

INFORMATION MEMORANDUM



Caymadrid International Ltd.

(Incorporated with limited liability in the Cayman Islands)

guaranteed by

Caja Madrid

(Caja de Ahorros y Monte de Piedad de Madrid)

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

EUR12,000,000,000

Programme for the Issuance of Debt Instruments

Application has been made to the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "FSMA", the "UK Listing Authority") for debt instruments (the "Instruments") issued during the period of twelve months after the date of this document under the programme (the "Programme") described in this document to be admitted to the Official List and to trading on the London Stock Exchange plc (the "London Stock Exchange"). This document comprises listing particulars issued in compliance with the listing rules made under Section 74 of the FSMA for the purpose of giving information with regard to the issue during the period of twelve months after the date of this document of Instruments under the Programme. Copies of this document have been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 83 of the FSMA.

Application has been made to the Luxembourg Stock Exchange for Instruments issued under the Programme to be listed on the Luxembourg Stock Exchange during the period of twelve months after the date hereof.

Arranger

MORGAN STANLEY

Dealers

BARCLAYS CAPITAL

DEUTSCHE BANK

JPMORGAN

MERRILL LYNCH INTERNATIONAL

SCHRODER SALOMON SMITH BARNEY

CAJA MADRID

GOLDMAN SACHS INTERNATIONAL

LEHMAN BROTHERS

MORGAN STANLEY

UBS WARBURG

30 September, 2002

Caymadrid International Ltd. (the “Issuer”) and Caja de Ahorros y Monte de Piedad de Madrid (“Caja Madrid” or the “Guarantor”) accept responsibility for the information contained in these listing particulars. To the best of the knowledge and belief of the Issuer and of the Guarantor (who have taken all reasonable care to ensure that such is the case), the information contained in these listing particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this document to listing particulars means this document excluding all information incorporated by reference. The Issuer and the Guarantor have confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSMA or the Listing Rules. The Issuer and the Guarantor believe that none of the information incorporated therein by reference conflicts in any material respect with the information included in the listing particulars.

The Issuer and the Guarantor have confirmed to the dealers (the “Dealers”) named under “Subscription and Sale” that this Information Memorandum (as defined below) is true and accurate in all material respects and is not misleading; that there are no other facts in relation to the information contained or incorporated by reference herein the omission of which would, in the context of the issue of the Instruments, make any statement herein misleading in any material respect and that all reasonable enquiries have been made to verify the foregoing. The Issuer and the Guarantor have further confirmed to the Dealers that this Information Memorandum (subject to being supplemented by pricing supplements (each a “Pricing Supplement”) referred to herein) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Guarantor and its subsidiaries and of the rights attaching to the relevant Instruments.

This document supersedes the previous Information Memorandum dated 27 July, 2001. The initial aggregate principal amount of the Programme established on 10 May, 1994 was increased from U.S.\$1,000,000,000 to U.S.\$3,500,000,000 on 11 February, 1999. On 21 July, 2000, the aggregate principal amount was increased to U.S.\$5,500,000,000. On 14 June, 2001, the aggregate principal amount was increased to U.S.\$8,500,000,000. On 27 September, 2002 the aggregate principal amount was increased to EUR 12,000,000,000.

This document should be read and construed with any amendment or supplement thereto (this document, as amended or supplemented, the “Information Memorandum”), with any Pricing Supplement and with any other documents incorporated by reference provided always that any such amendment or supplement and any such other documents incorporated by reference shall not form part of the listing particulars as contained in this document.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer or the Instruments other than as contained or incorporated by reference in this Information Memorandum, in the Dealership Agreement (as defined herein), in any other document prepared in connection with the Programme or any Pricing Supplement or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor, the Dealers or any of them.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained herein. Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that there has been no adverse change in the financial situation of the Issuer or the Guarantor since the date hereof or, as the case may be, the date upon which this document has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this document by reference.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Instruments see “Subscription and Sale”. In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons. In addition, the Issuer has not authorised any offer of Instruments to the public in the United Kingdom within the meaning of the Public Offers of Securities

Regulations 1995 (the “Regulations”). Instruments may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Neither this Information Memorandum nor any Pricing Supplement may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

All references in this Information Memorandum to “United States dollars”, “U.S.\$” or “\$” are to the currency of the United States of America and all references herein to “euro”, “EUR” or “€” are to the single currency of the European Union as introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) WHICH IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this document:

- (1) the most recently published annual report (including the financial statements therein) of each of the Issuer and the Guarantor from time to time; and
- (2) all amendments and supplements to this Information Memorandum prepared by the Issuer and the Guarantor from time to time,

save that (i) any statement contained herein or any of the documents incorporated by reference in and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that any modifying or superseding statement does not form part of the listing particulars as contained in this document given in compliance with the listing rules made under Section 74 of the FSMA and (ii) any documents incorporated by reference do not form part of the listing particulars as contained in this document given in compliance with the listing rules made under Section 74 of the FSMA.

The Issuer and the Guarantor have undertaken, in connection with the listing of the Instruments on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or the Guarantor or any change in the information set out under “Terms and Conditions of the Instruments”, that is material in the context of issuance under the Programme, the Issuer and the Guarantor will prepare or procure the preparation of an amendment or supplement to the Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by the Issuer or the Guarantor of Instruments to be listed on the Luxembourg Stock Exchange.

The Issuer and the Guarantor will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of the Information Memorandum (or any document incorporated by reference in the Information Memorandum). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read, in relation to any Instruments, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.

Issuer:	Caymadrid International Ltd.
Guarantor:	Caja Madrid (Caja de Ahorros y Monte de Piedad de Madrid).
Arranger:	Morgan Stanley & Co. International Limited.
Dealers:	Barclays Bank PLC, Caja Madrid, Deutsche Bank AG London, Goldman Sachs International, Lehman Brothers International (Europe), Merrill Lynch International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International Limited, Salomon Brothers International Limited and UBS AG, acting through its business group UBS Warburg and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Instruments.
Fiscal and Paying Agent:	Bank One, NA.
Luxembourg Listing Agent:	Banque Générale du Luxembourg S.A.
Programme Amount:	EUR 12,000,000,000 (or its approximate equivalent in any other currency at the date of the agreement to issue any Tranche of Instruments). The aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “Subscription and Sale”.
Issuance in Series:	Instruments will be issued in series (each, a “Series”). Each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) issued on different issue dates. The Instruments of each Series will all be subject to identical terms, whether as to currency, interest, maturity or otherwise, or terms which are identical except that the issue dates the amount of the first payment of interest and/or the denomination thereof may be different and save that a Series may comprise Instruments in bearer form and Instruments in registered form. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form and may comprise Instruments of different denominations.
Form of Instruments:	Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument (“Temporary Global Instrument”), which will be deposited on or before the relevant issue date thereof with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) and/or any other relevant clearing system. Each Temporary Global Instrument will be exchangeable for a permanent global Instrument (“Permanent Global Instrument”) or, if so specified in the relevant Pricing Supplement, for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments (“Registered Instruments”) and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each Permanent Global Instrument will be exchangeable for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and Registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms.

	<p>Instruments in definitive bearer form will, if either have interest coupons (“Coupons”) attached or have a grid for recording the payment of interest endorsed thereon and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon. Instruments in registered form may not be exchanged for Instruments in bearer form.</p>
Currencies:	<p>Instruments may be denominated in any currency or currencies subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Instruments may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.</p>
Redenomination:	<p>The applicable Pricing Supplement may provide that certain Instruments may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 10D.</p>
Status of Instruments:	<p>Instruments may be issued on a subordinated or unsubordinated basis, as specified in the relevant Pricing Supplement.</p>
Status of Guarantee:	<p>The irrevocable and unconditional obligations of the Guarantor under the Guarantee in respect of any Series of Instruments will constitute either subordinated or unsubordinated obligations of the Guarantor as specified in the relevant Pricing Supplement.</p>
Issue Price:	<p>Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.</p>
Maturities:	<p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements.</p> <p>Where Instruments have a maturity of less than one year from their 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 Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, such Instruments must: (i) have a minimum denomination 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.</p>
Redemption:	<p>Instruments may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement. Any redemption of Subordinated Instruments shall be subject to the prior consent of <i>Banco de España</i> and in no event shall such redemption take place within a period of five years from the date of issue.</p>
Early Redemption:	<p>Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Instruments — Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement. Any early redemption of Subordinated Instruments shall be subject to the prior consent of <i>Banco de España</i> and in no event shall such redemption take place within a period of five years from the date of issue.</p>

Interest:	Instruments may be interest-bearing or non-interest bearing.
Denominations:	Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements.
Taxation:	Payments by the Issuer in respect of Instruments or by the Guarantor in respect of the Guarantee will, except in certain circumstances (see Taxation — Taxation in the Kingdom of Spain), 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 Cayman Islands or the Kingdom of Spain, as applicable, 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 the Guarantor, as applicable will (subject to customary exceptions) pay such additional amounts as will result in the holders of Instruments or Coupons receiving such amounts as they would have received in respect of such Instruments or Coupons or, as the case may be, the Guarantee had no such withholding or deduction been required.
Governing Law:	Unless otherwise specified in the relevant Pricing Supplement, the Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law, save that the subordination provisions contained in Condition 3B, will be governed by, and shall be construed in accordance with, Cayman Islands laws and Condition 4B will be governed by, and shall be construed in accordance with, Spanish law and the subordination provisions in the Guarantee will be governed by, and shall be construed in accordance with, Spanish law.
Listing:	Each Series may be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange and/or listed on the Luxembourg Stock Exchange and/or listed on any other stock exchange as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Instruments a copy of which, in the case of Instruments to be listed on any stock exchange, listing authority or quotation system, will be delivered to the relevant stock exchange, listing authority or quotation system on or before the date of issue of such Instruments and otherwise in accordance with the rules and regulations of each relevant stock exchange, listing authority or quotation system. The terms and conditions applicable to each Series will be those set out herein as supplemented, modified or replaced by the relevant Pricing Supplement.
Enforcement of Instruments in Global Form:	In the case of Instruments in global form, individual investors' rights will be governed by a Deed of Covenant dated 30 September 2002, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Pricing Supplement.

Ratings:

Unless otherwise stated in the relevant Pricing Supplement, the Instruments have been rated AA- by Standard & Poor's Ratings Group, Aa2 by Moody's Investors Service, Inc. and AA by Fitch Ratings Ltd for senior Instruments. A 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.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, the United Kingdom, Japan, the Netherlands, the Republic of France, the Federal Republic of Germany, the Kingdom of Spain, The Netherlands and the Cayman Islands see under "Subscription and Sale". Further restrictions may be required in connection with any particular Tranche of Instruments and will be specified in the documentation relating to such Tranche.

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which (subject to amendment) will be applicable to each Series of Instruments Provided that the relevant Pricing Supplement in relation to any Instruments may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Instruments.

The Instruments are issued in accordance with an amended and restated issue and paying agency agreement (the “Issue and Paying Agency Agreement”), which expression shall include any amendments or supplements thereto) dated 30 September 2002 and made between the Issuer, the Guarantor, Bank One, NA in its capacities as fiscal agent (the “Fiscal Agent”, which expression shall include any successor to Bank One, NA in its capacity as such) and as principal registrar (the “Principal Registrar”, which expression shall include any successor to Bank One, NA in its capacity as such), Crédit Agricole Indosuez Luxembourg S.A. in its capacity as alternative registrar (the “Alternative Registrar”, which expression shall include any successor to Crédit Agricole Indosuez Luxembourg S.A. in its capacity as such), and the paying agents named therein (the “Paying Agents”, which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). The Instruments have the benefit of a deed of covenant (the “Deed of Covenant”, which expression shall include any amendments or supplements thereto) dated 30 September 2002 executed by the Issuer in relation to the Instruments. The Guarantor has, for the benefit of the holders of the Instruments from time to time, executed and delivered a deed of guarantee (the “Guarantee”, which expression shall include any amendments or supplements thereto) dated 30 September 2002 under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Instruments and the Deed of Covenant as and when the same shall become due and payable. Copies of the Issue and Paying Agency Agreement, the Deed of Covenant and the Guarantee are available for inspection at the specified office of each of the Paying Agents, the Principal Registrar, the First Alternative Registrar and the Second Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement, the Deed of Covenant and the Guarantee insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a “Series”), and each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) of Instruments. Each Tranche will be the subject of a pricing supplement (each, a “Pricing Supplement”), a copy of which will be available for inspection at the specified office of the Fiscal Agent or as the case may be Crédit Agricole Indosuez Luxembourg S.A. or, as the case may be, the Registrar (as defined in Condition 2.02). In the case of a Tranche of Instruments in relation to which application has not been made for admission to the Official List of the London Stock Exchange or for listing on any other stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Dealer or Dealers specified in such Pricing Supplement, any Paying Agent or a Holder of or as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Instruments.

References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons are to Coupons (and where the context permits Talons) relating to Instruments of the relevant Series.

1. Form and Denomination

1.01 Instruments are issued in bearer form or in registered form, as specified in the relevant Pricing Supplement.

Form of Bearer Instruments

1.02 Each Tranche of Instruments issued in bearer form (“Bearer Instruments”) will be represented upon issue by a temporary global instrument (a “Temporary Global Instrument”) in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. In the case of an exchange for Instruments in registered form (“Registered Instruments”) at any time and without any requirement for certification, but otherwise on or after the date (the “Exchange Date”) which is forty days after the issue date of the relevant Tranche or, if so specified in the Pricing Supplement, completion of the distribution of the Instruments of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations

(in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received, interests in the Temporary Global Instrument may be exchanged, in whole or in part, for:

- (i) interests in a permanent global instrument (a “Permanent Global Instrument”) representing the Instruments of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement; or
- (ii) if so specified in the relevant Pricing Supplement, serially numbered definitive instruments (“Definitive Instruments”) and/or (in the case of a Series comprising both Bearer Instruments and Instruments in registered form (“Registered Instruments”) and if so specified in the relevant Pricing Supplement) Registered Instruments in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement.

