights of the Real Estate Group in 2007 were:

	<i>Balance</i>	<i>Variation</i>	
	<i>31/12/2007</i>	<i>2007/2006</i>	<i>%</i>
	<i>(thousands of euro)</i>		
Ordinary margin	61,562	85,940	(28%)
Operating margin	43,164	68,695	(37%)
Profit before taxes.....	22,983	63,616	(64%)
Profit after taxes	16,900	55,046	(69%)
Shareholders' Equity.....	335,400	193,621	73%
Total Investment ⁽¹⁾	1,057,691	789,474	34%

(1) Includes land, marketing and other assets

Profit for the year was affected by the slowdown in the real estate industry, the increase in finance expense and the delay in urban development procedures in relation to certain land and real estate developments. Based on the progress of the property development portfolio, the urban land management and the significant transactions scheduled, the forecast for 2008 includes significant increases in the margins and profit of the Real Estate Group.

Travel (Bancaja Viajes)

The business volume increased by 13% on 2006. The growth in sales exceeded that reported by the travel agency industry in 2007.

Risk Management

Introduction

The primary objective of the Group's comprehensive risk management model is to provide for the proper identification, measurement, assessment, control and monitoring of risks, integrating all risk functions into a single process in order to actively manage portfolios, minimise possible negative impacts and ensure that risk variables are given the correct weighting in the decision-making process so as to ensure that all decisions correspond with the Group's desired risk profile at all times.

Credit Risk Management

Credit risk is defined as the entity's potential loss if borrower or counterparty fails to meet its obligations in accordance with agreed terms.

Credit policy is the group of criteria, measures and procedures, in order to achieve a quality credit portfolio, which permits minimising the credit risk.

The tools and procedures implemented are in line with the principles behind the New Capital Accord, so that Bancaja can manage its credit risk profile continuously.

Balance Sheet Position Management

The Group's balance sheet positions are subject to the risks associated with uncertainty regarding future changes in the market. These risks, increasingly important due to heightened market volatility, can be broken down as follows:

- Balance sheet interest rate risk: the risk of suffering negative changes in the economic value of the balance sheet or of net interest income as a consequence of the effect of movements in interest rate curves in respect of the rates at which the different amounts on balance sheet aggregates are renewed;
- Market risk: the risk associated with stock market operations, in relation to the possibility of suffering losses in the economic value of a contracted operation due to the negative evolution of prices quoted on financial markets;
- Exchange rate risk: the risk of unfavourable movements in the value of different currencies in which Bancaja's assets and liabilities, or its off-balance sheet undertakings, are expressed. This risk is practically non-existent for the Group, due to the policy it has implemented in this regard: hedging the currency position generated by any transactions carried out in the Group that might entail exchange rate risk on a daily basis; and
- Liquidity risk: Bancaja's inability to raise available funds in order to repay customer operations upon maturity.

Balance Sheet Interest Rate Risk

The Group uses an internal transfer rate system as a model for its interest rate risk management, allowing it to isolate the interest risk generated by the different business units and passing it on to the structural position managed and controlled by Bancaja's Assets and Liabilities Committee (ALC).

Under instruction from the the ALC, the Technical Unit of the Assets and Liabilities Management Department analyses the structural positions that are exposed to interest rate risk as a result of gaps between maturity dates and rate revisions for the various assets and liabilities on the balance sheet that are sensitive to such events, in addition to any undertakings and other off-balance sheet products.

Controls are carried out by calculating and analysing any gaps (assets-liabilities), both with regard to their current and projected positions. Monitoring of these gaps enables the identification of the amounts on the balance sheet that are sensitive to interest rate changes and, thus, the planning of possible hedging strategies to minimise any potential negative impact such changes might have on future renewals or maturities.

