



Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal
(incorporated with limited liability under the laws of Spain)

Euro 75,000,000 Series B Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (participaciones preferentes)

irrevocably and unconditionally guaranteed to the extent set forth herein by

Caixa d'Estalvis de Terrassa

(incorporated as a savings bank (Caja de Ahorros) under the laws of Spain)

Issue price: 100%

Euro 75,000,000 Series B Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 20,000 liquidation preference each (the Preferred Securities) are being issued by Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal (the Issuer) on 10 August 2005 (the Closing Date).

The Preferred Securities will entitle holders to receive (subject to the limitations described under "Conditions of the Preferred Securities") non-cumulative cash distributions (Distributions) accruing at a rate of 8 per cent. per annum for the period from the Closing Date up to and including 10 August 2010 and thereafter, subject to a maximum Distribution rate of 10 per cent. per annum, at 0.10 per cent. per annum above the 10 year CMS rate. Distributions are payable on each 10 August up to and including 10 August 2010 (each a Distribution Payment Date (Fixed)) (the first such Distribution payment being 10 August 2006) and thereafter on each 10 August falling after 10 August 2010 (each a Distribution Payment Date (Floating)).

The Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of Caixa d'Estalvis de Terrassa (the Savings Bank or the Guarantor) and of the Bank of Spain), in whole but not in part, on any Distribution Payment Date falling on or after 10 August 2011.

In the event of the liquidation of the Issuer or the Savings Bank, holders of Preferred Securities will be entitled to receive (subject to the limitations described under "Conditions of the Preferred Securities"), in respect of each Preferred Security, its liquidation preference of Euro 20,000, plus any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the liquidation distribution.

The payment of Distributions and payments upon liquidation or redemption with respect to the Preferred Securities are irrevocably and unconditionally guaranteed by the Guarantor on a subordinated basis to the extent described under "The Guarantee". The Guarantor and its consolidated subsidiaries are referred to herein as the Group.

The Preferred Securities are expected, upon issue, to be assigned a BBB rating by Fitch Ratings España, S.A. (Fitch). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. See "Risk Factors" for a description of certain risks associated with an investment in the Preferred Securities.

Potential holders are alerted to the statements on pages 2 and 3 regarding the tax treatment in Spain of income in respect of Preferred Securities and to the disclosure requirements imposed on the Savings Bank relating to the identity of holders of Preferred Securities. In particular, income in respect of the Preferred Securities will be subject to withholding tax if certain information regarding holders is not received by the Savings Bank on time as described herein.

The Preferred Securities will be issued in bearer form and will be represented by a global Preferred Security deposited on or about the Closing Date with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg and, together with Euroclear, the Clearing Systems).

This Offering Circular constitutes (i) a prospectus for the purposes of the Rulebook of Euronext Amsterdam N.V. (Euronext Amsterdam) and (ii) a prospectus for the purpose of Directive 2003/71/EC (the Prospectus Directive). Application has been made to list the Preferred Securities on Eurolist by Euronext Amsterdam. It is intended that the Preferred Securities be listed on Eurolist by Euronext Amsterdam on the Closing Date. Eurolist by Euronext Amsterdam is a regulated market for the purposes of Directive 93/22/EEC.

The Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the Securities Act) and are subject to United States tax law requirements. The Preferred Securities are being offered outside the United States by the Manager (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act (Regulation S), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Manager and Structuring Advisor
Morgan Stanley

9 August 2005

*The Issuer and the Guarantor (each, a **Responsible Person**) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Manager has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Preferred Securities or their distribution.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Preferred Securities other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Manager.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Preferred Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Preferred Securities.

The distribution of this Offering Circular and the offering, sale and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Preferred Securities and on distribution of this Offering Circular and other offering material relating to the Preferred Securities, see “Subscription and Sale”.

In particular, the Preferred Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Preferred Securities may not be offered, sold or delivered in the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to “€”, “EUR” or “Euro” are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Under Spanish law, income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 15 per cent., in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5 July). The Savings Bank is required, pursuant to Spanish law, to submit to the Spanish tax authorities certain details relating to holders of the Preferred Securities. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Savings Bank will receive payments subject to Spanish withholding, currently at the rate of 15 per cent. Neither the Issuer nor the Guarantor will gross up payments

in respect of any such withholding tax in any of the above cases. (See “Conditions of the Preferred Securities – Taxation” and “Taxation – Disclosure of Holder Information in connection with Payments of Distributions”).

The Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Savings Bank and the Principal Paying Agent (as defined in “Conditions of the Preferred Securities – Definitions”) in the collection of the details referred to above from holders of the Preferred Securities. If any Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities (see “Conditions of the Preferred Securities – Form and Status”).

The Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Savings Bank, the Manager, the Paying Agents or the Clearing Systems assume any responsibility therefor.

The Issuer and the Guarantor, as applicable, may, in the future, make a withholding on payments to holders of Preferred Securities who are subject to corporation tax in Spain if currently held opinions of the Spanish tax authorities change (see “Taxation – Disclosure of Holder Information in connection with Payments of Distributions – 2. Legal Entities with Tax Residency in Spain”).

In connection with the issue of the Preferred Securities, Morgan Stanley & Co. International Limited (the Stabilising Manager) (or persons acting on behalf of the Stabilising Manager) may over-allot Preferred Securities (provided that the aggregate liquidation preference of allotted Preferred Securities does not exceed 105 per cent. of the aggregate liquidation preference of the Preferred Securities or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date hereof and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of Preferred Securities. Stabilisation transactions conducted on Euronext Amsterdam must be conducted in accordance with all applicable laws and regulations of Euronext Amsterdam and article 32 (and annex 6) of the Further Regulations on Market Conduct Supervision of the Securities Trade 2002 (*Nadere Regeling Gedragstoezicht Effectenverkeer 2002*), as amended and will end 30 days after the issue date of the Preferred Securities.

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SUMMARY

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

Issuer:

Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal. The Issuer was established as Caixa Terrassa Preference Limited on 20 November 2000 in the Cayman Islands. By a board resolution of 7 December 2004, the Issuer adopted its current name and moved its registered office from the Cayman Islands to its present registered office at Rambla d'Ègara 350, 08221 Terrassa, Catalonia, Spain. The Issuer's telephone number is +34 93 739 7703. The Issuer is registered with the mercantile registry of Barcelona at volume 37,151, page 69, sheet B-296,307 and book entry number 1. The Issuer is a wholly-owned subsidiary of the Savings Bank and has no subsidiaries.

On 6 October 2000 the board of directors of the Issuer approved the issue of 50,000 Series A preference shares of Euro 1,000 nominal value for an aggregate amount of Euro 50 million solely and irrevocably guaranteed by the Guarantor. These series A preference shares were issued in June 2001 and, other than in connection with this issue, the Issuer has carried out no other activities – see “*Description of the Issuer*” below.

Guarantor:

Caixa d'Estalvis de Terrassa. The Guarantor is incorporated under the laws of the Kingdom of Spain as a *Caja de Ahorros* (savings bank) and is regulated and controlled by the Bank of Spain and the Regional Government of Catalonia. The Guarantor was founded as a *Caja de Ahorros* in 1877. The Guarantor's registered office is at Rambla d'Ègara 350, 08221 Terrassa, Catalonia, Spain and its telephone number is +34 93 739 7851. The Guarantor is registered with number 34 and at volume 21,171, page B-17, 927 of the Administrative Registry of the Bank of Spain (*Registro Administrativo de Entidades de Ahorro, Capitalización y similares*).

Risk Factors:

There are certain risk factors in connection with the Preferred Securities. These are set out under “*Risk Factors*” below and include the risks that the holders may receive less than the Liquidation Preference in certain circumstances, that payment of Distributions will be affected by the Savings Bank's financial condition, that there are certain risks inherent in the Group's

activities, that Distributions are not cumulative, that the Preferred Securities are perpetual, that the Preferred Securities carry no voting rights other than in respect of a limited number of matters in certain circumstances, that there is no limitation on debt which could rank senior to the rights of the holders of the Preferred Securities, that there has not been and there is currently no public market for the Preferred Securities, that there may be withholding on payments to holders, that there are certain limitations on a holder's rights where the aggregate Liquidation Preference held is not a multiple of Euro 20,000, that the Spanish insolvency regime may affect the ability of holders to claim on the insolvency of the Issuer and/or the Guarantor and that distributable profits may be reduced as a result of the adoption of International Financial Reporting Standards.

Issue size: Euro 75,000,000.

Issue details: Euro 75,000,000 Series B Fixed/Floating Non-Cumulative Perpetual Guaranteed Preferred Securities (*participaciones preferentes*) (the **Preferred Securities**), each with a liquidation preference of Euro 20,000.

The Savings Bank has requested that the Preferred Securities qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations.

Liquidation Preference: Euro 20,000 per Preferred Security.

For so long as the Preferred Securities are represented by the global Preferred Security and Euroclear and Clearstream, Luxembourg so permit, the Preferred Securities shall be tradeable in minimum nominal amounts of Euro 20,000 and integral multiples of Euro 1,000 thereafter.