1.03 If any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received by Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Instrument will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.04 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole (but not in part only), at the option of the Holder of such Permanent Global Instrument, for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Pricing Supplement) Registered Instruments, (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently; or (c) if so specified in the Pricing Supplement, at the option of the Holder of such Permanent Global Instrument upon such Holder’s request. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Fiscal Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is continuing at 6.00 p.m. (London time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Instrument becomes so exchangeable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

1.05 Interest-bearing Definitive Instruments will, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery coupons (“Coupons”), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest bearing Definitive Instruments will also, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery, a talon (“Talon”) for further coupons and the expression “Coupons” shall, where the context so requires, include talons.

1.06 Instruments, the principal amount of which is repayable by instalments (“Instalment Instruments”) which are Definitive Instruments, will have endorsed thereon a grid for recording the repayment of principal.

Form of Registered Instruments

1.07 Registered Instruments will be in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. Registered Instruments will not be exchangeable for Bearer Instruments.

Denomination of Bearer Instruments

1.08 Bearer Instruments will be in the denomination or denominations (each of which denomination must be integrally divisible by each smaller denomination) specified in the relevant Pricing Supplement. Bearer Instruments of one denomination will not be exchangeable, after their initial delivery, for Bearer Instruments of any other denominations.

Denomination of Registered Instruments

1.9 Registered Instruments will be in the minimum denomination specified in the relevant Pricing Supplement or integral multiples thereof.

Currency of Instruments

1.10 Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

1.11 For the purposes of these Terms and Conditions, references to Instruments shall, as the context may require, be deemed to be to Temporary Global Instruments, Permanent Global Instruments, Definitive Instruments or, as the case may be, Registered Instruments.

2. Title

2.01 Title to Bearer Instruments and Coupons passes by delivery. References herein to the “Holders” of Bearer Instruments or of Coupons are to the bearers of such Bearer Instruments or such Coupons.

2.02 Title to Registered Instruments passes by registration in the register which is kept by the Principal Registrar, the First Alternative Registrar or, as the case may be, the Second Alternative Registrar, as specified in the relevant Pricing Supplement. For the purposes of these Terms and Conditions, “Registrar” means, in relation to any Series comprising Registered Instruments, the Principal Registrar, the First Alternative Registrar or, as the case may be, the Second Alternative Registrar. References herein to the “Holders” of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments

2.04 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the relevant Pricing Supplement) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

2.05 If so specified in the relevant Pricing Supplement, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Fiscal Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 10B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for delivery at the specified office of the Registrar. For these purposes, a form of transfer or request for exchange

received by the Registrar or the Fiscal Agent after the Record Date (as defined in Condition 10B.03) in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (i) “Relevant Banking Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- (ii) the “exchange date” shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and
- (iii) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

2.07 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

2.08 Upon the transfer, exchange or replacement of Registered Instruments bearing the private placement legend (the “Private Placement Legend”) set forth in the form of Registered Instrument scheduled to the Issue and Paying Agency Agreement, the Registrar shall deliver only Registered Instruments that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Instruments or (2) the last date on which the Issuer or any affiliates (as defined below) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Instrument (or any predecessor of such Instrument) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its “affiliates” (as defined in paragraph (a)(1) of Rule 144 under the Securities Act of 1933 (the “Securities Act”)) not to acquire any beneficial interest, in any Registered Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders of Instruments shall be entitled to rely without further investigation on any such notification (or lack thereof).

2.09 For so long as any of the Registered Instruments bearing the Private Placement Legend remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Instruments in connection with any sale thereof and any prospective purchaser of such Instruments from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144(d)(4) under the Securities Act.

3. Status of the Instruments

3A. Status — Unsubordinated Instruments

3A.01 This Condition 3A is applicable in relation to Instruments specified in the relevant Pricing Supplement as being unsubordinated or not specified as being subordinated.

3A.02 The Instruments constitute (subject to Condition 5) direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among the Instruments of the same Series and (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future.

3B. Status-Subordinated Instruments

3B.01 This Condition 3B is applicable in relation to Instruments specified in the relevant Pricing Supplement as being subordinated.

3B.02 The Instruments of the relevant Series constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among subordinated Instruments of the same Series and otherwise as specified in the relevant Pricing Supplement. Issues of subordinated Instruments may be computed by the Guarantor as equity of the Guarantor pursuant to the relevant provisions in current Spanish law relating to equity and consolidated groups of financial institutions: Law 13/1985, Law 13/1992, Royal Decree 1343/1992, Royal Decree 538/1994 and Bank of Spain Circulars 5/1993 and 2/1994 (or such provisions as may replace, supplement or implement the foregoing in the future).

4. Status of Guarantee

4A. Status — Unsubordinated Guarantee

4A.01 This Condition 4A is applicable in relation to Instruments where it is specified in the relevant Pricing Supplement that the Guarantee is given on an unsubordinated basis or not specified as being given on a subordinated basis.

4A.02 The obligations of the Guarantor under the Guarantee in respect of the Instruments of the relevant Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* without any preference with such obligations of the Guarantor in respect of other Instruments of the same Series and (subject to any obligations evidenced in a Spanish Public Document which will be preferred by law and certain other exceptions provided by law) *pari passu* with all other unsubordinated and unsecured obligations of the Guarantor, present and future.

4B. Status — Subordinated Guarantee

4B.01 This Condition 4B is applicable in relation to Instruments where it is specified in the relevant Pricing Supplement that the Guarantee is given on a subordinated basis.

4B.02 The obligations of the Guarantor under the Guarantee in respect of the Instruments of the relevant Series constitute direct, unconditional subordinated and unsecured obligations of the Guarantor and rank *pari passu* without any preference with such obligations of the Guarantor in respect of other Instruments of the same Series and (subject to any obligations evidenced in a Spanish Public Document which may be preferred by law and certain other exceptions provided by law) otherwise as specified in the relevant Pricing Supplement. Its obligations in that respect (the “Subordinated Guarantee”) are contained in the Guarantee. Any claims under the Subordinated Guarantee will rank after all unsecured and unsubordinated creditors (*acreedores comunes*) of the Guarantor, pursuant to the definition of subordinated debt contained in paragraph (g) of Article 20.1 of Royal Decree 1343/1992 of 6 November.

4C. Spanish Public Documents and the Guarantee

4C.01 In this Condition 4 “Spanish Public Document” means “*escritura pública o póliza o efecto intervenido por Notario Público español*” (public document or deed or instrument witnessed by a Spanish Notary Public).

4C.02 The Guarantor has undertaken not to notarise or intervene, in accordance with Spanish law, any other obligations of the Guarantor in respect of any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness unless not later than one day prior thereto the obligations of the Guarantor under the Guarantee are also notarised or intervened.

As used in this Condition 4C, “Relevant Indebtedness” means any present or future indebtedness of the Guarantor, the Issuer or any other person or entity 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 exchanges, 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) where more than 50 per cent. thereof in aggregate principal amount are initially offered or sold outside Spain.

Unsubordinated obligations of the Guarantor which are notarised or intervened in accordance with Spanish law would in the event of the bankruptcy of the Guarantor rank ahead of the unsubordinated obligations of the Guarantor under the Guarantee where the Guarantee is either not notarised or intervened or is notarised or intervened subsequently.

The Subordinated obligations of the Guarantor under the Guarantee (i) will rank *pari passu* among themselves and, at least, *pari passu* with all other unsecured and subordinated obligations of the Guarantor save for those obligations preferred by operation of law, including for these purposes those obligations arising out of an agreement executed by means of an “*escritura pública*” which have a prior ranking date to the date of the obligations of the Guarantor under the Guarantee and (ii) will rank behind all unsubordinated and unsecured obligations of the Guarantor.

5. Negative Pledge

5.01 So long as any Instrument remains outstanding (as defined in the Issue and Paying Agency Agreement):

- (i) the Guarantor shall 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 Indebtedness of the Guarantor or any other Person;
- (ii) the Guarantor shall procure that no Material Subsidiary of the Guarantor (including, without limitation, the Issuer) 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 Indebtedness of the Guarantor, such Material Subsidiary or any other Person;
- (iii) the Guarantor shall not give any guarantee (except a Permitted Guarantee) of Indebtedness of any Person (other than a Material Subsidiary of the Guarantor); and
- (iv) the Guarantor shall not permit any Person (other than a Material Subsidiary of the Guarantor) to give any guarantee (except a Permitted Guarantee) of Indebtedness of the Guarantor or any of its Subsidiaries,

without (in the case of paragraph (i) or (ii)) at the same time or prior thereto securing the Instruments equally and rateably therewith or providing such other security for the Instruments as may be approved by an Extraordinary Resolution (as defined in the Issue and Paying Agency Agreement) of Holders.

5.02 In this Condition 5 “guarantee” means any obligation of any Person to pay any Indebtedness of another Person including (without limitation):

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

“Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

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

“Permitted Security Interest” means;

- (i) a Security Interest arising by operation of law and in the ordinary course of business;
- (ii) a Security Interest over assets purchased by the Issuer, the Guarantor or any of their respective Subsidiaries after 10 May, 1994 which (x) is created or arises or, in the case of real estate, exists at the time of the purchase of such assets and (y) secures solely all or part of the unpaid balance of the purchase price of such assets;

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

“Security Interest” means, in relation to any Person, any mortgage, charge, pledge, lien or other security interest over the property of such Person, including, without limitation, anything analogous to any of the foregoing under the laws of the jurisdiction in which such property or such Person is situated or incorporated, as the case may be; and

“Material Subsidiary” means, in respect of any Person (the “first Person”) at any particular time, any other Person (the “second Person”);

- (a) whose total assets or gross revenues (or, where the second Person prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) attributable to the first Person represent not less than 15 per cent. of the total consolidated assets or the gross consolidated revenues of the first Person, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of the second Person and the then latest audited consolidated accounts of the first Person and its consolidated Subsidiaries; or
- (b) to which is transferred all or substantially all the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

“Subsidiary” means, at any particular time, any company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the first Person and/or one or more of its subsidiaries. For a company to be “controlled” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

6. Interest

Instruments may be interest-bearing or non interest-bearing, as specified in the relevant Pricing Supplement. In the case of non interest-bearing Instruments, a Reference Price and Accrual Yield will, unless otherwise agreed, be specified in the relevant Pricing Supplement. The Pricing Supplement in relation to each Tranche of interest-bearing Instruments shall specify which of Condition 6A, 6B, 6C and/or 6D shall be applicable and Condition 6E will be applicable to each Tranche of interest-bearing Instruments as specified therein save, in each case, to the extent inconsistent with the relevant Pricing Supplement. In relation to any Tranche of interest bearing Instruments, the relevant Pricing Supplement may specify actual amounts of interest-payable rather than, or in addition to, a rate or rates at which interest accrues.

6A. Interest — Fixed Rate

Instruments in relation to which this Condition 6A is specified in the relevant Pricing Supplement as being applicable shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement at the rate or rates per annum (or otherwise, as specified in the relevant Pricing Supplement) specified in the relevant Pricing Supplement. Such interest will be payable in arrear on such dates as are specified in the relevant Pricing Supplement and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on a “30/360” basis (or “Bond Basis”) or “30E/360” basis (or “Eurobond Basis”) (as each such term is used in the ISDA Definitions, as defined below) as specified in the relevant Pricing Supplement or, if so specified in the relevant Pricing Supplement, on the actual/ actual (bond) basis set out by the International Securities Market Association (“ISMA”) rule 251, as amended by ISMA Circular no. 14 of 1997 or on such other basis as may be specified in the relevant Pricing Supplement.

6B. Interest — Floating Rate

6B.01 Instruments in relation to which this Condition 6B is specified in the relevant Pricing Supplement as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Pricing Supplement) determined in accordance with this Condition 6B. Condition 6E.02 shall apply to Instruments to which this Condition 6B applies.

6B.02 Such Instruments shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on each Interest Payment Date (as defined in Condition 6E.02) and on the maturity date.

6B.03 The Pricing Supplement in relation to each Series of Instruments in relation to which this Condition 6B is specified as being applicable shall specify which page (the “Relevant Screen Page”) on the Reuters Screen or Telerate or any other information vending service shall be applicable. For these purposes, “Reuters Screen” means the Reuter Money 3000 Service and “Telerate” means the Moneyline Telerate Service (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).

6B.04 The rate of interest (the “Rate of Interest”) applicable to such Instruments for each Interest Period shall be determined by the Determination Agent (as defined in Condition 6E.04) on the following basis:

- (i) the Determination Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, .00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of 11.00 a.m. (London time in the case of LIBOR or Brussels time, in the case of EURIBOR) on the second London Banking Day in the case of LIBOR or the second TARGET Business Day in the case of EURIBOR before (or, in the case of Instruments denominated in Pounds Sterling or in another currency if so specified in the relevant Pricing Supplement, on) the first day of the relevant Interest Period (the “Interest Determination Date”);
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Determination Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, selected by the Determination Agent, at approximately 11.00 a.m. (London time in the case of LIBOR or Brussels time, in the case of EURIBOR) on the Interest Determination Date to prime banks in the London interbank market in the case of LIBOR or in the Euro-zone interbank market in the case of EURIBOR for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (iv) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 10C.03) (or, in the case of Instruments denominated in euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time

and the Rate of Interest applicable to such Instruments during each Interest Period will be the sum of the relevant margin (the “Relevant Margin”) specified in the relevant Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) so determined provided, however, that, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Instruments during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) determined in relation to such Instruments in respect of the last preceding Interest Period provided always that if there is specified in the relevant Pricing Supplement a minimum interest rate or a maximum interest rate then the Rate of Interest shall in no event be less than or, as the case may be, exceed it. For the purposes of these Terms and Conditions “London Banking Day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and “Euro-zone” means the region comprised of member states of the European Union that have adopted the euro as the single currency in accordance with the Treaty of the European Union, as amended.

6B.05 The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the “Interest Amount”) payable in respect of the principal amount of the smallest or minimum denomination of such Instruments specified in the relevant Pricing Supplement for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Instruments denominated in Pounds Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Pricing Supplement and rounding the resulting figure to the nearest sub-unit of the currency in which such Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards). This provision may be subject to amendment in respect of Paris listed Instruments, as disclosed in the Pricing Supplement.

6C. *Interest — ISDA Rate Indices*

6C.01 Instruments in relation to which this Condition 6C is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 6C.