Bancaja Group Maturity and Interest Rate Renewal Gap as of 31 December 2007

Breakdown of Balances by Maturity or Price Reviews

	<i>Up to 1 Month</i>	<i>1 to 3 Months</i>	<i>3 to 6 Months</i>	<i>6 Months to 1 Year</i>	<i>1 to 2 Years</i>	<i>More than 2 Years</i>	<i>Not Sensitive</i>	<i>Total Balance</i>
Money Market	3,001,389	635,745	902,731	13,253	–	–	325,063	4,878,181
Capital Market	440,557	111,895	3,499	36,985	912,529	4,245,412	5,958,822	11,709,699
Credit Market	4,534,381	6,679,111	6,652,353	9,201,810	11,475,437	40,151,224	1,270,971	79,965,287
Other Assets	6,175	4,735	16,384	465	–	–	3,004,013	3,031,772
Assets	7,982,502	7,431,486	7,574,967	9,252,513	12,387,966	44,396,636	10,558,869	99,584,939
Money Market	2,692,202	2,814,082	1,174,201	499,576	602,121	2,188,266	41,761	10,012,209
Capital Market	2,551,717	1,626,669	1,996,836	4,423,355	4,506,149	25,257,481	–	40,362,207
Client Deposits	6,981,227	6,102,810	5,874,253	3,387,116	1,669,205	12,378,196	2,285,254	38,678,061
Other Liabilities	9,968	14,112	9,464	5,170	2,621	1,061,112	9,430,015	10,532,462
Liabilities	12,235,114	10,557,673	9,054,754	8,315,217	6,780,096	40,855,055	11,757,030	99,584,939
Total GAP	-4,252,612	-3,126,187	-1,479,787	937,296	5,607,870	3,511,581	-1,198,161	
Off Balance Sheet Gap	–	–	–	–	–	–	–	–
Total GAP	-4,252,612	-3,126,187	-1,479,787	937,296	5,607,870	3,511,581	-1,198,161	
% of total Assets	-4,27	-3,14	-1,49	0,94	5,63	3,53	-1,20	
Total Accumulated GAP	-4,252,612	-7,378,799	-8,858,586	-7,921,289	-2,313,420	1,198,160	0,00	
% of total Assets	-4,27	-7,41	-8,90	-7,95	-2,32	1,20	0,00	

Market and Counterparty Risk

Market Risk

Market risk refers to the possibility of suffering losses in positions due to negative changes in market prices. Managing this risk requires limiting the possibility of losses and optimising the relationship between the assumed exposure level and the expected profits according to targets set by the Group. The Market Risk Control Unit, acting independently from the market areas responsible for contracting work and portfolio management, from which the risk is originally generated, has developed a series of policies aimed at measuring risk levels, monitoring compliance with established limits and keeping Senior Management informed through the Assets and Liabilities Committee (ALC).

Types of Portfolios

The business of Bancaja can be broken down into the following categories:

- Asset and liability management: the treasury department is responsible for executing the strategies set down by the ALC in order to modify the risk profile of the commercial balance sheet by monitoring established policies;
- Investment: business involving investment in strategic assets in order to create medium- and long-term economic value;
- Dealing: activities relating to the taking of directional positions so as to capitalise on changes in market variables with a view to obtaining short-term profits; and
- Distribution: intermediary activities either on the primary markets between issuers and investors, or on the secondary market through sale and purchase operations on behalf of customers. In this latter case, the market risk undertaken is residual and is solely aimed at obtaining a differential in return for acting as intermediary.

OTC derivatives are primarily used by Bancaja for hedging its issues as well for distribution to institutional clients or sales network customers. They have also been used as part of a macro hedging strategy.

Bancaja executes OTC derivative transactions with counterparties with high credit ratings. In remaining transactions, the counterparty is an entity, that belongs to the Group or is one of Bancaja’s own customers. Bancaja uses ISDA or CMOF framework agreements to cover this kind of operation both with other entities and with its own customers. Bancaja also enters into collateral agreements with certain frequent counterparties.

Exchange rate risk

This risk refers to the possible negative effects for Bancaja as a result of changes in the values of currencies in which different assets and liabilities are quoted, as well as undertakings and off-balance sheet and products.

As Bancaja’s policy does not include currency diversification, the limits applicable to this risk are strict. Limits apply to both open positions and VaR levels, and the assumed risk is always very low or residual. The highest concentration of exchange rate risk usually occurs with the U.S. dollar, though this always remains within established limits.

Liquidity Risk

This risk reflects the potential inability of a credit institution to gain access to markets and obtain sufficient liquid funds, in the required amounts and at suitable costs, to meet its own payment obligations.

Bancaja manages this risk using two complementary approaches, making a distinction between operational liquidity and structural liquidity. The former is managed in the short term by the Treasury department, and the latter, resulting from positions generated in the long term or, otherwise, from short-term but ongoing positions, is managed and controlled by Bancaja’s management through the Assets and Liabilities Committee (ALC).

The Group manages its structural liquidity by anticipating potential fund requirements through the creation of various financing programmes, thus ensuring sufficient liquidity levels at all times. It also maintains short-term dependence on markets at acceptable levels and thus minimises the risks inherent to operational liquidity management. In addition, it has an active presence in a wide and diversified set of markets for the financing or securitisation of its assets.

Bancaja’s financing strategy is to optimise the diversification of financing sources among different instruments, markets and terms, while also taking capitalisation targets into account.