*If definitive Preferred Securities are required to be issued on the occurrence of an Exchange Event (as defined in the global Preferred Security) they will only be printed and issued with a liquidation preference of Euro 20,000. Accordingly, if definitive Preferred Securities are required to be issued, a person holding Preferred Securities having an aggregate liquidation preference which cannot be fully represented by definitive Preferred Securities with a liquidation preference of Euro 20,000 will not be able to receive a definitive Preferred Security in respect of the liquidation preference of the Preferred Securities by which the aggregate liquidation preference of such holding of Preferred Securities exceeds the next lowest integral multiple of Euro 20,000 (the **Excess Amount**), and will not be able to receive Distributions, the Liquidation Distribution or the Redemption Price in respect of the Excess Amount. Furthermore, at any meetings of the General Assembly while Preferred Securities are represented by the global Preferred Security, any vote cast shall*

only be valid if it is in respect of Euro 20,000 in liquidation preference and no vote may be cast in respect of any smaller liquidation preference.

Use of Proceeds:

The proceeds of the issue of the Preferred Securities, after paying any issue expenses, will be deposited on a permanent basis with the Savings Bank or with another credit entity of the Group and will be available to absorb losses of the Group once reserves have been exhausted.

Distributions (*retribución*):

The Preferred Securities will entitle holders to receive (subject as described below) non-cumulative cash distributions (**Distributions**). Distributions on the Preferred Securities will accrue from the Closing Date and will be payable, subject to the Limitations on Distributions described below, out of the Issuer's own legally available resources and distributable items.

Distributions will accrue at the Distribution rate of 8 per cent. per annum for the period from the Closing Date up to and including 10 August 2010 and thereafter, subject to a maximum Distribution rate of 10 per cent. per annum, at 0.10 per cent. per annum above the 10 year CMS rate. Distributions are payable on each 10 August up to and including 10 August 2010 (each a **Distribution Payment Date (Fixed)**) (the first such Distribution payment being 10 August 2006) and, thereafter, on each 10 August (each a **Distribution Payment Date (Floating)**).

See "*Conditions of the Preferred Securities - Distributions*".

Limitations on Distributions:

Distributions must not be paid to the extent that any one or more of the following circumstances exist:

- (a) the aggregate of (i) such Distributions; (ii) any Distributions paid on the Preferred Securities during the then-current Fiscal Year; and (iii) any other distributions (as contemplated by paragraph 1(c) of the Second Additional Disposition of Law 13/1985, as amended) on or in respect of Parity Securities issued by the Guarantor, the Issuer or by any other Relevant Subsidiary paid during the then-current Fiscal Year and proposed to be paid during the then-current Distribution Period, would exceed the Distributable Profits of the immediately preceding Fiscal Year; and/or
- (b) even if Distributable Profits are sufficient:
 - (i) under applicable Spanish banking regulations relating to capital adequacy requirements, the Savings Bank would be prevented at such time from (A) making payments on its Participations, if any (except for payments from the Stabilisation Fund), or (B) assigning funds to the Community

Project Fund (except pursuant to article 11.4 of Law 13/1985);

- (ii) there is a shortfall (*déficit*) in the Group's Own Resources which is more than 20 per cent. of the minimum Own Resources required for the purposes of complying with capital adequacy requirements; or
- (iii) there is a shortfall (*déficit*) in the Group's Own Resources which is equal to or less than 20 per cent. of the minimum Own Resources required for the purposes of complying with capital adequacy requirements and the Bank of Spain has not authorised the payment of Distributions.

If Distributions are not paid in full or in part on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the above Limitations on Distributions, the right of holders of the Preferred Securities to receive a Distribution from the Issuer or the Guarantor, as the case may be, in respect of the relevant Distribution Period will be extinguished. If Distributions are not paid in full, (i) the Issuer shall not pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Guarantor's obligations under the Guarantee, as the case may be; and (ii) the Guarantor shall not make any payments to holders of Participations, if any, (except for payments against the Stabilisation Fund), in each case, until such time as the Issuer or the Guarantor, as the case may be, shall have resumed the payment in full of Distributions on any Distribution Payment Date.

If, as a result of the above Limitations on Distributions, no Distribution is paid on the Preferred Securities, no distributions may be paid on any Parity Securities of the Issuer, the Savings Bank or any Relevant Subsidiary until such time as the relevant circumstances cease to apply.

Guarantee:

The payment of Distributions, Liquidation Distributions and the Redemption Price shall be irrevocably and unconditionally guaranteed by the Guarantor subject, in the case of Distributions, to the Limitations on Distributions described above. In addition, the Guarantee is subject to the limitations described under Liquidation Rights, below.

For a full description of the Guarantee, see "*The Guarantee*".

Ranking of the Guarantee:

The Guarantor's obligations under the Guarantee will rank (a) junior to all liabilities of the Guarantor (including subordinated liabilities); (b) *pari passu* with any Parity Securities of the Guarantor and any obligations of the Guarantor under any

guarantee in favour of the holders of any Parity Securities of any Relevant Subsidiary; and (c) senior to any Participations of the Guarantor and, in the case of a liquidation of the Guarantor, to the Community Project Fund of the Guarantor in respect of the funds remaining after compliance with all the obligations of the Guarantor.

Ranking of the Preferred Securities:

The Preferred Securities will rank (a) junior to all liabilities of the Issuer including subordinated liabilities; (b) *pari passu* with each other and with any Parity Securities of the Issuer; and (c) senior to the Issuer's ordinary shares and any other class of share capital expressed to rank junior to the Preferred Securities.

The Issuer may not issue any securities ranking senior to the Preferred Securities.

Optional Redemption:

The Preferred Securities may be redeemed at the option of the Issuer subject to the prior consent of the Bank of Spain and the Savings Bank, in whole but not in part, at their Redemption Price on any Distribution Payment Date falling on or after 10 August 2011.

Liquidation Distribution:

The Liquidation Distribution payable in relation to each Preferred Security shall be its Liquidation Preference plus any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the Liquidation Distribution.

Liquidation Rights:

Except as described under "*Conditions of the Preferred Securities - Distributions*", the Preferred Securities will confer no right to participate in the profits or surplus assets of the Issuer.

If proceedings for the liquidation, dissolution or winding-up of the Savings Bank are commenced or there is a reduction in the reserves, including the Founders' Fund, of the Savings Bank and its Participations, if any, to zero, without liquidation of the Savings Bank and with a simultaneous increase of the Founders' Fund or a simultaneous issue of Participations, the Issuer shall be liquidated by the Savings Bank and the holders of Preferred Securities will be entitled to receive only the Liquidation Distribution relating to each Preferred Security, which shall not exceed the amount which would have been paid from the assets of the Savings Bank had the Preferred Securities been issued by the Savings Bank.

Except as described above, the Savings Bank shall not liquidate or procure a liquidation of the Issuer.

Purchases:

None of the Issuer, the Savings Bank or any of their respective subsidiaries may purchase Preferred Securities, save with the prior consent of the Bank of Spain and in any event not before 10 August 2011.

See “*Conditions of the Preferred Securities - Purchases of Preferred Securities*”.

Pre-emptive rights:

The Preferred Securities do not grant their holders any pre-emption rights.

Voting Rights:

The Preferred Securities do not confer any entitlement to receive notice of or attend or vote at any meeting of the shareholders of the Issuer. Holders of Preferred Securities will have the right, in certain circumstances, to participate in the adoption of certain decisions in the General Assembly.

See “*Conditions of the Preferred Securities - Exercise of Rights by Holders of Preferred Securities*”.

Withholding Tax:

Save as set out below, all payments of Distributions and other amounts in respect of the Preferred Securities and payments under the Guarantee will be made free and clear of withholding taxes of Spain. In the event of withholding required by applicable Spanish law and regulation, the Issuer or (as the case may be) the Savings Bank shall pay such additional amounts as will result in the holders of the Preferred Securities receiving such amounts as they would have received in respect of such Preferred Securities had no such withholding or deduction been required, subject to certain customary exceptions.

The payment of Distribution and other amounts in respect of the Preferred Securities and payments under the Guarantee will be subject to Spanish withholding taxes (currently at the rate of 15 per cent.) in the case of: (a) (i) individual holders who are resident in Spain; and (ii) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5 July, as amended from time to time); and (b) holders in respect of which information regarding their identity and tax residence is not received by the Savings Bank.

See “*Conditions of the Preferred Securities - Taxation*”.

Disclosure of identity of holders:

Under Law 13/1985, the Savings Bank is obliged to disclose to the Spanish Tax and Supervisory Authorities the identity and tax residence of certain holders of the Preferred Securities.

The Clearing Systems are expected to follow certain procedures to facilitate the Principal Paying Agent in the collection of the details referred to above from holders of the Preferred Securities (see “*Conditions of the Preferred Securities - Taxation*”). If the Clearing Systems are, in the future, unable to facilitate the collection of such information they may decline to allow the Preferred Securities to be cleared through the relevant Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities.

The Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Savings Bank, the Manager, the Paying Agents or the Clearing Systems assume any responsibility therefore.

Form:

The Preferred Securities will be issued in bearer form and will be represented by a single global Preferred Security deposited with a common depository for the Clearing Systems.

Accordingly, for so long as the Preferred Securities are so deposited, holders will have no direct rights against the Issuer or the Guarantor and such rights will only be exercisable via the relevant Clearing System. Definitive Preferred Securities will only be issued directly to holders in exceptional circumstances. (See “*Conditions of the Preferred Securities - Form and Status*”.)