6C.02 Each such Instrument shall bear interest from its date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event or tax event thereunder) by the Issuer had it entered into a swap transaction (to which a swap master agreement (the “Agreement”) and the 2000 ISDA Definitions (as amended and updated as at the date specified in the relevant Pricing Supplement), and published by the International Swaps and Derivatives Association, Inc.) (the “ISDA Definitions”) with the Holder of such Instruments under which:

- the Reset Date was the first day of the relevant Interest Period;
- the Fixed Rate Payer or, as the case may be, the Floating Rate Payer was the Issuer;
- the Calculation Agent was the Determination Agent (as defined in Condition 6E.04);
- the Effective Date was such date of issue or such other date as may be specified in the relevant Pricing Supplement;
- the Calculation Amount was the principal amount of such Instrument; and
- and all other terms were as specified in the relevant Pricing Supplement.

6D. *Interest — Other Rates*

Instruments in relation to which this Condition 6D is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

6E. *Interest — Supplemental Provision*

6E.01 Conditions 6E.02, 6E.03, 6E.04 and 6E.05 shall be applicable (as appropriate) in relation to all Instruments which are interest-bearing.

Interest Payment Date Conventions

6E.02 The Pricing Supplement in relation to each Series of Instruments in relation to which this Condition 6E.02 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the “FRN Convention”, in which case interest shall be payable in arrear on each date (each an “Interest Payment Date”) which numerically corresponds to the date of issue or such other date as may be specified in the relevant Pricing Supplement or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Pricing Supplement after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred
Provided that:

- (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day in that calendar month;
 - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
- (ii) the “Modified Following Business Day Convention”, in which case interest shall be payable in arrear on such dates (each an “Interest Payment Date”) as are specified in the relevant Pricing Supplement Provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (iii) such other convention as may be specified in the relevant Pricing Supplement.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “Interest Period”.

Notification of Rates Interest, Interest Amounts and Interest Payment Dates

6E.03 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Fiscal Agent. The Fiscal Agent will cause all such determination or calculations to be notified to the other Paying Agents and in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter and, in the case of Instruments admitted to the Official List of the UK Listing Authority and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system, cause all such determinations or calculations to be notified to each listing authority, stock exchange and/or quotation system on which the Instruments of the relevant Series may, for the time being, be listed by the time required (if any) by such listing authority, stock exchange and/or quotation system Provided that, in the case of Instruments listed on any listing authority, stock exchange and/or quotation system, the requirements of the rules such listing authority, stock exchange and/or quotation system are complied with. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 6E.03.

6E.04 The determination by the Determination Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties. As used herein the “Determination Agent” means the Fiscal Agent or such other agent as may be specified in the relevant Pricing Supplement.

Accrual of Interest

6E.05 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal or, in the case of a partly paid Instrument, on the paid up principal amount of such Instrument or otherwise as indicated in the relevant Pricing Supplement. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation or surrender

thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Instruments or such other rate as may be specified in the relevant Pricing Supplement (“Default Interest Rate”) until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation of the relevant Instrument, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

7. Redemption and Purchase

Redemption at Maturity

7.01 Unless previously redeemed, or purchased and cancelled, each Instrument shall be redeemed at its maturity redemption amount (the “Maturity Redemption Amount”) (which shall be its principal amount or such other Maturity Redemption Amount as may be specified in or determined in accordance with the relevant Pricing Supplement) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts as may be specified in the relevant Pricing Supplement) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Pricing Supplement.

Early Redemption for Taxation Reasons

7.02 If, in relation to any Series of Instruments, (i) as a result of any change in the laws or regulations of the Cayman Islands 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 Instruments or any earlier date specified in the relevant Pricing Supplement, the Issuer would be required to pay additional amounts as provided in Condition 9, or (ii) 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 Instruments or any earlier date specified in the relevant Pricing Supplement, the Guarantor would or, if a demand were made under the Guarantee, would be required to pay additional amounts as provided in Condition 9 and (iii) in either case such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two directors of the Issuer or of the Guarantor 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 (except for Subordinated Instruments which shall only be redeemed with the prior consent of *Banco de España* and in no event shall such redemption take place within a period of five years from the date of issue), at its option and having given no less than thirty nor more than sixty days’ notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (the “Early Redemption Amount Tax”) (which shall be their principal amount (or at such other Early Redemption Amount Tax) as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument 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 interest accrued and due (if any) thereon Provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments 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 Instruments plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

Optional Early Redemption (Call)

7.03 If this Condition 7.03 is specified in the relevant Pricing Supplement as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Pricing Supplement, redeem all (but not, unless and to the extent that the relevant Pricing Supplement specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the “Early Redemption Amount (Call)”) (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued and due (if any) thereon.

7.04 The appropriate notice referred to in Condition 7.03 is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Instruments) and the Holders of the Instruments of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day (as defined in Condition 10C.03), which shall be not less than thirty days (or such lesser period as may be specified in the relevant Pricing Supplement) after the date on which such notice is validly given and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified. Notwithstanding the above, Subordinated Instruments shall only be redeemed with the prior consent of *Banco de España* and in no event shall such redemption take place within a period of five years from the date of issue.

Partial Redemption

7.05 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 7.03:

- in the case of Bearer Instruments, the Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system (if any) on which the relevant Instruments may have been admitted to listing, trading and/or quotation; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) pro rata to their principal amounts, subject always as aforesaid

and provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof. Notwithstanding the above, Subordinated Instruments shall only be redeemed with the prior consent of *Banco de España* and in no event shall such redemption take place within a period of five years from the date of issue.

Optional Early Redemption (Put)

7.06 If this Condition 7.06 is specified in the relevant Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date or the next of the dates specified in the relevant Pricing Supplement at its put early redemption amount (the “Early Redemption Amount (Put)”) (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued and due (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date so specified (or such other period as may be specified in the

relevant Pricing Supplement), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar. Notwithstanding the above, Subordinated Instruments shall only be redeemed with the prior consent of *Banco de España* and in no event shall such redemption take place within a period of five years from the date of issue.

Purchase of Instruments

7.07 The Issuer or any of its consolidated subsidiaries may at any time purchase Instruments (except for the Subordinated Instruments) in the open market or otherwise and at any price provided that, in the case of interest-bearing Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Instruments

7.08 All unmatured Instruments and Coupons redeemed or purchased in accordance with this Condition 7 will be cancelled forthwith and may not be reissued or resold.

Notwithstanding the above, Subordinated Instruments shall only be redeemed with the prior consent of *Banco de España* and in no event shall such redemption take place within a period of five years from the date of issue.

8. Events of Default

8.01 Unless otherwise specified in the relevant Pricing Supplement, the following events or circumstances (each an “Event of Default”) shall be acceleration events in relation to the Instruments of any Series, 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 Instruments on the due date for payment thereof or fails to pay any amount of interest in respect of the Instruments within three 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 Instruments or the Issue and Paying Agency Agreement and such default remains unremedied for 7 days after written notice thereof, addressed to the Issuer or the Guarantor, as the case may be, by the Holder of any such Instrument, has been delivered to the Issuer or the Guarantor, as the case may be, to the specified office of the Fiscal Agent; or
- (iii) *Cross-Default*: (a) any Indebtedness of the Issuer or the Guarantor or of any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (b) such 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 Indebtedness or (c) the Issuer or the Guarantor or any of any of their respective Subsidiaries 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, enforced or sued out upon or against any of the assets or revenues of the Issuer or the Guarantor or any of their respective Subsidiaries and is not discharged or stayed within 30 days; or
- (v) *Security enforced*: a secured 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 respective Subsidiaries; or
- (vi) *Insolvency etc*: (a) the Issuer or the Guarantor or any of their respective Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (b) an administrator or liquidator of the Issuer or the Guarantor or any of their respective Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or the Guarantor or any of their respective Material Subsidiaries is appointed (or application for any such appointment is made), (c) the Issuer or the Guarantor or any of their respective Material 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 Indebtedness or any guarantee given by it or, (d) the Issuer

or the Guarantor or any of their respective Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business or (e) any other proceeding is commenced which requires the application of priorities provided by the Commercial Code (*Código de Comercio*), the Civil Code (*Código Civil*) and any other applicable Spanish laws; 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 of their respective Subsidiaries; or
- (viii) *Analogous event*: any event occurs which under the laws of the Cayman Islands or the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above, including, but not limited to, *suspensión de pagos* or *quiebra*; 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 Instruments, the Guarantee and the Issue and Paying Agency Agreement (as the case may be), (b) to ensure that those obligations are legal, valid, binding and enforceable and (c) to make the Instruments and Issue and Paying Agency Agreement admissible in evidence in the courts of the Cayman Islands and the Kingdom of Spain is not taken, fulfilled or done and such failure remains unremedied 15 days thereafter; 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 Instruments or the Issue and Paying Agency Agreement; or
- (xi) *Sale of Business*: the Issuer, the Guarantor or any Material Subsidiary (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 all 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; or
- (xii) *Guarantee*: the Guarantee ceases to be, or is claimed by the Guarantor not to be in full force and effect.

In this Condition 8.01, “Indebtedness”, “Subsidiary” and “guarantee” shall have the respective meanings ascribed to them in Condition 5.02.

8.02 If any Event of Default shall occur in relation to any Series of Instruments, any Holder of an Instrument of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the “Early Termination Amount”) (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

9. Taxation

9.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Instruments 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 Cayman Islands or the Kingdom 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 pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder of any Instrument or Coupon 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 Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the jurisdiction by which such taxes, duties, assessments or governmental charges have been imposed or levied other than the mere holding of such Instrument or Coupon; or
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the EU.

9.02 For the purposes of these Terms and 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 moneys payable has not been received by the Fiscal Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Instruments and Coupons, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 15.

9.03 If, at any time, the Issuer becomes resident in or otherwise subject to any taxing jurisdiction other than or in addition to the Cayman Islands references in these Terms and Conditions (including, without limitation Condition 7 and this Condition 9) to the Cayman Islands shall be read and construed as references to the Cayman Islands and/or to such other jurisdiction.

9.04 Any reference in these Terms and Conditions to principal, redemption amount and/or interest in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. Payments

10A. Payments — Bearer Instruments

10A.01 This Condition 10A is applicable in relation to Instruments in bearer form.

10A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

10A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States.

10A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 10A.07 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and Regulations thereunder) unless (a) payment in full of amounts due in respect of

interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

10A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not both a Relevant Financial Centre Day (as defined in Condition 10C.03) and a local banking day (as defined in Condition 10C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 6E.05.

10A.06 Each Definitive Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

- (i) in the case of Definitive Instruments which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;
- (ii) in the case of Definitive Instruments which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 10A.06 notwithstanding, if any Definitive Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

10A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 10A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

10A.08 For the purposes of these Terms and Conditions, the “United States” means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

10B. *Payments — Registered Instruments*

10B.01 This Condition 10B is applicable in relation to Instruments in registered form.

10B.02 Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest) due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of any Registered Instrument is not both a Relevant Financial Centre Day (as defined in Condition 10C.03) and a local banking day (as defined in Condition 10C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 6E.5.

10B.03 Payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Instruments in respect of Registered Instruments) will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment (the “Record Date”).

10B.04 Notwithstanding the provisions of Condition 10C.02, payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of final redemption of Registered Instruments) in respect of Registered Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account in the relevant currency (in the case aforesaid, a non-resident account with an authorised foreign exchange bank).

10C. *Payments — General Provisions*

10C.01 Save as otherwise specified herein, this Condition 10C is applicable in relation to Instruments whether in bearer or in registered form.

10C.02 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Instruments will be made by (a) transfer to an account in the relevant currency specified by the payee (which in the case of payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) or (b) cheque. Payments will, without prejudice to the provisions of Condition 9, be subject in all cases to any applicable fiscal or other laws and regulations.

10C.03 For the purposes of these Terms and Conditions:

- (i) “Business Day” means a day:
 - in relation to Instruments denominated or payable in euro, on which the TARGET System (as defined below) is open; and
 - in relation to Instruments payable in any other currency, on which commercial banks are open for general business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
 - on which commercial banks are open for general business and foreign exchange markets settle payments in any place specified in the relevant Pricing Supplement;

- (ii) “Relevant Financial Centre” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions;
- (iii) “Relevant Financial Centre Day” means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Pricing Supplement and in the case of payment in euro, on which the TARGET System is open. “TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System; and
- (iv) “local banking day” means a day (other than a Saturday and Sunday) on which commercial banks are open for general business in the place of presentation of the relevant Instrument or, as the case may be, Coupon,

and, in the case of any of paragraphs (i) to (iv) of this Condition 10C.03, as the same may be modified in the relevant Pricing Supplement.

10D. Redenomination

10D.01 Where Redenomination is specified in the relevant Pricing Supplement as being applicable, the Issuer, without the consent of the Holders of the Instruments, the Receipts and the Coupons, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the Holders of the Instruments in accordance with Condition 15, may elect that, with effect from the Redenomination Date specified in the notice, the Instruments shall be redenominated in euro.

10D.02 Unless otherwise specified in the applicable Pricing Supplement, the election will have effect as follows:

- (i) each Specified Denomination (as defined below) and, in the case of Fixed Rate Instruments, each amount specified on the Coupons will be deemed to be denominated in such amount of euro as is equivalent to its denomination or the amount of interest so specified in the Relevant Currency (as defined below) at the Established Rate (as defined below), rounded down to the nearest euro 0.01;
- (ii) after the Redenomination Date (as defined below), all payments in respect of the Instruments, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Instruments to the Relevant Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque;
- (iii) if the Instruments are Fixed Rate Instruments and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction specified in the applicable Pricing Supplement, and rounding the resultant figure to the nearest one cent half of one cent being rounded upwards or otherwise in accordance with applicable market convention;
- (iv) if the Instruments are Floating Rate Instruments the relevant Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (v) such other changes shall be made to the provisions in the Terms and Conditions regarding the accrual of interest, if any, Business Day definition and denominations as the Issuer may decide, after consultation with the Fiscal Agent, and as may be specified in the notice, to conform them to conventions then applicable to debt obligations issued in the euro markets denominated in euro or to enable the Instruments to be consolidated with Other Instruments whether or not originally denominated in the Specified Currency or euro. Any such other changes will not take effect until after they have been notified to the Holders of the Instruments in accordance with Condition 15.