Amounts Issued in 2007

	<i>Amount</i>
	<i>(thousands of euro)</i>
Treasury Bonds.....	1,000,000
Mortgage Bonds.....	2,150,000
Senior Bond Issues.....	5,192,828
Subordinated Bond Issues	200,000
Securitisation ⁽¹⁾	5,766,072
	14,308,900

(1) Variation in outstanding amounts.

The outstanding amount of securitisation funds issued since 1997 amounted to €19,452 million as of 31 December 2007.

Total Securitisation Issues

	<i>Amount</i>
	<i>(thousands of euro)</i>
BANCAJA 1 FTH	0
BANCAJA 2 FTH	30,945
FTPYME BANCAJA 1 FTA.....	81,869
BANCAJA 3 FTA	416,777
BANCAJA 4 FTH	349,121
BANCAJA 5 FTA	380,512
FTPYME BANCAJA 2 FTA.....	125,352
BANCAJA 6 FTA	858,353
MBS BANCAJA 1FTA.....	283,521
BANCAJA 7 FTA	972,504
FTPYME BANCAJA 3 FTA.....	244,282
BANCAJA 8 FTA	974,193
MBS BANCAJA 2FTA.....	458,831
CM BANCAJA 1 FTA	286,857
FTPYME BANCAJA 4 FTA.....	533,567
BANCAJA 9 FTA	1,438,954
MBS BANCAJA 3FTA.....	563,398
CONSUMO BANCAJA 1	566,033
PYME BANCAJA 5	665,651
BANCAJA 10 FTA.....	2,327,253
MBS BANCAJA 4 FTA	1,650,992
BANCAJA 11 FTA.....	1,918,285
FTPYME BANCAJA 6 FTA.....	931,318
FONDO VALENCIA I FTA	262,831
FONDO VALENCIA II FTA	681,850
FONDO VALENCIA III FTA.....	762,791
FONDO VALENCIA IV FTA	947,483
FONDO PYME VALENCIA I FTA	738,951
.....	<u>19,452,474</u>

Liquidity needs in crisis situations are assessed periodically. Extreme scenarios arising from possible changes in market and business forecasts are analysed, evaluating, through simulation models, their potential impact on liquidity.

In addition, a Liquidity Contingency Plan, approved by the ALC, sets out clear objectives and action principles, along with a system of indicators and warnings and the relevant action plans and communication channels to enable Bancaja to overcome possible market crises.

Operational Risk Management

Operational risk refers to those direct or indirect losses arising from failures or improper use of internal processes, human error, the malfunction of systems and external events.

Bancaja, conscious of the strategic importance of adequate management of this risk, began preparations in 2005 for the implementation of a model for the evaluation and management of operational risk. This model was inspired by the new Basel Capital Accord. This model tries to

identify all risks (including potential risks) in order to provide continuous evaluation, to enable the entity to mitigate and/or assign the necessary equity for its hedging.

Bancaja's objective is to use the standard method for the measurement of the capital requirements for operational risk, introduced by the New Basel Capital Accord, and to prepare to develop the advanced measurement approach (AMA) in the medium term.

Management

The governing bodies of Bancaja comprise the General Assembly, the Board of Directors and the Control Committee. The Board of Directors delegates certain functions to an Executive Committee.

The General Assembly is the main governing body of Bancaja. It comprises 198 members elected by depositors, the government of Valencia, municipalities, employees and the founders of Bancaja.

The Board of Directors is the main body responsible for the management, administration and representation of Bancaja, including its social projects. It is made up of 20 members who are representatives of the different groups which comprise the General Assembly. The Executive Committee is made up of the President, the 1st Vice-president of the Board of Directors, and nine members of the Board of Directors. The Executive Committee is responsible for the day-to-day management of the Group, covering staff, investment and risk management.

The object of the Control Committee is to ensure that the management of the Board of Directors is carried out with maximum efficiency and precision, and within guidelines established by the General Assembly. It is made up of 13 members, which are representatives of each group which comprises the General Assembly, but which are not members of the Board of Directors.

There are no potential conflicts of interest between the duties of the directors of the Guarantor and their private interests or other duties. None of the directors performs any significant activities outside of the Guarantor.

The table below sets forth the names and titles of the members of the Board of Directors of Bancaja as of the date of this Offering Circular. The business address of each member of the Board of Directors is Pintor Sorolla 8, 46002 Valencia.