Ratings:

The Preferred Securities are expected, on issue, to be assigned a BBB rating by Fitch.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Governing Law:

The Preferred Securities and the Guarantee will be governed by the laws of Spain.

Listing:

Application has been made to list the Preferred Securities on Eurolist by Euronext Amsterdam.

RISK FACTORS

Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular.

Risks associated with the nature of the Preferred Securities

As it is intended that the proceeds of the Preferred Securities will constitute Tier 1 capital of the Savings Bank for capital adequacy purposes, such proceeds will be available to absorb losses of the Savings Bank as described under “*Conditions of the Preferred Securities - Use of Proceeds*”. The circumstances described in paragraph 3.3 of the Conditions of the Preferred Securities could result in holders of Preferred Securities receiving less than the aggregate Liquidation Preference of Preferred Securities held by them or the total loss of their investment.

Spanish law and regulations may differ from laws and regulations in other jurisdictions, and investors should not therefore assume that the Preferred Securities have the same features as preference shares or other similar instruments in any other jurisdiction.

Risks associated with the Savings Bank’s financial condition

An investment in the Preferred Securities will have similar economic risks to an investment in non-cumulative perpetual preferred securities issued directly by the Savings Bank having the same liquidation preference and rate of distribution as the Preferred Securities. It is expected that the Issuer’s sole source of funds to pay Distributions on the Preferred Securities will be payments which it receives from the Savings Bank pursuant to the deposit of the proceeds of the Preferred Securities with the Savings Bank. The Preferred Securities are guaranteed on a subordinated basis by the Savings Bank pursuant to the terms of the Guarantee. Payments under the Guarantee are subject to the same limitations as described above in relation to the Preferred Securities. Accordingly, if the Savings Bank’s financial condition were to deteriorate, the holders may suffer direct and materially adverse consequences, including non-payment of Distributions on the Preferred Securities or of payments under the Guarantee.

Risks involved in the Group’s activities

The Group carries out banking activities. There are a number of risks inherent in the Group’s activities and these could adversely affect the Group’s financial condition. The principal risks are credit risk (that a borrower is unable repay loans and credits advanced by the Group); counterparty risk (that, in connection with the Group’s activity in the financial markets, a counterparty is unable to meet its contractual obligations); market risk (that changes in prices of different markets affect products in which the Group has taken a position); interest rate risk (that there are abnormal changes in interest rates); and liquidity risk (that the Group is unable to cover its short and long term liquidity requirements on normal market terms). Though the Group has established procedures to deal with these risks, it is not certain that these procedures will be adequate mitigants.

Distributions not cumulative

Distributions on the Preferred Securities are not cumulative. Distributions on the Preferred Securities will be subject to the availability of Distributable Profits and to the Savings Bank meeting certain capital adequacy requirements, as more fully described under “*Conditions of the Preferred Securities - Limitations on Distributions*”. Furthermore, Distributions will, in certain circumstances, not be paid if the Savings Bank is instructed not to make such payments by the Bank of Spain. If Distributions on the Preferred Securities for any Distribution Period are not paid, the holders will not be entitled to receive such Distributions (or any payment under the Guarantee in respect of such Distributions).

Perpetual nature of the Preferred Securities

The Preferred Securities have no fixed final redemption date and holders have no rights to call for the redemption of the Preferred Securities. Although the Issuer may redeem the Preferred Securities at its option on 10 August 2011 or on any Distribution Payment Date thereafter, the Savings Bank may be prevented from doing so by the Bank of Spain for regulatory capital reasons. Therefore, holders should be aware that they may be required to bear the financial risks of an investment in the Preferred Securities for an indefinite period of time.

No voting rights

The Preferred Securities do not give holders the right to vote at shareholders' meetings. The rights conferred by the Preferred Securities to attend at General Assembly of holders of preferred securities are described in paragraph 6 of the Conditions of the Preferred Securities and holders should note that such rights must be exercised together with holders of all other preferred securities of the Issuer issued from time to time.

Status and no limitation on senior debt

The obligations of the Guarantor under the Guarantee will rank junior as to payments to all liabilities to creditors of the Guarantor (including without limitation depositors, general creditors and subordinated debt holders). In the event that the Guarantor is wound-up, liquidated or dissolved, the assets of the Guarantor would be available to pay obligations under the Guarantee only after all payments have been made on such senior liabilities and claims. The Guarantor is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Guarantee.

Absence of prior public markets

The Preferred Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been, and there is currently, no public market for the Preferred Securities. Although application has been made for the Preferred Securities to be listed on Eurolist by Euronext Amsterdam, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Manager is under no obligation to maintain such a market. The liquidity and the market prices for the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Savings Bank and other factors that generally influence the market prices of securities.

Possible withholding to holders which are entities subject to Spanish corporate tax

In accordance with Section 59.s of the Corporate Income Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporate Tax payers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Application has been made for the Preferred Securities to be traded on Eurolist by Euronext Amsterdam and they will therefore, upon admission to trading on Eurolist by Euronext Amsterdam, fulfil the requirements legally established for the exemption from withholding.

The Directorate General for Taxation (*Dirección General de Tributos*), on 27 July 2004, issued a tax ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities falls within this exemption as the Preferred Securities are to be placed outside Spain and in the international capital markets and none of the entities initially placing the Preferred Securities is resident in Spain. Consequently, the Issuer will not make any withholding on Distributions to Spanish Corporate Income Tax payers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will

be bound by that opinion and, with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

Certain limitations on a holder's rights where the aggregate liquidation preference held is not a multiple of Euro 20,000

For so long as the Preferred Securities are represented by the global Preferred Security and Euroclear and Clearstream, Luxembourg so permit, the Preferred Securities shall be tradeable in minimum nominal amounts of Euro 20,000 and integral multiples of Euro 1,000 thereafter.

If definitive Preferred Securities are required to be issued on the occurrence of an Exchange Event (as defined in the global Preferred Security) they will only be printed and issued with a liquidation preference of Euro 20,000. Accordingly, if definitive Preferred Securities are required to be issued, a person holding Preferred Securities having an aggregate liquidation preference which cannot be fully represented by definitive Preferred Securities with a liquidation preference of Euro 20,000 will not be able to receive a definitive Preferred Security in respect of the liquidation preference of the Preferred Securities by which the aggregate liquidation preference of such holding of Preferred Securities exceeds the next lowest integral multiple of Euro 20,000 (the **Excess Amount**), and will not be able to receive Distributions, the Liquidation Distribution or the Redemption Price in respect of the Excess Amount. Furthermore, at any meetings of the General Assembly while Preferred Securities are represented by the global Preferred Security, any vote cast shall only be valid if it is in respect of Euro 20,000 in liquidation preference and no vote may be cast in respect of any smaller liquidation preference.

Spanish insolvency law

Under Spanish insolvency law, a debtor is considered insolvent when it cannot possibly comply with its due obligations on a regular basis. If filed by the debtor, the insolvency is deemed voluntary (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed mandatory (*concurso necesario*). In the case of voluntary insolvency, as a general rule, the debtor retains the management and full powers of disposal over its assets, although it is subject to the intervention (*intervención*) of the insolvency administrators. In the case of mandatory insolvency, as a general rule, the debtor's management powers are suspended, and management's former power, including the power to dispose of assets, is conferred solely upon the insolvency administrators.

Under Spanish insolvency law, upon declaration of insolvency, acts detrimental (*perjudiciales*) to the debtor's estate carried out during the two years prior to the date the insolvency is declared may be rescinded, regardless of fraudulent intention. Article 71 of Law 22/2003, of 9 July, on Insolvency (as amended, **Law 22/2003**) contains an un rebuttable presumption that those acts where no consideration is received for a disposed asset and acts which result in the early repayment of obligations which would have become due after the declaration of insolvency are detrimental. In addition, unless the debtor or another affected party (such as a creditor) can prove otherwise to the court's satisfaction, a disposal made in favour of a related person or entity (e.g. a person holding 10 per cent. or more of an unlisted entity's share capital) and the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one, are presumed to be detrimental. In the case of acts which are not included in the presumptions above, the burden of proof is on the person bringing the action of rescission. Acts deriving from the debtor's ordinary course of business may not be rescinded. Accordingly, any disposal by the Guarantor with a related person or entity (such as the Issuer) is presumed to be detrimental unless proved otherwise. Finally, Law 22/2003 contains a general principle that agreements may not be terminated as a result of a debtor's insolvency.

The Spanish insolvency law also makes a distinction between general debts under insolvency proceedings and debts against the insolvent estate. Debts against the insolvent estate, such as certain amounts owed to employees and costs and expenses of the insolvency proceedings, are not considered part of the debtor's general debts and have priority over these general debts. General debts are further divided into privileged creditors (either creditors with general privilege (e.g. payments to tax authorities) or with special privilege

(essentially secured creditors)); ordinary creditors (creditors who are neither privileged nor subordinated creditors); and subordinated creditors (e.g. related parties). The order of payments to these creditors are established in Law 22/2003.

Adoption of new accounting standards in 2005

In 2004 the Savings Bank and the Issuer prepared their financial statements in accordance with Spanish GAAP. Under current European Union (EU) law, listed EU companies have to apply, from 1 January 2005, the International Financial Reporting Standards (IFRS) adopted by the EU in preparing their consolidated financial statements.