10E. Exchangeability

Where Exchangeability is specified in the applicable Pricing Supplement as being applicable, the Issuer may without the consent of the Holders of the Instruments, the Receipts and the Coupons on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Holders of the Instruments in accordance with Condition 15, elect that, with effect from the Redenomination Date or such later date for payment of interest under the Instruments as it may specify in the notice, the Instruments shall be exchangeable for Instruments expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, with the approval of the Fiscal Agent and as may be specified in the notice, including arrangements under which Receipts and Coupons unmaturing at the date so specified become void.

Definitions: In these Terms and Conditions, the following expressions have the following meanings:

- (i) **"Established Rate"** means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 1091(4) of the Treaty;
- (ii) **"euro"** means the currency introduced at the start of the third stage of European economic and monetary union in accordance with the Treaty;
- (iii) **"Other Instruments"** means, at any time, any one or more Series of other Instruments of the Issuer which have the same or substantially the same Terms and Conditions (as then in effect and which have not lapsed and/or the rights in respect of which have not been exercised) as the Instruments (other than in relation to the currency of original denomination and/or denomination and/or the Terms and Conditions relating to business days or interest accrual bases and/or the stock exchange(s) if any on which such Instruments are listed and/or the clearing system(s) on which such Instruments are cleared and settled and/or redenomination into euro and/or notices);
- (iv) **"Redenomination Date"** means (in the case of interest bearing Instruments) any date for payment of interest under the Instruments or (in the case of Zero Coupon Instruments) any date, in each case specified by the Issuer in the notice given to the Holders of Instruments pursuant of paragraph 10D.01 above and which falls after the start of the third stage of European economic and monetary union pursuant to the Treaty or, if the country of the Specified Currency is not one of the countries participating in such third stage, which falls after such later date as it does so participate;
- (v) **"Specified Currency"** means the currency specified in the relevant Pricing Supplement;
- (vi) **"Specified Denomination"** means the denomination specified in the relevant Pricing Supplement;
- (vii) **"Treaty"** means the Treaty establishing the European Community as amended.

11. Prescription

11.01 Claims against the Issuer in respect of Bearer Instruments and Coupons will become void unless made within ten years (or, in the case of interest, five years) after the Relevant Date (as defined in Condition 9.02) for payment thereof.

11.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 10A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 11.

11.03 Claims against the Issuer in respect of Registered Instruments (other than in respect of the final redemption amount of Registered Instruments) will be prescribed unless made within ten years (or, in the case of claims in respect of interest, five years) after the due date for payment. Claims against the Issuer in respect of the final redemption amount of Registered Instruments will be prescribed unless made within ten years after the Relevant Date (as defined in Condition 9.02) for payment thereof.

12. The Paying Agents and the Registrars

12.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar Provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Instruments, a Registrar with a specified office in continental Europe (but outside the United Kingdom), (iii) a Paying Agent (which may be the Fiscal Agent) with a specified office in continental Europe (but outside the United Kingdom), (iv) so long as any Instruments are listed on the Official List of the UK Listing Authority and the Luxembourg Stock Exchange and/or any other listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Fiscal Agent) and a Registrar each with a specified office in London and Luxembourg and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 10A.04, a Paying Agent with a specified office in New York City and (vi) a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. The Paying Agents and the Registrar reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agent or the Registrar will be given promptly by the Issuer to the Holders of the Instruments in accordance with Condition 15.

12.02 The Paying Agents and Registrars act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon them in the Issue and Paying Agency Agreement or incidental thereto.

13. Replacement of Instruments

If any Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the relevant Pricing Supplement (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments) and if the Instruments are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system, subject to all applicable law and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Fiscal Agent, the relevant Paying Agent or, as the case may be, the Registrar may require. Mutilated or defaced Instruments and Coupons must be surrendered before replacements will be delivered therefor.

14. Meetings of Holders

The Issue and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Issue and Paying Agency Agreement) of these Terms and Conditions. An Extraordinary Resolution passed at any meeting of the Holders of Instruments of any Series will be binding on all Holders of the Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Instruments of such Series.

15. Notices

To Holders of Bearer Instruments

15.01 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the relevant Pricing Supplement, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) (ii) in the case of Bearer Instruments, Temporary Global Instruments or Permanent Global Instruments, which are listed on the Luxembourg Stock Exchange (so long as such Instruments are listed on the Luxembourg Stock Exchange and the rules of that

exchange so require), in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe, or, in the case of a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein Provided that, in the case of Instruments admitted to listing on any stock exchange, the requirements of the rules of such stock exchange have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg. In the case of Instruments which are listed on the Luxembourg Stock Exchange, notice will be required to be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) in all cases. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

To Holders of Registered Instruments

15.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Luxembourg Stock Exchange, any notices to holders must also be published in a Luxembourg daily newspaper and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

16. Further Issues

The Issuer may, from time to time without the consent of the Holders of any Instruments but with the prior written consent of the Guarantor create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

17. Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the relevant Pricing Supplement (the “Contractual Currency”) is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

18. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

19. Substitution of Issuer

Requirements for substitution

19.01 The Issuer and the Guarantor may at any time require the substitution in place of the Issuer (or of the previous substitute under this Condition 19) as the principal debtor in respect of the Instruments (such substitute a “New Issuer”) provided that:

- (i) a deed poll and such other documents (if any) shall be executed by each of the New Issuer, the Guarantor and, to the extent necessary, the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the New Issuer shall undertake in favour of the Holders of Instruments and each Account Holder (as defined in the Deed of Covenant) to be bound by these Conditions, the Deed of Covenant and the Agency Agreement as principal debtor in respect of the Instruments in place of the Issuer (or of the previous substitute under this Condition 19) as if named in each of the Instruments, the Deed of Covenant and the Agency Agreement as an “Issuer” in place of the Issuer and pursuant to which the Guarantor shall guarantee in favour of each Holder of Instruments and Account Holder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Guarantee, *mutatis mutandis*;
- (ii) the Fiscal Agent shall have received legal opinions from independent legal advisers approved by it to the effect, *inter alia*, that (A) the New Issuer has obtained all governmental and regulatory approvals and consents necessary for its assumption of the obligations and liabilities as principal debtor under these Conditions, the Deed of Covenant and the Agency Agreement in place of the Issuer, the Holders of the Instruments, Coupons and Talons have rights against the New Issuer at least equivalent to the rights they have against the Issuer, such assumption is fully effective and such obligations and liabilities are legally valid and binding on, and enforceable against, the New Issuer (subject to customary assumptions, exceptions and reservations); (B) the Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in (i) above to be fully effective and such guarantee is legally valid and binding on, and enforceable against, the Guarantor (subject to customary assumptions, exceptions and reservations); (C) such approvals and consents are in full force and effect at the time of substitution; and (D) confirming, with respect to the New Issuer, compliance with Condition 19.01(iv) (subject to customary assumptions, exceptions and reservations);
- (iii) Standard & Poor’s, a Division of the McGraw-Hill Companies, Moody’s Investor Services, Inc. and Fitch Ratings Ltd. have confirmed in writing to the Fiscal Agent that the substitution of the Issuer will not result in a downgrading of the then current credit rating of such rating agencies applicable to the class of debt represented by the Instruments;
- (iv) all payments of principal and interest in respect of the Instruments and Coupons by or on behalf of the New Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the tax jurisdiction to which it is subject or any political subdivision or any authority thereof or therein having power to tax;
- (v) any stock exchange on which the Instruments are listed shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that, after giving effect to the substitution the Instruments will continue to be listed on such stock exchange(s); and
- (vi) two officers of the New Issuer shall have certified to the Fiscal Agent that the New Issuer is solvent at the time at which the substitution or appointment is proposed to be effected.

Substitution effective

19.02 Upon execution and delivery of the deed poll, guarantee or the other documents referred to in Condition 19.01(i) above and delivery of the legal opinions and other documents referred to in Conditions 19.01(ii) to (vi) above the New Issuer shall be deemed to be named in the Instruments,

the Deed of Covenant and the Agency Agreement as the principal debtor in the place of the Issuer (or the previous substitute under this Condition 19 and the Instruments, the Deed of Covenant, the Agency Agreement and any other documents related to the Programme shall thereupon be deemed to be amended to give effect to the substitution, and the Issuer (or the previous substitute under this Condition 19) shall be released from all of its obligations under or in respect of the Instruments, the Deed of Covenant, the Agency Agreement and any other documents related to the Programme.

Notice of substitution

19.03 Not later than 20 days after the substitution of a New Issuer notice shall be given to the Holders of Instruments in accordance with Condition 15.

20. Law and Jurisdiction

20.01 The Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and the Guarantee and all matters arising from or connected with the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and the Guarantee are governed by, and shall be construed in accordance with, English law, save that the subordination provisions in Condition 3B and all matters arising from or connected with such subordination provisions shall be governed by, and shall be construed in accordance with Cayman Islands laws, Condition 4B and all matters arising from or in connection with such subordination provisions shall be governed by, and shall be construed in accordance with Spanish law and the subordination provisions of the Guarantee and any matters arising from or connected with the subordination provisions of the Guarantee shall be governed by, and shall be construed in accordance with, Spanish law.

20.02 The courts of England have exclusive jurisdiction to settle any dispute (a “Dispute”) arising from or connected with the Instruments.

20.03 The Issuer agrees, and the Guarantor has agreed, that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

20.04 Condition 20.02 is for the benefit of the Holders of Instruments only. As a result, nothing in this Condition 20 prevents any Holder of Instruments from taking proceedings relating to a Dispute (“Proceedings”) in any other courts with jurisdiction. To the extent allowed by law, Holders of Instruments may take concurrent Proceedings in any number of jurisdictions.

20.05 The Issuer agrees, and the Guarantor has agreed, that the documents which start any Proceedings and any other documents required to be served 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 at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. Nothing in this paragraph shall affect the right of any Holder of Instruments to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

21. Rights of Third Parties

No person shall have any right to enforce any term or condition of any Series of Instruments under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be applied by the Issuer towards its general financing requirements.

FORM OF PRICING SUPPLEMENT

Pro-forma Pricing Supplement for an issue by Caymadrid International Ltd. and Caja Madrid under the EUR 12,000,000,000 Programme for the Issuance of Debt Instruments.

PRO-FORMA PRICING SUPPLEMENT

Series No. ●

Serial No. ●

CAYMADRID INTERNATIONAL LTD.
Programme for the Issuance of Debt Instruments
guaranteed by

CAJA MADRID
(Caja de Ahorros y Monte de Piedad de Madrid)

Issue of

[Aggregate Principal Amount of Tranche]
[Title of Instruments]

This Pricing Supplement (as referred to in the Information Memorandum dated 30 September 2002 in relation to the above Programme) relates to the Tranche of Instruments referred to above. The particulars to be specified in relation to such Tranche are as follows:

[include whichever of the following apply]

Issuer:	Caymadrid International Ltd.
Guarantor:	Caja Madrid (Caja de Ahorros y Monte de Piedad de Madrid)
[Arranger[s]:	[]
Relevant Dealer/Lead Manager:	[]
Dealer(s)/Managers:	[]
Currency:	[]
Aggregate Principal Amount of Tranche:	[]
If to form a single Series with existing Series, Series No:	[]
Issue Date:	[]
Issue Price:	[] per cent.
[Commission Payable:	[] per cent. flat]
Rating(s):	[]
[Net Proceeds:	[]]
Form of Instruments:	Bearer/Registered. [If in bearer form specify: (i) whether the Temporary Global Instrument is exchangeable for Instruments in definitive and/or (in the case of a Series comprising Bearer Instruments and Registered Instruments) registered form (Condition 1.02); (ii) whether the Permanent Global Instrument is exchangeable at the option of the bearer thereof for Instruments in definitive and/or (in the case of a Series comprising Bearer Instruments and Registered Instruments) registered form (Condition 1.04); (iii) whether any Instruments in definitive form will have Coupons attached (Condition 1.05), or whether there will be a grid for interest payments;

- (iv) whether any Instruments in definitive form will have a grid for instalment amounts (Condition 1.06) or Talons attached;
- (v) whether any Instruments in definitive form will be security printed and, if so, whether steel engraved plates will be used;] and
- (vi) whether any Instruments in definitive form will not be in ISMA or successors' format.]

[If in registered form, specify name of Registrar]

Status of Instruments:	[Unsubordinated (Condition 3A)/Subordinated (Condition 3B)]
Status of Guarantee:	[Unsubordinated (Condition 4A)/Subordinated (Condition 4B)]
Denomination(s):	[]
Credit-Linked Notes:	[Yes/No] [If yes, set out full details]
Interest:	Interest-bearing/Non-interest bearing. [If interest-bearing, specify which of Conditions 6A (Fixed Rate), 6B (Floating Rate), 6C (ISDA Rate Indices) or 6D (other is applicable, and then specify the matters required for the relevant Condition, that is to say:

Condition 6A, for fixed rate:

[Interest Commencement Date, if not Issue Date]
 Dates for payment of interest
 Specify 30/360 or 30E/360 or Actual/Actual (ISMA) interest basis or whichever other interest basis is applicable
 Any applicable convention (FRN Convention, Modified Business Day Convention or other convention – Condition 6E.02)
 Rate[s] of interest
 Calculation basis if different from Condition 6A

Condition 6B, for floating rate:

[Interest Commencement Date, if not Issue Date]
 Interest Payment Dates if Modified
 Following Business Day Convention applies]
 Applicable convention (FRN Convention, Modified Following Business Day Convention or other convention – Condition 6E.02)
 Relevant Screen Page
 Relevant Margin[s]
 Duration of Interest Periods
 Interest Determination Date (if different from that specified in Condition 6B.04(i) in relation to the relevant currency)
 Day count fraction if different from Condition 6B.05
 [Minimum/Maximum interest rate (if any)]

Condition 6C, for ISDA Rate Indices:

Interest Commencement Date (if not Issue Date)
 Effective Date (if not Closing/Issue date)
 Amount and Dates for payment of interest
 [Specified date for the purposes of ISDA definitions] Other terms

Condition 6D, other:

Full interest determination provisions e.g. interest commencement date, rate or calculation basis for interest or actual amounts of interest payable, amount and dates for payment, applicable convention

Default Interest:

In the case of any interest bearing instruments, specify any default interest rate (Condition 6E.05)

[Reference Price]:

[]

[Accrual Yield]:

[]

[Determination Agent:

[]]

Maturity:

[]

[If the Instruments have a maturity of less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom (i) the Instruments must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) or another applicable exemption from section 19 of the FSMA must be available.]