Board of Directors

<i>Name</i>	<i>Position on the Board</i>
José Luis Olivas Martínez	Chairman
Antonio J. Tirado Jiménez	1st Vice Chairman
Arturo Virosque Ruiz	2nd Vice Chairman
Pepa Martí Puig	3rd Vice Chairman
José María Catalunya Oliver	4th Vice Chairman
Eduardo Montesinos Chilet	5th Vice Chairman
Ángel D. Villanueva Pareja	Secretary
Vicente Montesinos Vernetta	Assistant Secretary
Ángel A. Álvarez Martín	Director
Rafael Ferrando Giner	Director
Francisco V. Gregori Gea	Director
Ana Llanos Herce Collado	Director
Maria Teresa Montañana Latorre	Director
R. Francisco Oltra Climent	Director
Ernesto Pascual Escandell	Director
Remigio Pellicer Segarra	Director
María del Rocío Peramo Sánchez	Director
Juan Antonio Pérez Eslava	Director
Matilde Soler Soler	Director
Ana María Torres Valero	Director

Control Committee

<i>Name</i>	<i>Position</i>
Evaristo Muñoz Martí	Chairman
José Ramón Serrano Santamáns	Secretary
Santiago Bou Cacedo	Member
Francisco Cabezas Tanco	Member
Juan Francisco Delgado Torres	Member
Emilio Domínguez Trull	Member
José Falomir Martínez	Member
José Rafael García Fuster y González-Alegre	Member
José Ángel Hidalgo Pitarch	Member
José Antonio Muñoz Morales	Member
Manuel Portolés Sanz	Member
Héctor Salinas Gras	Member
Enrique Villarreal Rodríguez	Member

Executive Committee

<i>Name</i>	<i>Position</i>
José Luis Olivas Martínez	Chairman
Antonio J. Tirado Jiménez	1st Vice Chairman
Arturo Virosque Ruiz	2nd Vice Chairman
Pepa Martí Puig	3rd Vice Chairman
José María Catalunya Oliver	4th Vice Chairman
Ángel D. Villanueva Pareja	Secretary
Rafael Ferrando Giner	Assistant Secretary
Francisco V. Gregori Gea	Member
Ana Llanos Herce Collado	Member
R. Francisco Oltra Climent	Member
Juan Antonio Pérez Eslava	Member

TAXATION AND DISCLOSURE OF NOTEHOLDER INFORMATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. 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. The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required 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 adopted similar measures (a withholding system in the case of Switzerland).

Taxation in Spain

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Offering Circular:

- (a) of general application, Additional Provision two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 62/2003 of 30 December and Law 23/2005 of 18 November on certain measures to promote productivity, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;
- (b) for individuals resident for tax purposes in Spain which are Individual Income Tax (IRPF) taxpayers, Law 35/2006, of 28 November on Individual Income Tax Law, and Royal Decree 439/2007, of 30 March promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Income Tax Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-resident Income Tax taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended by Royal Legislative Decree 2/2008, of 22 April, on certain measures to promote economic activity, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax.

1. Individuals with Tax Residency in Spain

1.1 Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Individual Income Tax Law. These income amounts must be included in the savings income of each investor in his tax returns and are taxed at the flat rate of 18 per cent. (or such other rate as may be established by Spanish law from time to time). Both types of income are subject to a withholding at the rate of 18 per cent. (or such other rate as may be established by Spanish law from time to time).

Amounts withheld may be credited against the final Individuals Income Tax liability.

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain under an obligation to pay Wealth Tax must take into account the amount of the Notes which they hold as at 31 December in each year, when calculating their Wealth Tax liabilities.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable regional or State legislation.

2. Legal Entities with tax residency in Spain

2.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes, constitute financial income for tax purposes and must be computed as taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes, being subject to the general tax rate of 30 per cent. in fiscal years starting as of 1 January 2008.

Both types of income are subject to a withholding on account at the rate of 18 per cent unless the exemptions described below in “Notes placed outside Spain and traded on OECD markets” and “Notes placed in Spain in book entry form and traded on the AIAF market” apply.

(a) Notes placed outside Spain and traded on OECD markets

Under Section 59.s) of the Corporate Income Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporate Income Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. The Issuer intends to make an application for the Notes to be traded on the London Stock Exchange and, upon admission to trading, the Notes will be financial assets which fulfil the requirements laid down by the legislation for exemption from withholding.

The General Directorate for Taxation (*Dirección General de Tributos*), on 27 July 2004, issued a reply with number 1500-04 to a non-binding consultation indicating that in the case of issues made by entities that are tax resident in Spain, as in the case of the Issuer, application of the exemption requires that, in addition to being traded on organised markets in OECD countries, the Notes be placed outside Spain in another OECD country. The Issuer considers that the issue of the Notes will fall within this

exemption as the Notes are to be placed outside Spain and in the international capital markets. Consequently, the Issuer will not make any withholding on payments to Spanish Corporate Income Tax taxpayers that provide the relevant information to qualify as such – see the procedures described in “*Disclosure of Noteholder Information in relation to Interest Payments under Listed Notes*”.