Applying these standards to the Group's consolidated financial statements will imply a change in the presentation of its financial information, since the financial statements will include more components and additional disclosure will be required. Additionally, there will be a change in the valuation of certain items. Regarding the former, at this moment it is not possible to determine the exact impact that this new regulation will entail compared to Spanish GAAP, since new pronouncements from the International Accounting Standards Board (IASB), or pronouncements that are not endorsed by the EU prior to the preparation of the Group's 31 December 2005 consolidated financial statements, may have an impact on its financial statements.

In particular, the adoption of IFRS may result in the Group's distributable profits being lower than they would have been had they been accounted for under Spanish GAAP. This could have adverse consequences on investors since Distributions are dependent on the Group having a sufficient level of distributable profits in order to meet its obligations under the Preferred Securities and any other preferred securities ranking *pari passu* therewith.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or, in the event that such documents are not in English, English translations thereof), which have previously been published and have been approved by the *Autoriteit Financiële Markten* (the Netherlands Authority for the Financial Markets) (AFM) or filed with it, shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited consolidated financial statements of the Savings Bank for the years ended 31 December 2004 and 2003 (and the report of the auditors in respect of such financial statements);
- (b) the unaudited interim consolidated financial statements of the Savings Bank for the three months ended 31 March 2005; and
- (c) the audited unconsolidated financial statements of the Issuer for the years ended 31 December 2004 and 2003 (and the report of the auditors in respect of such financial statements),

save that any statement contained in any document deemed to be incorporated in, and to form part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document (including the Offering Circular) differs from such earlier statement in a manner which modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained free of charge during normal business hours from the specified office of each Paying Agent.

CONDITIONS OF THE PREFERRED SECURITIES

*The following is the text of the conditions of the Preferred Securities whilst in definitive form. It is intended that the Preferred Securities will be represented by a global Preferred Security. The Issuer will be required to make available definitive Preferred Securities in the limited circumstances set out in the global Preferred Security. The Preferred Securities are in bearer form but, whilst represented by a global Preferred Security, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular amount of Preferred Securities (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the amount of such Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that amount for all purposes (including but not limited to for the purposes of any quorum requirements of, or the right to demand a poll or, meetings of the General Assembly) other than with respect to the payment of the Preferred Securities, the right to which shall be vested, as against the Issuer, solely in the bearer of the global Preferred Security in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the global Preferred Security. The terms of the global Preferred Security are set out in the Paying Agency Agreement, which is available during normal business hours at the specified office of each Paying Agent.*

*For so long as the Preferred Securities are represented by the global Preferred Security and the Clearing Systems so permit, the Preferred Securities shall be tradeable in minimum nominal amounts of Euro 20,000 and integral multiples of Euro 1,000 thereafter. If definitive Preferred Securities are required to be issued on the occurrence of an Exchange Event (as defined in the global Preferred Security) they will only be printed and issued with a liquidation preference of Euro 20,000. Accordingly, if definitive Preferred Securities are required to be issued, a person holding Preferred Securities having an aggregate liquidation preference which cannot be fully represented by definitive Preferred Securities with a liquidation preference of Euro 20,000 will not be able to receive a definitive Preferred Security in respect of the liquidation preference of the Preferred Securities by which the aggregate liquidation preference of such holding of Preferred Securities exceeds the next lowest integral multiple of Euro 20,000 (the **Excess Amount**), and will not be able to receive Distributions, the Liquidation Distribution or the Redemption Price in respect of the Excess Amount. Furthermore, at any meetings of the General Assembly while Preferred Securities are represented by the global Preferred Security, any vote cast shall only be valid if it is in respect of Euro 20,000 in liquidation preference and no vote may be cast in respect of any smaller liquidation preference.*

The Preferred Securities (as defined below) are issued by virtue of (i) the meeting of the board of directors of Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal (the **Issuer**) held on 13 July 2005 and the shareholders' meeting of the Issuer held on 28 June 2005, and (ii) the meeting of the executive commission (*comisión ejecutiva*) of the board of directors (*Consejo de Administracion*) of Caixa d'Estalvis de Terrassa (the **Savings Bank**) held on 28 June 2005 (together, the **Corporate Resolutions**) and in accordance with Law 13/1985, of 25 May, on investment ratios, capital adequacy and information requirements for financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros*) (as amended, **Law 13/1985**) and in accordance with Law 19/2003, of 4 July, on the legal regime on movements of capital and economic transactions and the prevention of money laundering (*Ley 19/2003, de 4 de julio, sobre el regimen jurídico de los movimientos de capitales y de las transacciones económicas con el exterior y sobre determinadas medidas de prevención del blanqueo de dinero*).

The Preferred Securities will be created by virtue of a public deed registered with the Mercantile Registry of Barcelona on or before the Closing Date (the **Public Deed Of Issuance**).

Paragraphs in italics are a summary of certain procedures of the Clearing Systems (as defined below) and certain other information applicable to the Preferred Securities and do not form part of the Conditions of the Preferred Securities. The Clearing Systems may, from time to time, change their procedures.

1. DEFINITIONS

For the purposes of these Conditions, the following expressions shall have the following meanings:

10 year CMS Rate means the mid/market annual swap rate expressed as a percentage for a euro interest rate swap transaction with a term equal to 10 years which appears on the Reuters screen page “ISDAFIX2” (or any replacement page);

Agent Bank means Citibank, N.A. and includes any successor Agent Bank appointed in accordance with the Paying Agency Agreement;

Clearing Systems means Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme;

Closing Date means 10 August 2005;

Community Project Fund means the community project fund (*Fondo de Obra Social*) of the Savings Bank;

Distributions means the non-cumulative cash distributions determined in accordance with paragraph 2 below;

Distribution Payment Date means each Distribution Payment Date (Fixed) and each Distribution Payment Date (Floating);

Distribution Period means the period from and including one Distribution Payment Date (Fixed) (or, in the case of the first Distribution Period, the Closing Date) or Distribution Payment Date (Floating) (as the case may be) to but excluding the next Distribution Payment Date (Fixed) or Distribution Payment Date (Floating) (as the case may be);

Distributable Profits means, in respect of any Fiscal Year of the Savings Bank, the lesser of the reported net profit (calculated in accordance with regulations of the Bank of Spain) of (a) the Savings Bank (*excedente neto o excedente de libre disposición*); or (b) the Group, in each case, determined after tax and extraordinary items for such year, as derived from the unconsolidated financial statements of the Savings Bank or the consolidated audited financial statements of the Group, respectively, prepared, in each case in accordance with Bank of Spain requirements and guidelines in effect at the time of such preparation;

Euro-zone means the region comprised by member states of the European Union which have adopted the Euro in accordance with the Treaty establishing the European Community as amended;

Fiscal Year means the accounting year of the Issuer or the Savings Bank, as the case may be, as set out in its by-laws;

Founders’ Fund means the founders’ fund (*fondo fundacional*) of the Savings Bank;

General Assembly means the general assembly of all holders of preferred securities (*participaciones preferentes*) of the Issuer (including of the Preferred Securities);

Group means the Savings Bank together with its consolidated subsidiaries in accordance with article 8.3 of Law 13/1985, article 16.1 of Royal Decree 1343/1992, 6 November, and Rule 20 of Bank of Spain Circular 5/1993 regarding capital adequacy requirements;

Guarantee means the guarantee dated 5 August 2005 and given by the Savings Bank in respect of the Issuer's obligations under the Preferred Securities for the benefit of holders of Preferred Securities;

Liquidation Distribution means, subject to the limitation set out in paragraph 2.8, the Liquidation Preference per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the Liquidation Distribution;

Liquidation Preference means Euro 20,000 per Preferred Security;

Offering Circular means the offering circular dated on or about 8 August 2005 relating to the Preferred Securities;

Parity Securities means any preferred securities (*participaciones preferentes*) or other securities or instruments ranking *pari passu* with preferred securities issued by the Issuer, the Savings Bank or any other Relevant Subsidiary, as the case may be, and, in the case of a Relevant Subsidiary, having the benefit of a guarantee ranking *pari passu* with the Savings Bank's obligations under the Guarantee;

Participations means any participations (*cuotas participativas*) issued by the Savings Bank from time to time;

Paying Agency Agreement means the paying agency agreement dated on or about the Closing Date relating to the Preferred Securities;

Paying Agents means the Principal Paying Agent and the other agents named therein and includes any successors thereto appointed from time to time in accordance with clause 21 (Termination of Appointment) of the Paying Agency Agreement;

Preferred Securities means the Euro 75,000,000 Series B Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities issued by the Issuer on the Closing Date;

Principal Paying Agent means Citibank, N.A. (or any successor Principal Paying Agent appointed by the Issuer from time to time and notice of whose appointment is published in the manner specified in paragraph 8 below);

Redemption Price means the Liquidation Preference plus any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption;

Relevant Subsidiary means any entity in respect of which the Savings Bank owns, directly or indirectly, more than 50 per cent. of its share capital or voting rights;

Spain means The Kingdom of Spain;

Stabilisation Fund means the stabilisation fund (*Fondo de Estabilización*) of the Savings Bank;

Target means the Trans European Real-Time Gross Settlement Express Transfer (Target) System; and

Target Settlement Day means a day on which Target is open.