Maturity Redemption Amount:

[If Maturity Redemption Amount is not the principal amount of the Instruments, insert amount or full calculation provisions]. In the case of Instalment Instruments, specify number, amounts and dates for payment of, Instalments.

Early Redemption Amount (Tax):

[If the Early Redemption Amount (Tax) is not the principal amount of the Instruments, insert amount or full calculation provisions. Specify date after which, upon any changes in the laws or regulations of the Issuer’s jurisdiction of incorporation becomes effective, the Issuer is entitled to redeem the Instruments early for tax reasons, if not the Issue Date].

Optional Early Redemption (Call):

[Specify, if applicable. Specify any conditions to exercise of option. Specify if Optional Early Redemption is permitted in respect of some only of the Instruments and, if so, any minimum aggregate principal amount. Specify minimum notice period for the exercise of the call option, if not 30 days and any other relevant conditions. If Early Redemption Amount (Call) is not the principal amount of the Instruments, insert amount or full calculation provisions.]

Optional Early Redemption (Put):

[Specify, if applicable. Specify dates for exercise of put option. Specify minimum notice period for the exercise of the put option, if not 45 days and any other relevant conditions. If Early Redemption Amount (Put) is not the principal amount of the Instruments, insert amount or full calculation provisions.]

Events of Default:

[Specify any additional events of default or modifications to events of default, if any, listed in Condition 8.01. If Early Termination Amount is not the principal amount of the Instruments, specify amount or full calculation provisions (Condition 8.02)].

Business Day:	[Specify any additional financial centres necessary for the purposes of Condition 10C.03 or any modification required].
Relevant Financial Centre:	[Specify any modification require.]
Relevant Financial Centre Day:	[Specify any additional financial centres necessary for the purposes of Condition 10C.03, or 10A.05 (Bearer Instruments) or 10B.02 (Registered Instruments).
Local Banking Day:	[Specify any modification required.]
Replacement of Instruments:	[Specify and give details of any other Paying Agents at whose offices replacement Instruments may be obtained, if not at the offices of the Fiscal Agent.]
Notices:	[Specify any other effective means of communication in respect of Instruments not listed on the London Stock Exchange.]
Listing:	[The Official List of the UK Listing Authority and to trading on the London Stock Exchange/The Luxembourg Stock Exchange] [Specify date on which listing is expected to be effective].
[Stabilisation:	[In connection with the issue of the Instruments, the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.]
[Stabilising Manager:	[Specify]]
Redenomination, Renominalisation, and Reconventioning Provisions:	[Not Applicable/The provisions [in Condition 10D] annexed for this Pricing Supplement] apply.]
ISIN:	[]
Common Code:	[]
Common Depositary:	[]
Any Clearing System other than Euroclear and Clearstream, Luxembourg:	[]
Settlement Procedures:	[Specify whether customary medium term note/eurobond/other settlement and payment procedures apply.]
[Governing Law and Jurisdiction:	[Specify if any Instruments are governed by the laws of a jurisdiction other than England and if any amendment to the jurisdiction clauses of the other Euroshelf documentation is contemplated. Specify if the Issuer is to submit to the jurisdiction of courts other than the courts of England and specify arrangements for service or process.]
Other Relevant Terms and Conditions:	[]
Selling Restrictions:	[]
Rule 144A Eligible:	[Yes/No] [Specify any supplemental provisions/conditions]
Specialist broker:	[]

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the EUR 12,000,000,000 Programme for the Issuance Debt Issuance of Caymadrid International Ltd.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing supplement.

Signed on behalf of the Issuer:

By:
Duly authorised

Signed on behalf of the Guarantor:

By:
Duly authorised]

CAYMADRID INTERNATIONAL LTD.

INTRODUCTION

Caymadrid International Ltd. ("Caymadrid" or the "Issuer") is a finance company wholly owned by Caja de Ahorros y Monte de Piedad de Madrid ("Caja Madrid" or the "Guarantor"). Caymadrid was incorporated on 3 August, 1990 as a Cayman Islands exempted company, with registration number 369157. Caymadrid has no subsidiaries.

During its first three years of activity, the Issuer's business operations consisted exclusively of obtaining short term financing through a U.S.\$200 million EuroCommercial Paper Programme, guaranteed by Caja Madrid (the "ECP Programme"), which was launched on 20 December, 1990.

In 1994 Caymadrid expanded its activities towards medium and long term funding. For this purpose, on 10 May, 1994 the Issuer launched a U.S.\$1 billion Euro Medium Term Note Programme (the "Programme") also guaranteed by Caja Madrid. Its inaugural issue was an issue of U.S.\$200 million Floating Rate Notes due December, 1997.

The sum of authorised capital of the Issuer amounts to U.S.\$900,000 divided into 900,000 ordinary shares, each with a par value of U.S.\$1. As of the date of this Information Memorandum the subscribed and fully paid up capital is U.S.\$1,000.

RECENT DEVELOPMENTS

In respect of the activity under the Euro-Commercial Paper Programme, during 2001 Caymadrid launched a total of U.S.\$3,871 million through 117 transactions, bringing the outstanding debt as of 31 December, 2001 to U.S.\$494 million.

In addition, Caymadrid issued Euro Medium Term Notes for a nominal value of U.S.\$2,838 million (7 issues). The outstanding debt as of the 2001 year end amounted to U.S.\$5,859.8 million.

CAPITALISATION AND INDEBTEDNESS – CAYMADRID INTERNATIONAL LTD.

The following table (compiled from audited figures) sets out the capitalisation of the Issuer as at 31 December, 2001.

	31 December, 2001	31 December, 2000
	(Thousands of U.S. dollars)	
SHAREHOLDER'S EQUITY		
Ordinary Shares	1	1
Retained Earnings	133	125
Total Shareholder's annuity⁽¹⁾	<u>134</u>	<u>126</u>
 Current Liabilities:		
Commercial Paper Issues.....	493,161	395,736
Medium Term Notes	2,387,912	1,471,448
 Non-Current Liabilities:		
Medium Term Notes	<u>3,467,416</u>	<u>3,139,768</u>
Total Non-Current Liabilities⁽²⁾⁽³⁾	<u><u>3,467,416</u></u>	<u><u>3,139,768</u></u>

(1) The issued capital is U.S.\$1,000, divided in 1,000 shares with a nominal value of U.S.\$1.00.

(2) As at the date of this Information Memorandum, all indebtedness of Caymadrid is unsecured and is guaranteed by Caja Madrid.

(3) As at 31 December, 2001, Caymadrid has no contingent liabilities or guarantees.

There has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Issuer since 31 December, 2001.

Management

The Directors of Caymadrid, their responsibilities within the Issuer and Caja Madrid, and their other directorships within the Caja Madrid Group as at the date of this Information Memorandum are as follows:

Emilio Rincón Paramés⁽¹⁾ — Director of Caymadrid International Ltd.

Jorge Rata⁽²⁾ — Director of Caymadrid International Ltd.

(1) Business address: 701 Brickell Avenue, Miami, 33131 Florida.

(2) Business address: PO Box 30732 SMB, Grand Cayman, Cayman Islands, British West Indies.

CAYMADRID INTERNATIONAL LIMITED

Balance Sheet

As of 31 December, 2001 and 31 December, 2000

	2001	2000
	(Thousands of U.S. Dollars)	
ASSETS:		
Current Assets:		
Cash and cash equivalents.....	104	206
Held-to-maturity investments (Note 3)	2,879,777	1,857,147
Accrual Accounts	36,709	55,004
Total Current Assets	<u>2,916,590</u>	<u>1,912,357</u>
Non-Current Assets:		
Held-to-maturity investments (Note 3)	3,467,107	3,138,610
Total Non-Current Assets	<u>3,467,107</u>	<u>3,138,610</u>
TOTAL ASSETS	<u>6,383,697</u>	<u>5,050,967</u>
Current Liabilities:		
Commercial Paper Issues (Note 5).....	493,161	395,736
Medium Term Notes (Note 5)	2,387,912	1,471,448
Accrual Accounts and others	35,074	43,889
Total Current Liabilities	<u>2,916,147</u>	<u>1,911,073</u>
Non-Current Liabilities:		
Medium Term Notes (Note 5)	3,467,416	3,139,768
Total Non-Current Liabilities	<u>3,467,416</u>	<u>3,139,768</u>
SHAREHOLDER'S EQUITY:		
Ordinary Shares (Note 4)	1	1
Retained Earnings	133	125
Total Shareholder's equity	<u>134</u>	<u>126</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>6,383,697</u>	<u>5,050,967</u>

The accompanying Notes 1 to 7 are an integral part of these financial statements.

CAYMADRID INTERNATIONAL LTD.

Statement of Income

For the year ended 31 December, 2001 and for the year ended 31 December, 2000

	<u>2001</u>	<u>2000</u>
	(Thousands of U.S. Dollars)	
INCOME:		
Interest income	265,576	166,245
Exchange differences	3	—
Net interest and other income	<u>265,579</u>	<u>166,245</u>
EXPENSES:		
Interest expense	(265,410)	(166,085)
Other operating expense	(161)	(152)
Total expenses	<u>(265,571)</u>	<u>(166,237)</u>
Net income for the year	<u>8</u>	<u>8</u>

The accompanying Notes 1 to 7 are an integral part of these financial statements.

CAYMADRID INTERNATIONAL LTD.

Statement of Cash Flows

For the year ended 31 December, 2001 and for the year ended 31 December, 2000

	2001	2000
	(Thousands of U.S. Dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	8	8
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest income	(265,576)	(166,245)
Interest expense.....	265,410	166,085
Net cash provided by (used in) operating activities	(158)	(152)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	(1,351,127)	(2,691,873)
Interest received	283,871	137,324
Net cash provided by (used in) investing activities	(1,067,256)	(2,554,549)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of Medium Term Notes	1,244,112	2,642,186
Issue of Commercial Paper	97,425	53,022
Interest paid.....	(274,225)	(140,575)
Net cash provided by (used in) financing activities.....	1,067,312	2,554,633
Net decrease in cash and cash equivalents	(102)	(68)
Cash and cash equivalents, beginning of year.....	206	274
CASH AND CASH EQUIVALENTS, END OF YEAR	104	206

The accompanying Notes 1 to 7 are an integral part of these financial statements.

Statement of Changes in Shareholder's Equity

For the year ended 31 December, 2001

	Ordinary shares	Retained earnings	Total Equity
	(Thousands of U.S. Dollars)		
Balance as of 31 December, 1999	1	117	118
Net income for the year.....	—	8	8
Balance as of 31 December, 2000	1	125	126
Net income for the year.....	—	8	8
Balance as of 31 December, 2001	1	133	134

The accompanying Notes 1 to 7 are an integral part of these financial statements.

CAYMADRID INTERNATIONAL LTD.

Notes to the Financial Statements

For the year ended 31 December, 2001

1 General

Caymadrid International Limited ("the Company"), a wholly owned subsidiary of Caja de Ahorros y Monte de Piedad de Madrid (a Spanish savings institution, the "Parent" and part of the Caja Madrid Group), is a company incorporated under the Companies Law (2002 Revision) as an exempted company on 3 August, 1990. It has been a part of the Caja de Madrid Group since 23 October, 1990 and its registered offices are at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company was established as a limited liability company, exempt from taxes under Cayman Islands law.

The Company's principal activity is to act as a financing entity. The objectives for which the Company is established are to issue debt obligations guaranteed by the Parent and to lend the proceeds received to its Parent.

2 Summary of Significant Accounting Policies

These financial statements have been authorised for issue by the Board of Directors of the Company subsequent to their meeting held on 16 July, 2002 in Cayman Islands.

The Company's financial statements have been prepared in accordance with International Accounting Standards. The preparation of financial statements in accordance with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are:

(a) Interest Income and Expense

Interest income and expense are recorded on the accrual basis.

(b) Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(c) Investments and Liabilities

Investments with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date.

Medium Term Notes and Commercial Paper issued are included in non-current liabilities unless they mature within 12 months of the balance sheet date.

(d) Foreign Currency Translation

Because of the international nature of the Company's activities and the fact that the Company transacts more of its business in U.S. Dollars than in any other currency, the financial statements are prepared in U.S. Dollars.

Translation of assets and liabilities denominated in currencies other than the presentation currency is at exchange rates prevailing at the balance sheet date. Translation differences, if any, are recorded in the income statement under the "Exchange Differences" caption currently.

(e) Disclosure about fair value of financial instruments

In March 1999, the International Accounting Standards Board issued International Accounting Standard 39: Financial Instruments: Recognition and Measurement ("IAS 39"), effective for fiscal years beginning on or after 1 January, 2001. IAS 39 establishes standards for recognising, measuring and disclosing information about financial instruments. The Company adopted IAS

39 effective 1 January, 2001. In accordance with IAS 39, on 1 January, 2001, the Company remeasured its financial liabilities to amortised cost, which comprises the amount at which the financial liability was measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount. The effect of the change results in a reduction of Accrual Accounts – Assets and Medium Term Notes of U.S.\$6,569,000 and U.S.\$9,284,000 at 31 December, 2001 and 2000 respectively. The net effect of these changes on income is nil.

3 Held-to-maturity Investments

The outstanding balances of “Held-to-maturity” investments as of 31 December, 2001 and 2000 include the proceeds from issuance of the Medium Term Notes and Commercial Paper Notes that were lent to the Parent in the same currencies, with maturities on the same dates and bear interest at the same rates as the respective Commercial Paper Notes and Medium Term Notes (see Note 5), except for some loans that are arranged at an interest rate with a spread above the issuance cost of the respective Commercial Paper Notes and Medium Term Notes in order to cover the costs and general expenses to be incurred by the Company.

The “Held-to-maturity” investments earn returns as follows:

1. Those arising from commercial paper issues (see Note 5) earn a return exceeding their cost between 0.031503 per cent. and 0.14125 per cent.
2. Those arising from Medium Term Notes issues (see Note 5) earn a return exceeding their cost between 0 per cent. and 0.4043 per cent.