If the Spanish tax authorities maintain a different opinion on this matter, the Issuer will be bound by that opinion and with immediate effect, shall make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

In order to implement the above-mentioned exemptions from withholding tax, the procedures described in “*Disclosure of Noteholder Information in relation to Interest Payments under Listed Notes*” will need to be followed.

(b) Notes placed in Spain in book entry form and traded on the AIAF market

Under Section 59.q) of the Corporate Income Tax Regulations, there is no obligation to make a withholding on income obtained by Spanish Corporate Income Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets represented by book entries and traded on a Spanish official secondary market.

The Issuer considers that the Notes will fall within this exemption if they are represented by book entries and traded on the AIAF market. Consequently, in such a case, the Issuer will not make any withholdings on payments to Spanish Corporate Income Tax taxpayers that provide the relevant information to qualify as such.

In order to implement the exemption from withholding where the Notes are represented by book entries and traded on the AIAF market, the procedures set out in the Order of 22 December 1999 (or any procedures which may replace them) will need to be followed.

It is not currently intended that Notes be represented by book-entries or traded on a Spanish official secondary market. Accordingly, the Notes will not fulfil the requirements laid down by the legislation to apply this exemption from withholding.

2.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

2.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax but must include the market value of the acquired Notes in their taxable income for Spanish Corporate Income Tax purposes.

3. Individuals and Legal Entities with no tax residency in Spain

3.1 Non-Resident Income Tax (*Impuesto sobre la Renta de No Residentes*)

Ownership of the 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.

(a) Non-Spanish resident investors acting through a permanent establishment in Spain

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to

income deriving from such Notes are the same as those previously set out for Spanish Corporate Income Tax taxpayers – see “*Legal Entities with Tax Residency in Spain*”.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

With respect to Notes listed on an Organised Market:

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax.

In order to be eligible for the exemption mentioned in the preceding paragraph, it is necessary to comply with certain information obligations relating to the identity and tax residency of the Noteholders, in the manner detailed under “*Disclosure of Noteholder Information in relation to Interest Payments under Listed Notes*” as laid down in Section 44 of Royal Decree 1065/2007. If these information obligations are not complied with in the manner indicated, the Issuer will apply withholding tax at the rate of 18 per cent. (or such other rate as may be established by Spanish law from time to time) and the Issuer will not, as a result, be under any obligations to pay additional amounts.

With respect to Notes not Listed on an Organised Market:

If the Notes are not listed on an organised market, Law 13/1985 shall not apply to the Notes.

Should Law 13/1985 not apply to the Notes, interest payments in respect of the Notes to beneficial owners that are not resident in Spain for tax purposes and who do not operate with respect to the Notes through a permanent establishment in Spain will be subject to withholding tax at the current rate of 18 per cent., except in the case of non-Spanish resident beneficial owners which are:

- (A) resident in an European Union Member State (other than Spain) or a permanent establishment located in a European Union Member State (other than Spain) of a resident of another European Union Member State (other than Spain), provided that such beneficial owners do not obtain the income under the Notes (i) through a permanent establishment in Spain or (ii) a “tax haven” country or territory (as defined by Royal Decree 1080/1991, of 5 July, as amended); or
- (B) resident for tax purposes in a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any beneficial owner.

In order to implement the exemption from withholding tax or the application of a reduced tax treaty rate, the procedures laid down in the Order of 13 April 2000 will need to be followed.

For the avoidance of doubt, the procedures described in “*Disclosure of Noteholder Information in relation to Interest Payments under Listed Notes*” shall not apply to Notes to which this section applies.

3.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

To the extent that income deriving from the Notes is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Notes will be exempt from Wealth Tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to Wealth Tax in Spain.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised within Spanish territory.

Non-resident legal entities are not subject to Wealth Tax.

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to tax in accordance with the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and state legislation to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised within Spanish territory.

Non-resident entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

Indirect taxes

Whatever the nature and residence of the Noteholder, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain (i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax).

DISCLOSURE OF NOTEHOLDER INFORMATION IN RELATION TO INTEREST PAYMENTS UNDER LISTED NOTES

Tax Reporting Obligations of the Guarantor

The Guarantor, as the parent of the Issuer, is required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to payments made in respect of the Notes. The Spanish tax authorities may rely on such returns in order to assess whether or not the Issuer has correctly withheld tax on payments made by it under the Notes.

The Guarantor must complete each annual return on the basis of the information provided to it by, or on behalf of, Noteholders. The information required by the Guarantor in order to comply with its annual reporting obligations and provide a refund of amounts withheld in respect of the Notes (as described below) is that set out in Section 44 of Royal Decree 1065/2007 (Royal Decree 1065/2007).