2. DISTRIBUTIONS

2.1 Fixed Distribution Period

Subject to paragraph 2.8, the Preferred Securities bear Distributions from (and including) the Closing Date to (but excluding) 10 August 2010 at the rate of 8 per cent. per annum (the **Distribution Rate (Fixed)**) payable in arrears on 10 August in each year falling on or before 10 August 2010 (each, a **Distribution Payment Date (Fixed)**).

The amount of Distribution payable on each Distribution Payment Date (Fixed) shall be Euro 1,600 in respect of each Preferred Security of Euro 20,000 Liquidation Preference. If a Distribution is required to be paid in respect of a Preferred Security on any other date, it shall be calculated by applying the Distribution Rate (Fixed) to the Liquidation Preference of such Preferred Security, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

Day Count Fraction means, in respect of any period, the number of days in the relevant period from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of 360 days with 12 30-day months) divided by 360.

2.2 Floating Rate Period

Subject to paragraph 2.8, the Preferred Securities bear Distributions from (and including) 10 August 2010, payable on each 10 August in each year falling after 10 August 2010 (each, a **Distribution Payment Date (Floating)**); provided, however, that if any Distribution Payment Date (Floating) would otherwise fall on a date which is not a Target Settlement Day, it will be postponed to the next Target Settlement Day.

Each period beginning on (and including) a Distribution Payment Date (Floating) (or, in the case of the first period, 10 August 2010) to (but excluding) the next Distribution Payment Date (Floating) is herein called a **Distribution Period (Floating)**.

2.3 Distribution Rate (Floating)

The rate of Distributions applicable to the Preferred Securities (the **Distribution Rate (Floating)**) for each Distribution Period (Floating) will be determined by the Agent Bank on the following basis:

- (a) 10 year CMS Rate for a period equal to the relevant Distribution Period (Floating) as of 11:00 a.m. (Frankfurt time), on the second Target Settlement Day before the first day of the relevant Distribution Period (Floating) (the **Distribution Determination Date**); or
- (b) if the Agent Bank is unable to determine the 10 year CMS Rate in accordance with paragraph (a) above, it will request the Determination Agent to determine the relevant rate and consequently the Determination Agent will request the principal Euro-zone office of each of five major banks in the Euro-zone interbank market (as selected by the Issuer and the Determination Agent) to provide a quotation of mid-market 10 year euro swap rate (annual 30/360) for which the relevant floating rate is six month EURIBOR (semi-annual, Act/360) as of 11.00 a.m. (Frankfurt time), on the Distribution Determination Date and the relevant rate shall be, if three or more quotations are provided as requested, the arithmetic mean of such quotations disregarding the highest and the lowest quotations received (or, in the case of repeated highest and/or lowest quotations, only one of such repeated highest and/or lowest quotations) determined by the Determination Agent (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards),

and the Distribution Rate (Floating) for such Distribution Period (Floating) shall be the sum of 0.10 per cent. per annum and the 10 year CMS Rate determined in accordance with paragraph (a) above or (as the case may be) the arithmetic mean determined in accordance with paragraph (b) above, subject to a maximum Distribution Rate (Floating) of 10 per cent. per annum. If the relevant rate falls to be determined by the Determination Agent, it shall provide the relevant rate to the Agent Bank as soon as practicable.

For the purposes of this paragraph, **Determination Agent** means Morgan Stanley & Co. International Limited (**MSIL**) or, in the event MSIL is unwilling or unable to act, any other international bank or securities firm in London of international repute appointed by the Issuer for the purpose of carrying out the role of Determination Agent in respect of the Preferred Securities.

In making any of the determinations and selections above, each of the Determination Agent and the Agent Bank shall do so in its sole discretion, acting in good faith and in a commercial and reasonable manner.

2.4 Calculation of Distribution Amount

The Agent Bank will, as soon as practicable after the Distribution Determination Date in relation to each Distribution Period (Floating), calculate the amount of Distribution (the **Distribution Amount**) payable in respect of each Preferred Security for such Distribution Rate (Floating). The Distribution Amount will be calculated by applying the Distribution Rate (Floating) for such Distribution Period (Floating) to the Liquidation Preference of such Preferred Security, multiplying the product by the number of days in such Distribution Period (Floating) (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

2.5 Notification of Distribution Amount

The Agent Bank will cause each Distribution Rate (Floating) and Distribution Amount determined by it, together with the relevant Distribution Payment Date (Floating), to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) on which the Preferred Securities have been admitted to listing, trading and/or quotation as soon as practicable after such determination. The Agent Bank will be entitled to recalculate any Distribution (on the basis of the provisions of this paragraph 2) without notice in the event of an extension or shortening of the relevant Distribution Period (Floating).

2.6 Binding nature of notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this paragraph 2 by the Agent Bank will (in the absence of manifest or proven error) be binding on the Issuer, the Savings Bank, the Paying Agents, the holders of Preferred Securities and (subject to the aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

2.7 Payment of Distributions

Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in Euros by transfer to an account capable of receiving Euro payments, as directed by the person(s) having physical custody of the relevant Preferred Securities.

If the due date for payment of any amount in respect of any Preferred Security is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, **Business Day** means, in respect of any place of presentation, any day on which commercial banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account, a TARGET Settlement Day.

It is intended that the Preferred Securities will be represented by a global Preferred Security in bearer form for the total number of the Preferred Securities. Such global Preferred Security will be delivered into the physical custody of a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Euroclear and Clearstream, Luxembourg will make payment of any amounts received by them to their accountholders in accordance with their published rules and regulations.

2.8 Non-payment of Distributions

Distributions must not be paid to the extent that any or more of the following circumstances exist:

- (a) the aggregate of (i) such Distributions; (ii) any Distributions paid on the Preferred Securities during the then-current Fiscal Year; and (iii) any other distributions (as contemplated by paragraph 1(c) of the Second Additional Disposition of Law 13/1985 on or in respect of Parity Securities issued by the Guarantor, the Issuer or by any other Relevant Subsidiary paid during the then-current Fiscal Year and proposed to be paid during the then-current Distribution Period, would exceed the Distributable Profits of the immediately preceding Fiscal Year; and/or
- (b) even if Distributable Profits are sufficient:
 - (i) under applicable Spanish banking regulations relating to capital adequacy requirements, the Savings Bank would be prevented at such time from (i) making payments on its Participations, if any (except for payments from the Stabilisation Fund), or (ii) assigning funds to the Community Project Fund (except pursuant to article 11.4 of Law 13/1985);
 - (ii) there is a shortfall (*déficit*) in the Group's Own Resources which is more than 20% of the minimum Own Resources required for the purposes of complying with capital adequacy requirements; or
 - (iii) there is a shortfall (*déficit*) in the Group's Own Resources which is equal to or less than 20% of the minimum Own Resources required for the purposes of complying with capital adequacy requirements and the Bank of Spain has not authorised the payment of Distributions.

Subject to the above limitations, Distributions will be payable on each Distribution Payment Date out of the Issuer's own legally available resources and distributable items.

For the purposes of this paragraph:

Circular means Circular n° 5/1993, of 26 March, on the determination and control of minimum own resources (*Circular n° 5/1993, de 26 de marzo, sobre determinación y control de los recursos propios mínimos*), as amended.

Own Resources means *recursos propios* as calculated in accordance with the Circular.

2.9 Payment under Guarantee

If the Issuer does not pay a Distribution with respect to a Distribution Period (as contemplated herein), other than as a result of the limitations set out in paragraph 2.8 above, the Issuer's payment obligation in respect thereof will be satisfied if and to the extent that the Savings Bank pays such Distribution pursuant to the Guarantee.

2.10 Distributions non-cumulative

Distributions on the Preferred Securities will be non-cumulative. Accordingly, if Distributions are not paid on a Distribution Payment Date in respect of the Preferred Securities as a result of the limitations described in paragraph 2.8 above, then the right of the holders of the Preferred Securities to receive a Distribution in respect of the relevant Distribution Period will be extinguished and the Issuer will have no obligation to pay the Distribution accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

2.11 Pro rata reduction of Distributions

If, as a result of the limitations described in paragraph 2.8 above, a Distribution is not paid in full on the Preferred Securities, all distributions on the Preferred Securities and any Parity Securities will be paid *pro rata* in relation to the amounts outstanding of such securities. Therefore, the Distribution amount to be received by the holders of Preferred Securities on such Distribution Payment Date will depend on the total outstanding amount of Preferred Securities and Parity Securities and on the distributions scheduled to be paid on such securities, each as of the time of such payment. If, as a result of the limitations described in paragraph 2.8 above, no Distribution is paid on the Preferred Securities, no distributions may be paid on any Parity Securities of the Issuer, the Savings Bank or any Relevant Subsidiary until such time as the relevant circumstances described in paragraph 2.8 cease to apply.

2.12 Restrictions on dividends

If Distributions are not paid in full on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the limitations of paragraph 2.8, then neither the Issuer nor the Savings Bank shall pay dividends or any other distributions on, in the case of the Issuer, its ordinary shares or, in the case of the Savings Bank, to holders of Participations, if any (save for payments against the Stabilisation Fund) or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Savings Bank's obligations under the Guarantee, as the case may be, until such time as the Issuer or the Savings Bank shall have resumed the payment in full of Distributions on the Preferred Securities on any Distribution Payment Date.