4 Shareholder's Equity

As of 31 December, 2001, the Company's sole shareholder was Caja de Ahorros y Monte de Piedad de Madrid. The authorised, subscribed and paid capital stock amounted to U.S.\$1,000 at that date and was divided into 1,000 common shares of U.S.\$1 par value each.

5 Commercial Paper Issues and Medium Term Notes

In December 1990, the Company initiated a commercial paper programme targeted to the Euromarket, with an overall limit of U.S.\$200 million, which was increased in 1999 to U.S.\$1,000 million. In accordance with the conditions of the programme, these issues are unconditionally and irrevocably guaranteed by the Parent. As at 31 December, 2001, the Company had outstanding U.S.\$493,161,000 in promissory notes, compared to U.S.\$395,736,000 at 31 December, 2000, which bore interest at an average of 2.03 per cent. (6.73 per cent. at 31 December, 2000), with maturities between 16 and 184 days.

Additionally, in May 1994, the Company initiated a programme to issue medium-term and long-term capital market instruments (“Medium Term Notes”) to the Euromarket. The original overall limit was U.S.\$1,000 million, which was increased to U.S.\$2,000 million on 22 December, 1997, to U.S.\$3,500 million on 11 February, 1999, to U.S.\$5,500 million on 21 July, 2000, and to U.S.\$8,500 million on 7 June, 2001. The Medium Term Notes can be issued in any currency.

The main characteristics of the Medium Term Notes outstanding as of 31 December, 2001, were as follows:

Current Liabilities:

Currency of Issue	Date of Issue	Date of Maturity	Annual Interest Rate (%)	Thousands of U.S. Dollars
Portuguese Escudo	06/11/97	06/11/02	6m	13,186
Portuguese Escudo	06/11/97	06/11/02	6m	6,594
German Mark	11/04/97	11/04/02	3m	225,251
Japanese Yen	11/25/98	10/15/02	0.0	22,867
Japanese Yen	12/09/99	11/21/02	0.5	19,409
U.S. Dollar	06/20/00	11/15/02	3m	100,000
Euros	09/27/00	03/27/02	3m	881,218
Euros	06/18/01	12/19/02	3m	881,258
Euros	10/11/01	10/11/02	3m	57,284
U.S. Dollar	10/11/01	10/11/02	Libor – 0.0	150,000
Euros	10/24/01	10/24/02	3m	30,845
				<hr/> 2,387,912

Currency of Issue	Date of Issue	Date of Maturity	Annual Interest Rate (%)	Thousands of U.S. Dollars
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Non-Current Liabilities:

Currency of Issue	Date of Issue	Date of Maturity	Annual Interest Rate (%)	Thousands of U.S. Dollars
Japanese Yen	09/19/96	09/19/06	Floating	22,924
Norwegian Krone	04/11/97	12/19/07	6.4	32,070
French Franc.....	06/24/98	06/24/04	4.7	201,026
			Zero	
Euros	03/18/99	03/18/39	Coupon	52,878
Norwegian Krone	06/17/99	06/17/11	6.5	27,709
Euros	10/29/99	10/29/09	Floating	19,331
Euros	10/24/00	10/24/03	3m	880,640
U.S. Dollar	11/28/00	11/28/05	3m	498,632
U.S. Dollar	02/12/01	02/12/04	3m	499,804
Euros	03/27/01	03/27/03	3m	352,231
Euros	04/26/01	04/26/04	3m	880,171
				3,467,416

The main characteristics of the Medium Term Notes issues outstanding as of 31 December, 2000, were as follows:

Current Liabilities:

Currency of Issue	Date of Issue	Date of Maturity	Annual Interest Rate (%)	Thousands of U.S. Dollars
German Mark	02/16/96	02/16/01	5.0	23,788
Portuguese Escudo	05/13/96	05/14/01	Zero Coupon	6,711
Portuguese Escudo	12/16/96	12/16/01	6.7	23,198
Japanese Yen	12/15/98	10/15/01	0.0	26,108
Japanes Yen	06/09/99	06/11/01	0.4	34,720
Pounds Sterling	12/15/99	06/15/01	6.6	25,346
Pounds Sterling	01/20/00	01/22/01	6.7	50,692
Swiss Franc.....	02/01/00	12/18/01	12m	39,708
Euros	04/18/00	04/18/01	3m	930,499
U.S. Dollar	06/19/00	06/19/01	Floating	160,004
			AUD	
Australian Dollar.....	06/30/00	06/30/01	BBR-BBSW	11,097
Euros	08/07/00	08/07/01	1m	46,526
Euros	09/06/00	09/06/01	3m	93,051
				1,471,448

Non-Current Liabilities:

Currency of Issue	Date of Issue	Date of Maturity	Annual Interest Rate (%)	Thousands of U.S. Dollars
Japanese Yen	09/19/96	09/19/06	Floating	26,108
Norwegian Krone	04/11/97	12/19/07	6.4	32,687
Portuguese Escudo	06/11/97	06/11/02	6m	13,920
Portuguese Escudo	06/11/97	06/11/02	6m	6,959
German Mark	11/04/97	11/04/02	3m	237,762
French Franc.....	06/24/98	06/24/04	4.7	212,047
Japanese Yen.....	11/25/98	10/15/02	0.0	25,959
			Zero	
Euros	03/18/99	03/18/39	Coupon	55,830
Norwegian Krone	06/17/99	06/17/11	6.5	28,254
Euros	10/29/99	10/29/09	Floating	20,402
Japanese Yen.....	12/09/99	11/21/02	0.5	22,105
U.S. Dollar	06/20/00	11/15/02	3m	100,000
Euros	09/27/00	03/27/03	3m	930,037
Euros	10/24/00	10/24/03	3m	929,416
U.S. Dollar	10/28/00	10/28/05	3m	498,282
				<u>3,139,768</u>

6 Taxation

Under the Cayman Islands Tax Concession Law (Revised), the Governor-in-Council of the Cayman Islands issued an undertaking to the Company on 3 August, 1990 exempting it from all local income, profit or capital gains taxes. The undertaking has been issued for a period of twenty years and at the present time, no such taxes are levied in the Cayman Islands. Accordingly, no provision for taxes on the Company's income in the Cayman Islands is recorded.

7 Comparative Figures

Certain of the prior year's balances have been reclassified to conform with the current year's presentation.

CAJA MADRID

INTRODUCTION

Caja de Ahorros y Monte de Piedad de Madrid (“Caja Madrid” or “Caja”) is incorporated under the laws of the Kingdom of Spain as a caja de ahorros (“savings bank”). Caja Madrid, the oldest Spanish financial institution, was founded in 1702 and its operations as a savings bank were authorised by Royal Decree in 1838. It was the first savings bank to be regulated by the Bank of Spain and participates in the Savings Banks Deposit Guarantee Fund. This is a state regulated fund designed to protect individual deposit holders.

Unlike commercial banks, savings banks do not have shareholders. Accordingly, they allocate their profits after taxes to reserves in order to comply with the Bank of Spain rules about financial institutions’ capitalisation. The profits unallocated to reserves (up to a maximum of 50 per cent. of total net income) are allocated to social and cultural activities. This welfare commitment presently focuses on assistance, cultural, educational, environmental and research activities, guided by the social agenda of the day, with the aim of supplementing government provision in these areas.

Caja Madrid’s primary activities are retail, investment and private banking: Caja Madrid Group (the “Group”) comprises 33 dependent companies which supplement the activities of Caja in the areas of insurance, health care, services, corporate promotion and participation, investment management and finance. The Group provides these services through a domestic network of 1,873 branches, 2 representative offices in Casablanca and Havana, and 2 transactional branches in Dublin and Lisbon.

Caja Madrid is the fourth largest Spanish financial institution and the second Spanish savings bank, both in terms of total assets. The Group’s qualifying equity, as per BIS rules, closed 23.8 per cent. higher than in the prior year at EUR 6,164,911 thousand, with a total BIS ratio of 12.5 per cent. and a Tier I ratio of 7.64 per cent.

Source: 2001 Audited Annual Report

BUSINESS

In 2001 Caja Madrid Group continued to consolidate its position in Spain as one of the most solvent and profitable finance groups. Caja Madrid obtained the same ratings as in prior years from the major rating agencies. These ratings locate Caja Madrid among the best graded institutions in the European financial sector.

As of 31 December, 2001 the total consolidated assets amounted to EUR 66,673,693 thousand, an increase of 5.5 per cent. over the year before. Customer funds of the consolidated balance sheet stood at EUR 49,343,175 thousand, after rising EUR 6,882,613 thousand in the course of the year (16.2 per cent.). Net lending to customers, which consists of all loans and credits to customers less the related credit loss allowance, amounted to EUR 38,824,945 thousand, which was EUR 2,717,276 thousand (7.3 per cent.) higher than in 2000. Total managed funds rose by 14.6 per cent. to EUR 64,483,846 thousand.

In a scenario of growing competition in the financial services industry, Caja Madrid Group reported a surplus after taxes of Ptas. 80,732 million, up 11.08 per cent. on 2001.

The Group’s staff numbered 12,010 at the end of 2000, with an increase of 359 employees (3.1 per cent.) with respect to 2000.

In the year 2001, Caja Madrid Group has pressed on the development and roll-out of complementary channels. The principal achievements were:

- The technological upgrade of the self-service network, which now comprises 3,276 points.
- The net issuance of 249,000 credit and debit cards, raising the total number in circulation to almost 3.7 million.
- The number of clients signed up for the Telephone Banking Service climbed to 1,775,326, an increase of 25.9 per cent. over 2000.
- A 149 per cent. year on year increase in the number of clients signed up for the Internet Banking service, as far as a closing total of 587,197.

The challenge posed by the new economy was addressed through the start-up in December of Caja Madrid e-business, a specialist unit with its own corporate structure in charge of steering the Group’s Internet activities, and developing a new economy investment portfolio.

Created in 1988, Corporación Financiera Caja Madrid is a key piece in Caja Madrid's business diversification strategy. Corporación Financiera heads a holding company engaging in four principal business lines: financial asset management and brokerage, insurance and pensions, real estate, and business promotion and participation. The year 2000 brought a significant switch in the Group's insurance business strategy, with the incorporation in June of Mapfre-Caja Madrid Holding, owned 51 per cent. by Corporación Mapfre and 49 per cent. by Corporación Caja Madrid. Realia Business (49.16 per cent. owned), incorporated on the same date, brings together the real estate businesses of the Caja Madrid and FCC groups, and already stands second in the domestic ranking by land reserves.

The volume of business managed by Corporación Financiera expanded by 9.61 per cent. in the year 2001 to EUR 16,043,260 thousand. Of this total, EUR 8,468,980 thousand corresponded to assets under management in mutual funds (which grew by 4.86 per cent. with respect to 1999), EUR 1,792,310 thousand to pension funds (an increase of 7.94 per cent.), EUR 5,198,000 thousand to assets managed by Mapfre-Caja Madrid Holding (49 per cent.), an increase of 21.7 per cent., EUR 297,266 to the real estate stock of Realia Business (49.16 per cent.) and EUR 192,440 thousand to committed investments by its Business Promotion and Participation company (SPPE).

In 1991, Caja Madrid acquired Banco de Crédito y Ahorro and its branch network located in the Mediterranean area. With this purchase Caja Madrid became the first savings bank to buy a Spanish commercial bank and it allowed the Group to access a region where it previously had only a limited presence. In 1995 its name changed to Altae Banco, and in December 1997, following the transfer of its branch network to Caja Madrid, Altae Banco was relaunched as a private banking specialist, providing service to the Group's high income and/or net worth clients.

In 1999 Caja Madrid completed the acquisition of Banca Jover S.A. to Credit Lyonnais, and the integration of its business, branched and staff was rounded off in May 2000, bringing on board a further 82 branches, 160,000 clients and a balance sheet of Pta. 87,489 million.

In the framework of its alliance with Mapfre, Caja Madrid raised its ownership interest in Banco Mapfre to 51 per cent. in December 2000. Banco Mapfre will henceforth operate as a specialist entity distributing asset and liability products through the Sistema Mapfre agency network and the branch network of the Caja Madrid Group and will be head of a Specialised Bank Holding which includes Bancofar, Finanmadrid and Madrid Leasing.

As at 31 December 2001, Caja Madrid had 11,366 employed on an unconsolidated basis and 12,152 employees on a consolidated basis.

Source: 2001 Audited Annual Report

CAPITALISATION AND INDEBTEDNESS – CAJA MADRID

The following table (compiled from audited figures) sets out the consolidated capitalisation and indebtedness of the Group as at 31 December, 2001 and 31 December, 2000:

	31 December, 2001	31 December, 2000
	(thousands of euro)	(Millions of pesetas)
Short-term debt		
Promissory notes.....	0	0
Long-term debt		
Subordinated debt	1,569,284	177,914
Note issues ⁽⁴⁾	12,274,595	1,428,633
Total long-term debt	13,843,879	1,606,547
Stockholders' equity		
Retained earnings and other reserves ⁽¹⁾	3,837,608	581,994
Endowment fund	27	4
Total stockholders' equity	3,837,635	581,998
Total capitalisation ⁽²⁾⁽³⁾	17,681,514	2,188,545

Notes:

- (1) The appropriation to the "Reserves" caption is determined pursuant to the provisions of Law 13/1985 and Royal Decree 1370/1985 regulating the minimum required equity of financial intermediaries. Caja's equity as at 31 December, 1997 and 1996 exceeded the minimum amount required under the foregoing legislation. Savings banks are obliged to appropriate at least 50 per cent. of their net surplus after taxes to reserves or to allowances not relating to specific assets.

In 1996 Bank of Spain dictated a new regulation (Circular 2/96) by which financial institutions were obliged to reclassify certain items of the Balance Sheet (Reserves and Other Liabilities).