Individuals and Legal Entities without tax residency in Spain

In accordance with sub-section 44(1) of Royal Decree 1065/2007, each annual return filed by the Guarantor with the Spanish tax authorities must include the following information with respect to the relevant Notes:

- (a) the identity and country of residence of the recipient of the income from the Notes or, when such income is received on behalf of the Noteholder by a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Notes.

In accordance with sub-section 44(2) of Royal Decree 1065/2007, for the purpose of preparing the return referred to in sub-section 44(1), certain documents with information regarding the identity and country of residence of each non-Spanish resident Noteholder must be received by the Guarantor (or the Issuer on behalf of the Guarantor) at the time of each payment in respect of the Notes.

In particular, the Guarantor (or the Issuer on behalf of the Guarantor) must obtain the documents described below regarding the Noteholders:

1. In the case of transactions in which the Noteholder is (a) a non-Spanish resident which is: (i) a central bank or other public institution or international organisation; (ii) a bank, credit institution or financial entity (including collective investment institutions, pension funds and insurance entities) which is resident in an OECD country or in a country with which Spain has entered into a treaty for the avoidance of double-taxation and which is subject to a specific administrative registration or supervision scheme (each a qualifying entity) and (b) acts on its own account, that Noteholder must certify its name and tax residency in accordance with Annex I of the Order of 16 September 1991 (the Order), the form of which is attached to the Agency Agreement.
2. In the case of transactions in which any of the qualifying entities acts as an intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each non-Spanish resident Noteholder in accordance with Annex II of the Order, the form of which is attached to the Agency Agreement.
3. In the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by the law of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each non-Spanish resident Noteholder in accordance with Annex II of the Order, the form of which is attached to the Agency Agreement.
4. In all other cases, the relevant non-Spanish resident Noteholder must arrange annually for the delivery of a tax residency certificate issued by the tax authorities of the country in which it is resident for tax purposes.

Legal Entities with tax residency in Spain subject to Spanish Corporate Income Tax

Noteholders who are legal entities resident for tax purposes in Spain and subject to Spanish Corporate Income Tax (and a permanent establishment in Spain of a non-resident subject to Non-Resident Income Tax) may receive payments in respect of the Notes free of withholding provided that they provide (or arrange to be provided on their behalf) accurate and timely information enabling them to qualify for such an exemption from withholding.

In particular, the Issuer must obtain from any of the suitable entities a list of Noteholders who are subject to Spanish Corporate Income Tax, specifying each Noteholder's name, address and Tax Identification Number as well as the ISIN code of the relevant Notes, the number of such Notes held on the relevant payment date, the gross income and the amount withheld. Such information should be delivered substantially in the form attached to the Agency Agreement.

Procedures to be complied with to ensure payment of withheld amounts to Noteholders

General

On each relevant payment date, the Issuer will pay to (or to the account of) Noteholders an amount equal to the net amounts payable in respect of interest after deduction of Spanish withholding tax at the applicable rate, currently 18 per cent. (the **net amount**) and shall retain the remaining amount due on the relevant payment date (the **withheld amount**). If the Issuer obtains the documentation and information described under “*Individuals and Legal Entities without tax residency in Spain*” and “*Legal Entities with tax residency in Spain*” in a timely manner, the Issuer will pay the withheld amount to (or to the account of) the relevant Noteholder(s).

The procedures to be complied with by Noteholders to ensure that the withheld amount, as well as the net amount, is paid to them depend on how the Noteholders hold their Notes:

- (a) If a Noteholder holds its Notes (directly or indirectly) through an account with Euroclear or Clearstream Luxembourg and such Notes are held by a common depositary or common safekeeper for or are registered in the name of a common nominee for Euroclear and Clearstream Luxembourg, Noteholders should abide by the procedures described under “*Euroclear and Clearstream, Luxembourg procedures*” below.
- (b) If (a) does not apply, Noteholders are advised to seek advice from their professional advisers as to the procedures to be complied with.

Noteholders who might otherwise have been entitled to a refund but in respect of whom the procedures described are not complied with may seek a refund of Spanish tax withheld directly from the Spanish tax authorities.