2.13 No right to participate in profits

Save as described in this paragraph 2, the Preferred Securities will confer no right to participate in the profits of the Issuer.

3. LIQUIDATION DISTRIBUTION

3.1 Rights on liquidation of Issuer

Subject as provided below, in the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, holders of the Preferred Securities shall be entitled to receive out of the assets of the Issuer available for distribution to holders of preferred securities and ordinary shareholders, the Liquidation Distribution. Such entitlement will arise rateably among the Preferred Securities and any Parity Securities issued by the Issuer (subject, if applicable, to the different entitlement of the Preferred Securities and of each series of Parity Securities of the Issuer to accrued and unpaid distributions) before any distribution of assets to holders of ordinary shares or any other class of shares of the Issuer ranking junior to the Preferred Securities. Payment of the Liquidation Distribution is guaranteed by the Savings Bank.

3.2 Consequences of liquidation of the Savings Bank

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Savings Bank or of a reduction in its reserves, including the Founders' Fund, and its Participations, if any, to zero, without liquidation of the Savings Bank and with a simultaneous increase of the Founders' Fund or a simultaneous issue of Participations, the board of directors of the Issuer shall convene an Extraordinary General Shareholder's Meeting of the Issuer to propose a resolution to put the Issuer into voluntary liquidation. Following such liquidation, holders of Preferred Securities will be entitled to receive only the Liquidation Distribution in respect of each Preferred Security held by them, subject to the limitation set out below.

3.3 Reduction of Liquidation Distribution

Notwithstanding the availability of sufficient assets of the Issuer to pay a full liquidation distribution in respect of the Preferred Securities or any Parity Securities of the Issuer, if at the time such liquidation distribution is to be paid proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Savings Bank or for a reduction of its reserves, including the Founders' Fund, and its Participations, if any, to zero, without liquidation of the Savings Bank and with a simultaneous issue of Participations or increase of the Founders' Fund, the aggregate of liquidation distributions in respect of the Preferred Securities and of all Parity Securities (calculated in accordance with the statutes (*estatutos*) of the Issuer) shall not exceed the aggregate of liquidation distributions that would have been paid from the assets of the Savings Bank (after payment in full in accordance with Spanish law, to all creditors of the Savings Bank, including holders of its subordinated debt, but excluding holders of any guarantee or any other contractual right expressed to rank *pari passu* with or junior to the Guarantee) had the Preferred Securities and all such Parity Securities been issued by the Savings Bank and ranked (a) junior to all obligations of the Savings Bank owed to creditors, (b) *pari passu* with Parity Securities of the Savings Bank, and (c) senior to any Participations of the Savings Bank as well as, only in the case of liquidation of the Savings Bank, to the Community Project Fund and in respect only of the funds remaining after compliance with all the obligations of the Savings Bank. The Issuer shall be released from its obligation to pay such liquidation distributions by payment to the bearer of the relevant Preferred Securities.

3.4 Pro rata reduction and satisfaction of obligation to pay Liquidation Distribution

If liquidation distributions amounts are limited as described in paragraph 3.3, such distributions will be payable *pro rata* among holders of the Preferred Securities and Parity Securities in proportion to the amounts that would have been payable but for such limitation (taking account, if applicable, of the different entitlement, of the Preferred Securities and each series of Parity Securities to accrued and unpaid distributions). After payment of the full or limited Liquidation Distribution in respect of a Preferred Security as described in paragraphs 3.1 and 3.3, such Preferred Security will confer no further right or claim on holders to any remaining assets of the Issuer or of the Guarantor.

3.5 References to liquidation distributions

References herein to liquidation distributions in respect of the Preferred Securities shall mean the Liquidation Distributions.

3.6 No liquidation of Issuer

Except as provided above, the Savings Bank undertakes not to permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

4. OPTIONAL REDEMPTION

4.1 Optional redemption

The Preferred Securities shall not be redeemable prior to 10 August 2011. All of the Preferred Securities may be redeemed at the option of the Issuer, subject to the prior consent of the Bank of Spain and the Savings Bank, on any Distribution Payment Date falling on or after 10 August 2011, at the Redemption Price per Preferred Security by giving notice to the holders of Preferred Securities in accordance with paragraph 8 (which notice shall be irrevocable and shall oblige the Issuer to redeem the Preferred Securities in whole).

4.2 Procedure for redemption

If the Issuer gives a notice of redemption in respect of Preferred Securities, pursuant to paragraph 4.1 then, by 12:00 (London time) on the relevant redemption date, the Issuer will irrevocably deposit with the Principal Paying Agent immediately available funds sufficient to pay the Redemption Price and will give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price to each person in physical custody of the relevant Preferred Security against surrender of the relevant Preferred Security. If notice of redemption shall have been given and funds deposited as required, then, upon the date of such deposit, all rights in respect of the relevant Preferred Securities will cease, except the right to receive the Redemption Price and, subject as provided below, the Preferred Securities so deposited (upon payment of the Redemption Price) will be cancelled. Subject to any applicable fiscal or other law and regulations, payment of the Redemption Price will be made by the Principal Paying Agent in the manner specified in paragraph 2.7 above. If payment of the Redemption Price in respect of any Preferred Securities is improperly withheld or refused by the Issuer (or by the Savings Bank pursuant to the Guarantee), Distributions on such Preferred Securities will continue to accrue from the redemption date to the date of payment of the Redemption Price.

5. PURCHASE OF PREFERRED SECURITIES

Neither the Issuer, the Savings Bank nor any subsidiary of the Savings Bank may purchase Preferred Securities before 10 August 2011. Thereafter, subject to applicable law then in force and the prior consent of the Bank of Spain, the Issuer, the Savings Bank or any subsidiary of the Savings Bank may at any time purchase outstanding Preferred Securities by tender, in the open market or by private agreement. Any Preferred Securities so purchased shall be cancelled immediately.

6. EXERCISE OF RIGHTS BY HOLDERS OF PREFERRED SECURITIES

6.1 The General Assembly

The rules governing the functioning of the General Assembly and the rules governing its relationship with the Issuer are contained in the regulations of the General Assembly (the **Regulations**) set out in the statutes (*estatutos*) of the Issuer.

6.2 Voting rights

Save as described below, the holders of the Preferred Securities will have no voting rights. The holders of the Preferred Securities will, in the circumstances set out in paragraphs 6.2.1, 6.2.2 or 6.2.3 below, have the right to participate in the adoption of certain decisions in the General Assembly. The rights referred to above shall be exercised together with all other holders of preferred securities of the Issuer.

6.2.1 *Failure to pay Distribution*

- (a) If neither the Issuer nor the Savings Bank, by virtue of the Guarantee, pays full Distributions on any Distribution Payment Date, the holders of the Preferred Securities acting through the General Assembly may resolve to appoint two further members to the board of directors of the Issuer and may also remove or replace such directors.
- (b) The rights established in paragraph (a) shall be exercised jointly with other holders of Parity Securities issued by the Issuer. The holders of the Preferred Securities and of Parity Securities issued by the Issuer must act jointly in the General Assembly with regard to the nomination (and resignation) of such members of the Board of Directors of the Issuer.
- (c) Any resolution of appointment (or resignation) of such members of the Board of Directors of the Issuer requires the approval of the holders of Preferred Securities and of Parity Securities issued by the Issuer representing the majority of the aggregate liquidation preference of such Preferred Securities and Parity Securities.
- (d) Any member of the board of directors named pursuant to the foregoing shall vacate his position if, subsequent to the circumstances giving rise to his appointment, the Issuer or the Savings Bank, by virtue of the Guarantee, makes full Distributions on any Distribution Payment Date.
- (e) Notice of the appointment and the dismissal of directors shall be given on behalf of the Issuer in a Spanish daily newspaper with a national circulation and in accordance with paragraph 8 below.
- (f) For the purposes of this paragraph, a Distribution will be considered to have been paid in full on a Distribution Payment Date if the Issuer would have been able to pay a quarter of such Distribution on the four most recent quarterly distribution payment dates ending on the relevant Distribution Payment Date, where **quarterly distribution payment date** means each 10 February, 10 May, 10 August and 10 November.

6.2.2 *Liquidation, dissolution or winding-up of the Issuer*

If the board of directors of the Issuer or the Savings Bank proposes to adopt any act providing for the liquidation, dissolution or winding-up of the Issuer, the holders of preferred securities are entitled to exercise voting rights in accordance with the statutes (*estatutos*) of the Issuer, except in the event that proceedings for the liquidation, dissolution or winding-up of the Issuer are commenced as a result of the liquidation, dissolution or winding-up of the Savings Bank or of a reduction of the reserves, including the Founders' Fund, and its Participations, if any, to zero, without liquidation of the Savings Bank and with a simultaneous increase of the Founders' Fund or a simultaneous issue of Participations.

6.2.3 *Further issuance of preferred securities*

- (a) The Issuer may (subject to complying with the necessary legal conditions) issue further Preferred Securities or other preferred securities unless the Issuer or the Savings Bank, as the case may be, has not paid the most recent distribution due under its outstanding preferred securities.
- (b) If the Issuer intends to issue further Preferred Securities or other preferred securities but is unable to do so as a result of the limitations described in paragraph (a) above, any such issue requires the approval of the holders of the Preferred Securities in accordance with the statutes (*estatutos*) of the Issuer.