Reserves breakdown:

	31 December, 2001	31 December, 2000
	(thousands of euro)	(Millions of pesetas)
Caja Madrid's Reserves	3,314,183	491,442
Restatement Reserves	157,703	26,239
Reserves of consolidated companies.....	117,905	19,331
Losses of consolidated companies.....	(114,033)	(8,653)
Caja's net surplus for the year, net of the provision to the Community Welfare Project Reserve	361,850	52,468
Net surplus for the year of consolidated companies	—	1,167
	3,837,608	581,994

- (2) As at the date of this Information Memorandum, all indebtedness of Caja Madrid is unsecured and unguaranteed. There is no other loan capital save as disclosed.
- (3) As at 31 December, 2001 Caja Madrid had contingent liabilities in the form of deposits, guarantees and sureties totalling EUR 5,379,420 and other contingent liabilities totalling EUR 102,855 thousand.

(4) Marketable debt securities breakdown:

	31 December, 2001	31 December, 2000
	(thousands of euro)	(Millions of pesetas)
Bonds and debentures.....	5,625,513	603,241
Promissory Notes and Other Securities	6,649,082	825,392
	<u>12,274,595</u>	<u>1,428,633</u>

There has been no material change in the consolidated capitalisation, indebtedness, contingent liabilities and guarantees of the Group since 31 December, 2001.

CAJA MADRID GROUP

Summary of Selected Financial Information⁽¹⁾

	31 December, 2001	31 December, 2000
	(millions of euro)	(Billions of pesetas) ⁽⁴⁾
Consolidated balance sheet data⁽¹⁾		
Total assets	66,673,693	10,510.4
Lending to Customers	39,810,800	6,171.8
Customers Deposits	35,499,300	5,458.3
Capital base (Bank of Spain regulations)	5,439.1	742.7
Consolidated ratios⁽¹⁾		
	(%)	
Capital Adequacy Ratio (Bank of Spain)	10.84%	10.02%
BIS Ratio	12.49%	11.30%
Tier I	7.64%	7.42%
Tier II	4.85%	3.88%
Net Interest Revenue ⁽²⁾	2.75%	2.56%
Return on average total assets	0.83%	0.9%
Return on average equity	14.0%	13.0%
Consolidated Credit Quality Ratios		
	(%)	
Allowance for possible loan losses as a percentage of total gross loans.....	1.78%	1.55%
Doubtful loans as a percentage of total gross loans ⁽³⁾	0.68%	0.76%
Allowance for possible loan losses as a percentage of doubtful loans	245.15%	220.01%
Net loan charge-offs as a percentage of total gross loans	0.42%	0.62%
Other Consolidated Data		
Number of Group's employees	12,152	12,010
only Caja Madrid	11,366	10,952
Number of Group's branches	1,875	1,880
only Caja Madrid	1,841	1,762

Notes:

- (1) The financial information has been extracted from audited financial statements of the Group for the relevant financial years. The statistical information has been derived from the Group's books and records and is unaudited.
- (2) Net interest revenue (interest and similar revenues less interest and similar expenses plus income from equity securities) as a percentage of average total assets.
- (3) Doubtful loans include loans 90 days or more past the due date for payment of principal and interest and other doubtful loans, following Bank of Spain's regulations.
- (4) 1 billion Pta is 1,000,000,000 Pta.

MANAGEMENT

The governing bodies of the savings banks in Spain are regulated by Act 31/1985 (the “Act”) and by their own statutes. The Act represents the general framework, and is developed further by regulations of the relevant regional authority, which, in the case of Caja, is the autonomous government of Madrid (Laws 5/1992, of 15 July, and 7/1992, of 4 November).

The General Assembly is the main governing body of Caja Madrid and plays the role of a shareholders’ general meeting. The General Assembly comprises 320 members elected by the municipalities, depositors, employees and regional government officials. It meets twice a year and is in charge of defining the Group’s business plan, approving the accounts, the management report and the distribution of net income and appointing the members of both the Board of Directors and the Control Commission.

The Board of Directors is the main body responsible for the management of Caja Madrid and for monitoring the fulfilment of the Group’s objectives. The Board of Directors, headed by the chairman, comprises 20 members elected by the General Assembly in proportion to its composition. The Executive Committee, consisting of the Chairman of the Board of Directors and a maximum of 9 Board members, is in charge of the day-to-day management of the Group including personnel, investments and risk management.

The Control Commission is a supervisory body and ensures that the Board of Directors acts according to Caja’s standards set by the General Assembly and Caja’s regulatory bodies such as the central and regional authorities. It is made up of 11 members appointed by and in proportion to the composition of the General Assembly.

The table below sets out the members of the Board of Directors of Caja and their current positions as at the date hereof. The business address of each of the members of the Board of Directors is Plaza de Celenque No. 2, 28013 Madrid.

Board of Directors of Caja Madrid

Miguel Blesa de la Parra	—	Chairman of the Board of Directors of Caja Madrid; Chairman of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Chairman of the Board of Directors of Altae Banco, S.A.; Chairman of the Board of Directors of Caja Madrid e-Business, S.A.; Member of the Board of Directors of Empresa Nacional de Electricidad, S.A. (ENDESA); Vice-Chairman of the Board of Directors of Iberia Líneas Aéreas de España, S.A.; Vice-Chairman of the Board of Directors of Confederación Española de Cajas de Ahorros (CECA) and Member of Grupo Dragados, S.A.
Ramón Espinar Gallego	—	Vice-Chairman of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A.; Member of the Board of Directors of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana, on behalf of Participaciones y Cartera de Inversión, S.L. and Director of La Veneciana S.A.
José Antonio Moral Santín	—	Vice-Chairman of the Board of Directors of Caja Madrid; Director of Corporación Financiera Caja de Madrid, S.A.; Director of Caja Salud de Seguros y Reaseguros, S.A.; Director of Altae Banco, S.A.; Director of Caja Madrid e-Business, S.A.; Director of Realía Business, S.A. and Director of Radiotelevisión Madrid.
José Luis Acero Benedicto	—	Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Caja Salud de Seguros y Reaseguros, S.A.; Member of the Board of Directors of Zacon S.A.; Chairman of the Board of Directors of Union Canaria de Medicina Preventiva, S.A.

Juan José Azcona Olóndriz	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.
Pedro Bedia Pérez	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A.; Member of the Board of Directors of Parque Temático de Madrid, S.A., on behalf of Participaciones y Cartera de Inversión, S.L.
Pedro Bujidos Garay	— Member of the Board of Directors of Caja Madrid and Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.
José Caballero Domínguez	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Castellana Norte, S.A. and Chairman of Sogepima.
José María Fernández del Río Fernández	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Managing Director of Aguas de Fuensanta, S.A.; Managing Director of Constructora Alonso Rato, S.A.; Managing Director of Grupo Alimentario de Exclusivas; Chairman of Innovación de Bebidas, S.A.; Chairman of Aguas de Orotana, S.A. and Joint Director of Fernández y Porto, S.A.
Darío Fernández-Yruegas Moro	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A. and Member of the Board of Directors of Plurimed, S.A.
Guillermo R. Marcos Guerrero	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Proyectos Aeropuerto, S.A. and Sole Director of Grupo Ocio y Gestión Deportiva, S.L.
Mercedes de la Merced Monge	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A.; Member of the Club de Campo Villa de Madrid; Member of the Board of Directors of Institución Ferial de Madrid (IFEMA); Chairwoman of the Board of Estación Sur de Autobuses and Member of the Governing Board of Consorcio Casa de America.
Francisco Moure Bourio	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A. and Member of the Board of Directors of Isolux Wat, S.A.
Miguel Muñiz de las Cuevas	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A. and Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.
Ignacio de Navasqués Cobián	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Altae

	Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A.; Member of the Board of Directors of Tasaciones y Valoraciones de Galicia, S.A., on behalf of Tasaciones Madrid, S.A., and General Manager of Tasaciones Madrid, S.A.
Alberto Recarte García-Andrade	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Chairman of Libertad Digital, S.A.; Vice-Chairman of Centunión, S.A. and Joint Director of Inversiones Loarga, S.A.
Ignacio del Río García de Sola	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.; Member of the Board of Directors of Empresa Municipal de la Vivienda; Chairman of Empresa Municipal de Suelo and Chairman of the Committee of Club de Campo Villa de Madrid.
José María de la Riva Ámez	— Member of the Board of Directors of Caja Madrid and Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.
Ricardo Romero de Tejada y Picatoste	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A. and Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.
Antonio Romero Lázaro	— Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Altae Banco, S.A.; Member of the Board of Directors of Caja Madrid e-Business, S.A. and Member of the Board of Directors of Corporación Financiera Caja de Madrid, S.A.

Caja De Ahorros Y Monte De Piedad De Madrid and Dependent Companies Composing the Caja Madrid Group

Consolidated Balance Sheets as of 31 December, 2001 and 2000 Before the distribution of income (Notes 1, 2, 3, 4, 5, 6 and 7)

	2001 (thousands of euro)	2000 (millions of pesetas)
Assets		
1. Cash on hand and on deposit at central banks (Note 9)	937,747	124,427
1.1 Cash on hand	394,041	55,515
1.2 Cash at Bank of Spain	812,854	54,266
1.3 Cash at other central banks	30,852	14,646
2. Government debt securities (Note 11)	4,802,099	688,925
3. Due from credit entities (Note 9)	7,992,094	1,446,729
3.1 Demand deposits	205,633	34,005
3.2 Other	7,786,461	1,412,724
4. Lending to customers (Note 10)	39,810,789	6,171,041
5. Debentures and other fixed income securities (Note 11)	6,177,465	979,442
5.1 Issued by the public sector	1,238,183	218,818
5.2 Other	4,939,282	760,624
Pro memoria: Treasury stock	10,304	37,850
6. Common stock and other equity securities (Note 11)	277,537	52,442
7. Shareholding in non-group companies (Note 11)	1,569,442	233,289
7.1 Credit entities	38,856	5,914
7.2 Other	1,530,586	227,375
8. Shareholdings in group companies (Note 11)	80,380	2,750
8.1 Credit entities	—	—
8.2 Other	80,380	2,750
9. Intangible assets	64,334	7,794
9.1 Incorporation and stand-up expenses	1,587	133
9.2 Other deferred charges	62,747	7,661
9 bis. Goodwill in consolidation	840,448	166,130
9 bis. 1 Companies consolidated by the global and proportional integration methods	15,518	2,860
9 bis. 2 Companies carried by the equity method	824,930	163,270
10. Property and equipment (Note 12)	1,229,296	207,430
10.1 Land and buildings for own use	692,375	118,123
10.2 Other property	86,187	19,649
10.3 Furniture, installations and other	450,734	69,658
11. Capital stock subscribed but not paid	—	—
11.1 Capital calls not paid	—	—
11.2 Other	—	—
12. Treasury stock	—	—
Pro memoria: Par value	—	—
13. Other assets (Note 13)	2,179,683	301,069
14. Accrual accounts (Note 13)	598,346	119,522
15. Losses at consolidated companies (Note 14)	114,033	8,653
15.1 Companies consolidated by the global and proportional integration methods ..	19,205	1,342
15.2 Companies carried by the equity method	94,533	7,295
15.3 Translation differences	295	16
16. Consolidated loss for the year	—	—
16.1. Group	—	—
16.2 Minority interest	—	—
Total Assets	66,673,693	10,510,443

	2001	2000
Memorandum Accounts		
1. Contingent liabilities	5,521,409	722,758
1.1 Rediscunts, endorsements and acceptances	—	—
1.2 Assets assigned to sundry obligations	39,134	—
1.3 Deposits, guarantees and sureties	5,379,420	707,111
1.4 Other contingent liabilities	102,855	15,647

(1) Presented for comparison purposes only.

Source: Annual Report 2001 Caja Madrid.

	2001	2000
Liabilities		
1. Due to credit entities (Note 9)	8,945,108	2,162,475
1.1 Demand deposits	125,059	19,372
1.2 Other	8,820,049	2,143,103
2. Customer deposits	35,499,296	5,458,295
2.1 Savings deposits	29,710,826	4,615,510
2.1.1 Demand	18,007,737	2,564,343
2.1.2 Time (Note 15)	11,703,089	2,051,167
2.2 Other deposits	5,788,470	842,785
2.2.1 Demand	—	—
2.2.2 Time (Note 15)	5,788,470	842,785
3. Marketable debt securities (Note 16)	12,274,595	1,428,633
3.1 Bonds and debentures outstanding	5,625,513	603,241
3.2 Promissory notes and other securities	6,649,082	825,392
4. Other liabilities (Note 17)	2,437,290	381,963
5. Accrual accounts (Note 17)	627,461	70,722
6. Provisions for contingencies and expenses (Note 18)	261,566	57,820
6.1 Pension allowance	4,923	1,308
6.2 Provision for taxes.....	101,198	16,842
6.3 Other provisions	155,445	39,670
6. bis General risk allowance	1	8
6. ter Negative difference in consolidation (Note 8)	—	341
7. Consolidated income for the year	538,973	80,732
7.1 Group	486,380	72,645
7.2 Minority interests (Note 8)	52,593	8,087
8. Subordinated debt financing (Note 6)	1,569,284	177,914
8. bis Minority interests (Note 8)	930,301	154,524
9. Endowment fund	27	4
10. Paid-in surplus	—	—
11. Reserves (Note 14)	3,314,183	491,442
12. Restatement reserves (Note 14)	157,703	26,239
12. bis Reserves at consolidated companies (Note 14)	117,905	19,331
12 bis. 1 Companies consolidated by the global and proportional integration methods	76,976	14,841
12 bis. 2 Companies carried by the equity method	36,757	4,316
12 bis. 3 Translation differences	4,172	174
13. Prior years' Income	—	—
Total liabilities	<u>66,673,693</u>	<u>10,510,443</u>

	2001	2000
Memorandum Accounts		
2. Commitments	18,649,581	2,353,315
2.1 Assets sold with repurchase option.....	—	—
2.2 Drawable by third parties	8,288,723	1,471,716
2.3 Other commitments.....	10,360,858	881,599

Caja de Ahorros y Monte de Piedad de Madrid and Dependent Companies Composing the Caja Madrid Group

Consolidated Statements of Income and Expenses for the years ended 31 December 2001 and 2000, Before the distribution of income (Notes 1, 2, 3, 4, 5, 6 and 7)