Euroclear and Clearstream, Luxembourg procedures

Euroclear and Clearstream, Luxembourg (the **European ICSDs**) have established procedures to assist entities in complying with the reporting obligations required by Spanish tax law and regulations and to enable Noteholders to obtain a refund of amounts withheld on interest payments. These procedures were implemented by the European ICSDs in response to certain tax rulings made by the Spanish tax authorities (Consultas V 2050-07, V 2051-07, V 0175-08 and V 0179-08). The procedures which the Issuer and other parties expect to follow are based on the global tax procedures published by the European ICSDs, in effect on the date hereof, and are set out in the Agency Agreement. In this regard, Noteholders should also consult announcements in relation to these global tax procedures published on a periodic basis on the websites of the European ICSDs (www.Euroclear.com, www.Clearstream.com).

Noteholders’ attention is drawn to the risk factor in respect of Spanish tax procedures under “Risk Factors”.

Set out below is a summary of certain aspects of the tax procedures more particularly described in the Agency Agreement which the Issuer and the Guarantor consider most relevant to Noteholders. For the purposes of this section, references to **Tax Certificates** are to the certificates described in paragraphs 1 to 3 under “*Individuals and Legal Entities without tax residency in Spain*” and the certificate described under “*Legal Entities with tax residency in Spain subject to Spanish Corporation Tax*”.

1. In accordance with the current procedures of the European ICSDs, Noteholders entitled to receive payment on the relevant Interest Payment Date, and accordingly those persons required to comply with the Spanish tax procedures in order to obtain a refund of the relevant withheld amount (as defined below), are those persons holding Notes at close of business on the day preceding the relevant Interest Payment Date. Tax Certificates may therefore not be dated and may not be submitted to the Agent as agent for the Issuer prior to close of business on the day preceding the relevant Interest Payment Date.

2. Upon receipt of a notice from the Agent, each of the European ICSDs will notify the entities holding accounts with the European ICSDs (**Participants** and **Customers**) of the relevant interest payment and that the procedures established under Law 13/1985, Royal Decree 1065/2007, Royal Legislative Decree 4/2004 and Order 22 December 1999 (**Spanish tax procedures**) apply in connection with such interest payment and prepare or (as the case may be) request their Participants and Customers provide Tax Certificates and other information by no later than the time on the relevant Interest Payment Date specified by the European ICSDs.
3. In order to obtain an immediate refund of the withheld amount, the Participants and Customers (or a legal representative acting under a power of attorney on behalf of such Participant or Customer) will have to provide duly completed Tax Certificates by the relevant time on the relevant Interest Payment Date specified by the European ICSDs. The Agent shall verify that the Tax Certificates and other information received by it is in accordance with the Spanish tax procedures and calculate the aggregate net amounts and withheld amounts payable on the relevant Interest Payment Date.
4. If a Noteholder would be entitled to receive an immediate refund of the withheld amount on an Interest Payment Date but duly completed Tax Certificates are either not received by the relevant time or are considered not to be in accordance with the Spanish tax procedures, such Noteholder may obtain a quick refund of the withheld amount by ensuring that duly completed Tax Certificates are received no later than 10:00 am (CET) on the business day before the 10th calendar day of the month following the relevant Payment Date (the **Quick Refund Deadline**).
5. No later than the business day following the Quick Refund Deadline, the Agent shall return any remaining withheld amounts to the Issuer and forward any additional tax certificates received by it in relation to quick refunds claimed up to and including the Quick Refund Deadline.
6. Noteholders that do not provide documentation on or before a Quick Refund Deadline may obtain a full refund of the withheld amount directly with the Spanish tax authorities to the extent that they are entitled to such refund.

Payments under the Guarantee

On the basis that payments of principal and interest made by the Guarantor under the Guarantee are characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax. However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor has effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means), the Spanish Tax Authorities may determine that payments made by the Guarantor, relating to interest on the Notes, will be subject to the same tax rules set out above for payments made by the Issuer.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 1 August 2008 (as supplemented and amended from time to time, the **Programme Agreement**), agreed with the 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*” above. In the Programme Agreement, the Issuer and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States of America

- (1) The Notes have not been and will not be registered under the Securities Act, and 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 Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold any Notes, and will offer and sell any Notes, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and notified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has further represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and notify to the Agent the completion of the distribution by it of the Notes of such Tranche. On the basis of such notification or notifications, the Agent will notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period of confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (as amended) (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and notified by the Agent for the Securities to [*name of the relevant Dealer*], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them in Regulation S”.

Terms used in the clause (1) have the meanings given to them by Regulation S.

- (2) In addition (but only in relation to Notes with an initial maturity in excess of 365 days):
- (a) except to the extent permitted under U.S. Treas. Reg. 1.163-5(c)(2)(i)(D) (the **D Rules**), each Dealer (a) has represented that it has not offered or sold, and has agreed that during the distribution compliance period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) has represented that it has not delivered and agreed that it will not deliver with the United States or its possessions definitive Notes in bearer form that are sold during the distribution compliance period;
 - (b) each Dealer has represented that it has, and has agreed that throughout the distribution compliance period it will have, in effect procedures reasonably designed to

ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the distribution compliance period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) if it is a United States person, each Dealer has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires Notes from a Dealer for the purpose of offering or selling such Notes during the distribution compliance period, such Dealer has repeated and confirmed the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf.