6.3 Amendment to the terms and conditions of the Preferred Securities

Any amendment (except for any amendment required by law) to the terms and conditions of the Preferred Securities or any amendment to the Guarantee shall be approved by the holders of the Preferred Securities. An amendment shall only be effective if approved pursuant to a resolution of the holders of the Preferred Securities adopted in accordance with the Regulations.

6.4 Pre-emptive rights and other provisions

The Preferred Securities do not grant their holders pre-emption rights in respect of any further issues of preferred securities.

Neither the Issuer nor any other Relevant Subsidiary nor the Savings Bank may issue, or guarantee the issue of, any preferred securities or securities or other instruments equivalent to preferred securities ranking, either directly or via a guarantee, senior to the Preferred Securities, unless the Guarantee is amended so as to rank *pari passu* with any such issue or guarantee of senior securities.

No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.

Notwithstanding that the Preferred Securities confer an entitlement to vote in the above circumstances, neither the Savings Bank nor any subsidiary of the Savings Bank, to the extent that it is a holder of Preferred Securities, shall be so entitled to vote.

7. TAXATION

7.1 Payments free of withholding and deductions and payment of additional amounts

All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Savings Bank (as the case may be) 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 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 Savings Bank shall pay such additional amounts as will result in the holders of the Preferred Securities receiving such amounts as they would have received in respect of such Preferred Securities had no such withholding or deduction been required.

7.2 Exceptions to payment of additional amounts

Neither the Issuer nor the Savings Bank shall be required to pay any additional amounts as referred to in paragraph 7.1 in relation to any payment in respect of Preferred Securities:

- (a) to, or to a third party on behalf of, a non-resident holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with Spain other than the mere holding of Preferred Securities; or
- (b) to, or to a third party on behalf of, a holder in respect of whom the Issuer or the Guarantor, or the Paying Agent on its behalf, does not receive such details concerning such holder's identity and country of residence as is required in order to comply with Law 19/2003 of 4 July, Royal Decree 1778/2004 of 30 July and Royal Legislative Decree 4/2004 of 5 March; or

- (c) presented for payment more than 30 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 30 days; or
- (d) where the withholding or deduction referred to in paragraph 7.1 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive 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
- (e) presented for payment by or on behalf of a holder of Preferred Securities who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another paying agent in a Member State of the European Union; or
- (f) to, or to a third party on behalf of, individuals resident for tax purposes in Spain or a resident of a tax haven (as defined in Royal Decree 1080/1991 of 5 July, as amended from time to time); or
- (g) to, or to a third party on behalf of, a Spanish resident corporate entity if the Spanish tax authorities determine that the Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Director General de Tributos*) dated 27 July 2004 and require a withholding to be made.

A list of the tax havens referred to in paragraph 7.2(f) as at the date of the Offering Circular is set out in "Taxation of Disclosure of Holder Information in Connection with Payments of Distributions - Taxation in Spain - Tax Havens" of the Offering Circular.

7.3 Definition of Relevant Date

For the purposes of paragraph 7, 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 Paying Agent 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 Preferred Securities, notice to that effect shall have been duly given to the holders of Preferred Securities in accordance with paragraph 8 below.

See "Taxation and Disclosure of Holder Information in connection with Payments of Distributions" for a fuller description of certain tax considerations (particularly in relation to holders who are resident in Spain) relating to the Preferred Securities, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Issuer and the Savings Bank in relation to the identity of holders of Preferred Securities.

8. NOTICES

Notices, including notice of any redemption of the Preferred Securities, will be given by the Issuer (a) so long as any Preferred Security is listed on Eurolist by Euronext Amsterdam and the rules of Euronext Amsterdam so require, by publication in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam and in a Dutch daily newspaper with a national or wide circulation, and (b) by mail to the Clearing Systems (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice relates).

In accordance with their published rules and regulations, each of the Clearing Systems will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

9. FORM AND STATUS

The Preferred Securities will be issued in bearer form.

It is intended that a global Preferred Security representing the Preferred Securities will be delivered by the Issuer to a common depository for the Clearing Systems. As a result, accountholders should note that they will not themselves receive definitive Preferred Securities but instead Preferred Securities will be credited to their securities account with the relevant clearing system. It is anticipated that only in exceptional circumstances will definitive Preferred Securities be issued directly to such accountholders.

The Preferred Securities rank (a) junior to all liabilities of the Issuer including subordinated liabilities, (b) *pari passu* with each other and with any Parity Securities of the Issuer and (c) senior to the Issuer's ordinary shares and any other class of share capital expressed to rank junior to the Preferred Securities.

The Issuer shall not issue any securities ranking senior to the Preferred Securities.

10. USE OF PROCEEDS

The net proceeds of the Preferred Securities will, in accordance with Law 13/1985, be deposited in their entirety on a permanent basis by way of a deposit with the Savings Bank or with another credit entity (*entidad de crédito*) of the Group and will be used for the Group's general corporate purposes. The deposit shall rank equally with the Guarantee.

The funds raised from the issue of the Preferred Securities and so deposited will be available to absorb losses of the Savings Bank if and when they occur once its reserves have been exhausted.

11. AGENTS

In acting under the Paying Agency Agreement and in connection with the Preferred Securities, the Paying Agents act solely as agents of the Issuer and the Savings Bank and do not assume any obligations towards or relationship of agency of trust for or with any of the holders of the Preferred Securities.

The initial Paying Agents and their initial specified offices are listed in the Paying Agency Agreement. The Issuer and the Savings Bank reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; provided, however, that if, and for so long as, the Preferred Securities are listed on Eurolist by Euronext Amsterdam and the rules of Euronext Amsterdam so require, the Issuer and the Savings Bank shall maintain a Paying Agent having its specified office in Amsterdam.

Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given to the holders of the Preferred Securities.

12. PRESCRIPTION

To the extent that article 950 of the Spanish Commercial Code (*Código de Comercio*) applies to the Preferred Securities, claims relating to the Preferred Securities will become void unless such claims are duly made within three years of the relevant payment date.

13. GOVERNING LAW AND JURISDICTION

The Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

The Issuer hereby irrevocably agrees for the benefit of the holders of the Preferred Securities that the courts of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection

with the Preferred Securities and that accordingly any suit, action or proceedings arising out of or in connection with the Preferred Securities (together referred to as **Proceedings**) may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of Madrid. Nothing contained in this clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

FURTHER INFORMATION ON THE PREFERRED SECURITIES

Set out in this section is further information on the Preferred Securities.

Reasons for the offer

The net proceeds of the Preferred Securities will, in accordance with Law 13/1985, be deposited in their entirety on a permanent basis by way of a deposit with the Savings Bank or with another credit entity (*entidad de crédito*) of the Group and will be used for the Group's general corporate purposes. The funds raised from the issue of the Preferred Securities and so deposited will be available to absorb losses of the Savings Bank if and when they occur once its reserves have been exhausted.

Estimated net proceeds and expenses

The estimated net proceeds and expenses of issue of the Preferred Securities are set out below:

<i>Concept</i>	<i>Amount (in Euro)</i>
Issue proceeds	75,000,000
Commissions to Manager	(1,500,000)
AFM fees.....	(3,200)
Listing fees	(20,000)
Other expenses	(76,800)
Net proceeds	73,400,000

Ratings

The Preferred Securities are expected, upon issue, to be assigned a BBB rating by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Fitch assigns ratings according to the scale AAA, AA, A, BBB, BB, B, CCC, CC, C and D. Ratings AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major ratings categories.

An explanation of the meanings of Fitch's ratings (from AAA to BB) is set out below.

An **AAA** rating assigned by Fitch denotes the highest credit quality. It is assigned only in case of exceptionally strong capacity for timely payment of principal and interest of the financial obligations. This capacity is highly unlikely to be adversely affected by foreseeable events.

An **AA** rating assigned by Fitch denotes a very high credit quality. It indicates a very strong capacity for timely payment of principal and interest. This capacity is not significantly vulnerable to foreseeable events.

An **A** rating assigned by Fitch denotes a high credit quality. The capacity for timely repayment of principal and interest is strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than in the case of higher ratings.

A **BBB** rating assigned by Fitch indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

A **BB** rating assigned by Fitch indicates that there is a possibility of credit risk developing, particularly as the result of economic change over the time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

Interests of natural and legal persons involved in the issue

Save for any fees payable to the Manager, so far as the Issuer is aware, no person involved in the issue of the Preferred Securities has an interest material to the offer.

Yield

The Distributions payable on the Preferred Securities are fixed until 10 August 2010 and subject to the limitations set out in the conditions thereof, are payable until that date annually in arrear. The yield on the Preferred Securities until 10 August 2010 is 8 per cent. per annum. The yield is calculated by expressing the distribution return on the issue price.

Past performance of the 10 year CMS Rate

Current 10 year CMS rates appear on the Reuters screen page "ISDAFIX2". Historical data for CMS rates is posted on the ISDAFIX swap rate benchmark webpage for EUR-EURIBOR published by the International Swaps and Derivatives Association, Inc. (ISDA) (www.isda.org). The historical data for CMS rates provided on this website is displayed for information purposes only and should not be relied upon for any reason. Any use thereof is therefore at the user's own risk. Neither the legal sponsors of ISDAFIX, nor anyone else can be held liable in any way for the inaccuracy of such historical data. The historical data provided in the website is no substitute for the 10 year CMS rates that are displayed on the Reuters screen page "ISDAFIX2".