	2001 (thousands of euro)	2000 (millions of pesetas)
1. Interest and similar revenues (Note 25)	3,115,567	433,718
Of which: Fixed-income securities	571,111	81,293
2. Interest and similar expenses (Notes 31)	(1,751,537)	(235,090)
3. Income from equity securities	89,762	9,584
3.1 Common stocks and other equity securities	3,702	3,688
3.2 Holdings in non-Group companies.....	82,988	5,672
3.3 Holdings in Group companies	3,702	224
A. Net interest revenue	1,453,792	208,212
4. Fees collected.....	531,657	86,197
5. Fees paid	(85,012)	(11,367)
6. Gains (losses) on financial transactions (Note 23).....	144,689	36,151
B. Net Ordinary Revenue	2,045,126	319,193
7. Other operating revenues	16,126	2,762
8. General administrative expenses	(949,673)	(146,456)
8.1 Personnel expenses (Note 22)	(629,932)	(97,612)
Of which: Wages and salaries	(473,624)	(72,051)
Employee welfare expenses.....	(129,160)	(20,109)
Of which: Pensions	(29,875)	(4,632)
8.2 Other administrative expenses.....	(319,741)	(48,844)
9. Depreciation, amortisation and writedown of property and equipment and intangible assets (Note 12)	(164,438)	(26,044)
10. Other operating expenses	(27,018)	(5,872)
C. Net operating revenue.....	920,123	143,583
11. Net income from companies carried by the equity method	36,932	17,887
11.1 Share in income of companies carried by the equity method	163,783	25,589
11.2 Share in losses of companies carried by the equity method	(40,791)	(1,806)
11.3 Valued adjournment due to collection of dividend	(86,060)	(5,896)
12. Amortization of goodwill in consolidation	(78,140)	(16,106)
13. Gains on group transactions.....	531	8,282
13.1 Gains on disposal of holding in companies consolidated by the global integration method		2,930
13.2 Gains on disposal of holdings carried by the equity method	531	5,352
13.3 Gains on transactions involving controlling company shares and Group financial liabilities ..		—
13.4 Reversal of negative differences in consolidation		—
14. Losses of group transactions		—
14.1 Losses on disposal of holdings in companies consolidated by the global integration method		—
14.2 Losses on disposal of holdings carried by the equity method		—
14.3 Losses on transaction involving controlling company shares and Group financial liabilities ..		—
15. Writeoffs, and credit loss provisions (Net) (Note 10)	(197,429)	(41,879)
16. Writedown of financial investments (Net).....		—
17. Provision to general risk allowance.....	(54)	(4)
18. Extraordinary income (Note 24)	85,594	18,132
19. Extraordinary loss (Note 24).....	(69,696)	(24,337)
D. Surplus before taxes	697,861	105,558
20. Corporate income tax	158,209	(24,672)
21. Other taxes	(679)	(154)
E. Consolidated Surplus for the year	538,973	80,732
E.1 Income attributed to minority interests.....	52,593	8,087
E.2 Income attributable to the Group	486,380	72,645

(1) Presented for comparison purposes only
Source: Annual Report 2001 Caja Madrid

TAXATION

Taxation in the Cayman Islands

Under existing Cayman Islands law:

- (i) payments of principal and interest in respect of the Instruments will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of Instruments. Gains derived from the sale of the Instruments will not be subject to income or corporation tax in the Cayman Islands. The Cayman Islands currently have no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax; and
- (ii) the holder of any Instruments (or the legal personal representative of such holder) whose Instruments are brought into the Cayman Islands may be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of those Instruments.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted Company and as such has obtained an undertaking dated 23 August, 1990 from the Governor-in-Council of the Cayman Islands that for a period of 20 years from the date of the undertaking no law enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Issuer or its operations and that no such tax or any tax in the nature of inheritance tax or estate duty shall be payable on the shares, debentures or other obligations of the Issuer.

Taxation in the Kingdom of Spain

Payments under the Guarantee made to residents of an EU country, other than those operating through a permanent establishment in Spain or resident in countries considered as tax havens pursuant to Spanish law (currently as set out in Royal Decree 1080/1991 of 5 July), may be made without any deduction for withholding tax in the Kingdom of Spain, provided that any person wishing to ensure that payments are made without any deduction for withholding tax submits the relevant certificate of tax residency required by the Spanish tax authorities showing that the person concerned is resident in such an EU country prior to any payment under the Guarantee. Each certificate will be valid for a period of one year beginning on the date of issue. However, payments under the Guarantee made to a resident in a non-EU country may be subject to withholding tax in the Kingdom of Spain (see “Terms and Conditions of the Notes — Taxation”). Withholding, if any, may be reduced or eliminated under an applicable income tax treaty to which the Kingdom of Spain is a party.

Although no clear precedent, statement of law or regulation exists in relation thereto, in the opinion of the Guarantor, payments made under the Deed of Guarantee may be characterised as an indemnity and made free and clear of withholding or deduction. However, in the event that the Spanish fiscal authorities take the view that the Guarantor has validly, legally and effectively assumed all the obligations of an Issuer under the Instruments and the Agency Agreement, subject to and in accordance with the Deed of Guarantee, the Spanish fiscal authorities may attempt to impose withholding tax in the Kingdom of Spain (subject to the exceptions set out above) on any payments made by the Guarantor in respect of payments under the Instruments.

EU Directive on Taxation of Savings

The European Union is currently considering a proposal for a new Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Caja Madrid, Deutsche Bank AG London, Goldman Sachs International, Lehman Brothers International (Europe), Merrill Lynch International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International Limited, Salomon Brothers International Limited and UBS AG, acting through its business group UBS Warburg (the “Dealers”). Instruments may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 10 May, 1994 (the “Dealership Agreement” as amended, supplemented or restated) and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

United States of America: *Regulation S Category 2; TEFRA D; Rule 144A Eligible if so specified in the relevant Pricing Supplement*

Instruments have not been and will not be registered under the United States Securities Act of 1933 (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 certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each Dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons. In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Tranche of Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Pricing Supplement.

United Kingdom

In relation to each Tranche of Instruments, each Dealer subscribing for or purchasing such Instruments has represented to and agreed with, or will represent to and agree with, the Issuer, the Guarantor and each other such Dealer (if any) that:

- (i) ***No offer to public – listed Instruments:*** in relation to Instruments that have a maturity of one year or more and are to be admitted to the Official List of the UK Listing Authority, it has not offered or sold and will not offer or sell any such Instruments to persons in the United Kingdom prior to admission of such Instruments to listing in accordance with Part VI of the FSMA except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;

- (ii) **No offer to public – unlisted Instruments:** in relation to Instruments that have a maturity of one year or more and which are not to be admitted to the Official List of the UK Listing Authority, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Instruments, will not offer or sell any such Instruments to persons in the United Kingdom except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 ;
- (iii) **No deposit-taking:** In relation to any Instruments which have a maturity of less than one year from the date of their issue:
 - (a) 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
 - (b) it has not offered or sold and will not offer or sell any Instruments 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 business;
 - 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 business,

where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (iv) **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 Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (v) **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 such Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments directly or indirectly in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Republic of France

Each Dealer represents and agrees that, it has not offered or sold and will not offer or sell, directly or indirectly, Instruments to the public in France, and has not distributed or caused to be distributed and will not contribute or cause to be distributed to the public in France, the Information Memorandum or any other offering material relating to the Instruments, and that such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with Article L.411-2 of the French *Code Monétaire et Financier* and *décret* no. 98-880 dated 1 October, 1998.

In addition, each Dealer represents and agrees that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Information Memorandum or any other offering material relating to the Instruments other than to investors to whom offers and sales of Instruments in the Republic of France may be made as described above.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France, the Information Memorandum or any other offering material relating to the Instruments other than to investors to whom offers and sales of Instruments in France may be made as described above.

Federal Republic of Germany

Each Dealer has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Programme and that it will comply with the Securities Selling Prospectus Act (the “SSPA”) of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*). In particular each Dealer has undertaken not to engage in a public offering (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Instruments issued under the Programme otherwise than in accordance with the SSPA and any other legislation replacing or supplementing the SSPA and all other applicable laws and regulations.

Kingdom of Spain

Each Dealer has represented and agreed that the Instruments may not be offered, sold, distributed or promoted in the Kingdom of Spain save in accordance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio del Mercado de Valores*) of 28 July, 1988 as amended and restated and Royal Decree 291/1992 on Issues and Public Offerings of Securities (*Real Decreto 291/1992 de 27 de marzo sobre Emisiones y Ofertas Públicas de Valores*) as amended and restated, and further subsequent legislation.

The Netherlands

Each dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not directly or indirectly offer or sell in the Netherlands any Instruments with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (“*Wet toezicht effectenverkeer 1995*”) is applicable and the conditions attached to such exemption or exception are complied with.

Cayman Islands

Each Dealer has represented and agreed that it will make no invitation to the public in the Cayman Islands to purchase any Instruments, whether directly or indirectly.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Information Memorandum or any Pricing Supplement comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Guarantor. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

GENERAL INFORMATION

1. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer on 24 March, 1993 and ratified by resolution dated 20 October, 1993 and the giving of the Guarantee was authorised by a resolution of the Board of Directors of the Guarantor dated 23 March, 1993. On 11 February, 1999 the Board of Directors of the Issuer approved the increase of the limit of the Programme from U.S.\$2,000,000,000 to U.S.\$3,500,000,000 and the Board of Directors of the Guarantor ratified its Guarantee to this increase on 22 June, 1998. On 21 July, 2000, the Board of Directors of the Issuer approved the increase of the limit of the Programme from U.S.\$3,500,000,000 to U.S.\$5,500,000,000 and the Board of Directors of the Guarantor ratified its Guarantee to this increase on 26 June, 2000. On 7 June, 2001, the Board of Directors of the Issuer approved the increase of the limit of the Programme from U.S.\$5,500,000,000 to U.S.\$8,500,000,000 and the Board of Directors of the Guarantor ratified its Guarantee to this increase on 26 February, 2001. On 27 September 2002, the Board of Directors of the Issuer approved the increase of the limit of the Programme from U.S.\$8,500,000,000 to EUR 12,000,000,000 and its redenomination and the Board of Directors of the Guarantor satisfied its Guarantee to this increase on 1 July, 2002.
2. There are no, nor have there been any litigation, arbitration, administrative or legal proceedings involving the Issuer or the Guarantor or any of the Guarantor's subsidiaries (and no such proceedings are pending or threatened) which have or may have had during the twelve months prior to the date of this Information Memorandum a significant effect on the financial position of the Issuer, the Guarantor or of the Guarantor and its subsidiaries taken as a whole.
3. Since 31 December, 2001, the last day of the financial year in respect of which the most recent audited financial statements of the Issuer and since 31 December, 2001 the last day of the financial year in respect of which the most recent audited financial statements of the Guarantor have been published there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Guarantor and its subsidiaries taken as a whole.
4. The financial statements of the Issuer for the years ended 31 December 1999, 2000 and 2001 and the financial statements of the Guarantor for the three financial years preceding the date of this Information Memorandum have been audited by Arthur Andersen, Chartered Accountants. The opinion of the Auditors on the financial statements of the Issuer for the years ended 31 December, 1999, 2000 and 2001 was unqualified. The opinion of the Auditors on the financial statements of the Guarantor as of 31 December, 1999, as of 31 December, 2000 and as of 31 December, 2001 was unqualified.
5. For the period of fourteen days after the date of this Information Memorandum and for so long as any Instruments shall be outstanding and throughout the life of the Programme, copies and, where appropriate, English translations of the following documents may be inspected (in the case of 5(g) and (h) below obtainable from the Alternative Registrar and Paying Agent) during normal business hours at the specified office of the Fiscal Agent, Principal Registrar and Alternative Registrar and at the respective registered offices of the Issuer and the Guarantor, namely:
 - (a) the constitutional documents of the Issuer and the Guarantor;
 - (b) the current listing particulars in relation to the Programme, together with any amendments or supplements thereto, including any supplementary listing particulars, and any document incorporated therein by reference;
 - (c) the Issue and Paying Agency Agreement and all amendments thereto and restatements thereof;
 - (d) the Deed of Covenant and all amendments thereto and restatements thereof;
 - (e) the Guarantee and all amendments thereto and restatements thereof;
 - (f) the Dealership Agreement and all amendments thereto and restatements thereof;
 - (g) the most recent publicly available audited (and, in the case of the Guarantor, consolidated) financial statements (including the notes to the accounts setting out the comments and detailed explanations made by accountant officials of the Guarantor and audited by the Auditors in respect of the figures set out in such financial statements) of the Issuer beginning with such financial statements for the years ended 31 December, 2000 and 31 December, 2001 and in respect of the Guarantor beginning with such financial statements for the years ended 31 December, 2000 and 31 December, 2001. The Issuer does not publish interim unaudited financial statements, whether consolidated or unconsolidated. The Bank of Spain requires the

Guarantor to produce interim unaudited consolidated financial statements as of 30 June in each year and interim unaudited unconsolidated financial statements as of 31 March and 30 September in each year. These financial statements are not published. However, the Guarantor is required by the Comisión Nacional del Mercado de Valores ("CNMV") to publish interim financial statements by incorporation in an information memorandum (Folleto Informativo) when launching Spanish Peseta denominated domestic bonds which would be available to the public in any branch of the Guarantor as well in the CNMV; and

- (h) any Pricing Supplement. In the case of a Tranche of Instruments in relation to which application has not been made for admission to the Official List of the UK Listing Authority and/or the Luxembourg Stock Exchange or for listing on any other listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Instruments.
6. Application has been made to list Instruments under the Programme on the Luxembourg Stock Exchange. Prior to the listing of Instruments on the Luxembourg Stock Exchange, the constitutional documents of the Issuer and the Guarantor and the legal notice relating to the issue will be registered with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where copies of these documents may be obtained upon request. The Luxembourg Stock Exchange has registered the Programme the reference number 12016.
7. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number in relation to the Instruments of each Series and any other clearing system as shall have accepted the relevant Instruments for clearance will be specified in the Pricing Supplement relating thereto.
8. Bearer Instruments (other than any Temporary Global Instrument) and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations providing in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
9. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Tranche of Instruments.
10. The admission of the Programme to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange is expected to take effect on or around 30 September 2002. The listing of the Instruments on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Instruments may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the UK Listing Authority or the London Stock Exchange or any other any listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

11. Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited.

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