Terms used in this paragraph 1(2) have the meanings given to them by the U.S. Internal revenue code and regulations thereunder, including the D Rules.

- (3) Each issue of Indexed Notes or Dual Currency Notes shall be subject to any additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Directive

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 which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) 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;
- (b) 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;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective 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 that:

- (a) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year from the date of their issue:
 - (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:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) 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 Financial Services and Markets Act 2000 (FSMA) by the relevant Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) **General compliance:** 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.

Kingdom of Spain

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may not be offered or sold in Spain by means of a public offer as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Act (as amended by Royal Decree Law 5/2005, of 11 March) and related legislation. This Offering Circular has not been registered with the CNMV and therefore it is not intended for any public offer of Notes in Spain.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the FIEL) 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, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that (to the best of its knowledge and belief) it will (a) 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 (b) 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 Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of 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 additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

1. The update of the Programme and issue of Notes by the Issuer under the Programme has been duly authorised by resolutions of the Sole Shareholder and Board of Directors of the Issuer both passed on 25 June 2008. The update of the Programme and the issue of Notes guaranteed by the Guarantor has been duly authorised by a resolution of the Board of Directors of the Guarantor passed on 28 May 2008.
2. 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 regulated 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. 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 regulated market. The listing of the Programme in respect of Notes is expected to be granted on or around 6 August 2008.
3. For a period of 12 months following the date of this Offering Circular, copies of the following documents (and English translations where appropriate) will, when published, be available for inspection from the offices of each of the Issuer and the Guarantor referred to at the back of this Offering Circular and from the specified office of the Agent in London:
 - (i) the constitutional documents of each of the Issuer and the Guarantor;
 - (ii) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2006 and 2007 (with English translations thereof) and the audited consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2006 and 2007 (with English translations thereof), in each case together with the audit reports prepared in connection therewith, and the unaudited consolidated interim accounts of the Guarantor in respect of the six months ended 30 June 2008 (with an English translation thereof). The Issuer currently prepares audited non-consolidated accounts on an annual basis and the Guarantor currently prepares audited consolidated accounts on an annual basis and unaudited consolidated accounts on a quarterly basis;
 - (iii) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer 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;
 - (iv) the Programme Agreement, the Agency Agreement, the Guarantee, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts and the Coupons, the Talons and the Deed of Covenant;
 - (v) a copy of this Offering Circular (and the previous Offering Circulars dated 30 June 2006 and 27 June 2007 prepared by the Issuer in connection with the Programme);
 - (vi) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding

of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.
 5. Neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer 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, Guarantor or the Group.
 6. Save as disclosed under the section headed “Long-term debt” on page 68 of this Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 31 December 2007. There has been no material adverse change on the prospects of the Issuer since 31 December 2007.
 7. Save as disclosed under the section headed “Long-term debt” on page 68 of this Offering Circular, there has been no significant change in the financial or trading position of the Guarantor or Group since 30 June 2008. There has been no material adverse change on the prospects of the Guarantor or Group since 31 December 2007.
 8. The Guarantor publishes audited consolidated annual financial statements and unaudited consolidated quarterly financial statements. Such annual financial statements will relate to periods ending on 31 December in each year and will be published before 30 June of the following year.

Deloitte S.L. have audited the Guarantor’s consolidated annual financial statements in accordance with international financial reporting standards for the financial years ended 31 December 2006 and 31 December 2007.

The Issuer publishes audited unconsolidated annual financial statements and does not intend to publish interim financial statements. Such annual financial statements will relate to periods ending on 31 December in each year and will be published before 30 June of the following year.

Ernst & Young, S.L. have audited the Issuer’s unconsolidated annual accounts in accordance with generally accepted auditing standards in Spain for the year ended 31 December 2006. Deloitte S.L. have audited the Issuer’s unconsolidated annual accounts in accordance with generally accepted auditing standards in Spain for the year ended 31 December 2007.

Both Ernst & Young S.L. and Deloitte S.L. are registered in the *Registro Oficial de Auditores de Cuentas* (Official Registry of Auditors). Neither Ernst & Young S.L. nor Deloitte S.L. have a material interest in the Issuer, the Guarantor or its group.

9. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
10. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their affiliates in the ordinary course of business.

THE ISSUER

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THE GUARANTOR

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