Payment for and delivery of Preferred Securities

It is intended that the Preferred Securities be represented by a global Preferred Security. The global Preferred Security will be delivered by the Issuer to a common depository to be held on behalf of the Issuer until payment for the global Preferred Security is effected through Euroclear and/or Clearstream Luxembourg. Once payment has been effected as described, the common depository will hold the global Preferred Security on behalf of Euroclear and/or Clearstream Luxembourg. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

THE GUARANTEE

The following is the text of the Guarantee relating to the Preferred Securities.

THIS GUARANTEE (the **Guarantee**), dated 5 August 2005, is executed and delivered by Caixa d'Estalvis de Terrassa incorporated as a savings bank (*Caja de Ahorros*) under the laws of Spain (the **Guarantor**) for the benefit of the Holders (as defined below).

WHEREAS, the Guarantor wishes to procure the issue by Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal a limited liability company (*sociedad anónima*) incorporated under the laws of Spain (the **Issuer**) of Euro 75,000,000 Series B Fixed/Floating Non-Cumulative Perpetual Guaranteed Preferred Securities (the **Preferred Securities**) and the Guarantor wishes to issue this Guarantee for the benefit of the Holders.

NOW, THEREFORE the Guarantor executes and delivers this Guarantee for the benefit of the Holders.

1. Interpretation

1.1 Definitions

As used in this Guarantee, the following terms shall, unless the context otherwise requires, have the following meanings:

Conditions means the conditions of the Preferred Securities, as set out in the Offering Circular;

Fiscal Year means the accounting year of the Guarantor as set out in its by-laws;

Guaranteed Payments means (without duplication) (i) any accrued but unpaid Distribution relating to the most recent Distribution Period; (ii) the Redemption Price payable on the redemption of Preferred Securities; (iii) the Liquidation Distributions due on the Liquidation Date; and (iv) any other sums due but unpaid by the Issuer in respect of the Preferred Securities;

Holder means any holder from time to time of a Preferred Security; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, the Holder shall not include the Guarantor or any of its subsidiaries (including the Issuer);

Liquidation Date means the date of final distribution of the assets of the Issuer in the case of any liquidation, dissolution or winding-up of the Issuer (whether voluntary or involuntary);

Offering Circular means the offering circular dated on or about 8 August 2005 relating to the Preferred Securities; and

Spain means the Kingdom of Spain.

1.2 Other defined terms

Terms defined in the Conditions have the same meanings in this Guarantee.

1.3 Clauses

Any reference in this Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 Headings

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Guarantee.

2. Guarantee

2.1 Guarantee

Subject to the limitations contained in the following paragraphs of this Clause 2, the Guarantor irrevocably and unconditionally undertakes to the Holders to pay in full, the Guaranteed Payments (to the extent not paid by the Issuer), as and when due upon receipt of a notice by any Holder demanding payment, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is abstract, autonomous and independent (*abstracta, autónoma e independiente*) of the Guaranteed Payments.

2.2 Limitations on the Guaranteed Payments in relation to Distributions

Notwithstanding Clause 2.1, the Guarantor will not be obliged to pay any Guaranteed Payment in respect of Distributions (including any accrued and unpaid distributions relating to the Redemption Price, or Liquidation Distribution) on any Preferred Securities, to the extent that one or more of the following circumstances exists:

- (a) the aggregate of (i) such Distributions; (ii) any Distributions paid on the Preferred Securities during the then-current Fiscal Year; and (iii) any other distributions (as contemplated by paragraph 1(c) of the Second Additional Disposition of Law 13/1985) on or in respect of Parity Securities issued by the Guarantor, the Issuer or by any other Relevant Subsidiary paid during the then-current Fiscal Year and proposed to be paid during the then-current Distribution Period, would exceed the Distributable Profits of the immediately preceding Fiscal Year; and/or
- (b) even if Distributable Profits are sufficient:
 - (i) under applicable Spanish banking regulations relating to capital adequacy requirements, the Savings Bank would be prevented at such time from (A) making payments on its Participations, if any (except for payments from the Stabilisation Fund), or (B) assigning funds to the Community Project Fund (except pursuant to article 11.4 of Law 13/1985);
 - (ii) there is a shortfall (*déficit*) in the Group's Own Resources which is more than 20 per cent. of the minimum Own Resources required for the purposes of complying with capital adequacy requirements; or
 - (iii) there is a shortfall (*déficit*) in the Group's Own Resources which is equal to or less than 20 per cent. of the minimum Own Resources required for the purposes of complying with capital adequacy requirements and the Bank of Spain has not authorised the payment of Distributions.

2.3 Limitations on the Guaranteed Payments in relation to the Liquidation Distributions

Notwithstanding Clause 2.1, if, at the time that any liquidation distributions are to be paid by the Savings Bank in respect of the Preferred Securities or any other Parity Securities, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Savings Bank or for a reduction in its reserves, including the Founders' Fund, and its Participations, if any, to zero, without liquidation of the Savings Bank and with a simultaneous increase of the Founders' Fund or a

simultaneous issue of Participations, the aggregate of liquidation distributions in respect of the Preferred Securities, of all Parity Securities issued by the Savings Bank and of any Relevant Subsidiary shall not exceed the aggregate of liquidation distribution that would have been paid from the assets of the Savings Bank (after payment in full, in accordance with Spanish law, to all creditors of the Savings Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to this Guarantee) had the Preferred Securities and all Parity Securities been issued by the Savings Bank and ranked (a) junior to all liabilities of the Savings Bank; (b) *pari passu* with Parity Securities issued by the Savings Bank, if any; and (c) senior to any of the Savings Bank's Participations and any other class of share capital of the Savings Bank expressed to rank junior to the Savings Bank's obligations under this Guarantee.

2.4 Pro rata Payments

If the amounts described in Clause 2.1 cannot be paid by reason of any limitation referred to in Clause 2.2 or 2.3, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitations. The determination of any such limitation of the Guarantor's obligations under this Guarantee as set forth will be made on the relevant Distribution Payment Date, redemption date or Liquidation Date, as the case may be.

2.5 Ranking of the Guarantee

The Guarantor agrees that subject to applicable laws, the Guarantor's obligations hereunder constitute unsecured obligations of the Guarantor and rank and will at all times rank (a) junior to all liabilities of the Guarantor (including subordinated liabilities); (b) *pari passu* with any Parity Securities of the Guarantor and any obligations of the Guarantor under any guarantee in favour of holders of any Parity Securities of any Relevant Subsidiary; and (c) senior to any of the Guarantor's Participations and any other class of share capital of the Guarantor expressed to rank junior to the Saving Bank's obligations under this Guarantee.

2.6 Acceptance of the Guarantee

The mere subscription of Preferred Securities will be deemed for all purposes to constitute full acceptance of this Guarantee.

3. Obligations of the Guarantor

3.1 Waiver

The Guarantor waives any right which it may have under Spanish law to object to pay under the Guarantee.

The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder in relation to the Guaranteed Payments pursuant to the terms of this Guarantee, and may not require that the Holders of Preferred Securities exhaust their rights or take any legal action against the Issuer prior to taking action against the Guarantor.

3.2 Obligations and Commitments of the Guarantor

The obligations and commitments of the Guarantor hereunder shall not be affected by any of the following circumstances:

- (a) any waiver by the Issuer, either by the application of a legal provision or for any other reason, to fulfil any commitment, term or condition, whether implicit or explicit, in relation to the Preferred Securities; or
- (b) any extension of any Distribution Payment Date, Liquidation Date or date for payment of the Redemption Price or in relation to any other obligation relating to the Preferred Securities; or
- (c) any breach, omission or delay by any Holder in exercising its rights under the Preferred Securities; or
- (d) the liquidation, dissolution, or sale of any asset given as a guarantee, temporary receivership, bankruptcy, receivership proceedings or renegotiation of debt affecting the Issuer; or
- (e) any defect in or invalidity of the Preferred Securities; or
- (f) transactions involving any obligation guaranteed by this Guarantee or undertaken by virtue of this Guarantee.

The Holders shall not be obliged to notify the Guarantor of the occurrence of any of the above circumstances, nor to obtain the consent of the Guarantor in relation to the same.

3.3 Subrogation

The Guarantor shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee. The Guarantor shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If any amount shall be paid to the Guarantor in breach of the preceding sentence, the Guarantor shall pay such amount to the Holders.

3.4 Deposit of the Guarantee

This Guarantee shall be deposited with and held by Citibank, N.A. as Principal Paying Agent until all the obligations of the Guarantor hereunder have been discharged in full. The Guarantor hereby acknowledges the right of every Holder to the production of and to obtain a copy of, this Guarantee. A Holder may enforce this Guarantee directly against the Guarantor, and the Guarantor waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Guarantor. Subject to Clause 3.1, all waivers contained in this Guarantee shall be without prejudice to the Holder's right to proceed against the Issuer. The Guarantor agrees that this Guarantee shall not be discharged except by payment of the Guaranteed Payments in full and by complete performance of all obligations of the Guarantor under this Guarantee.

4. Other obligations of the Guarantor under the Guarantee

4.1 No further issues

The Guarantor will not issue any preferred securities or other instruments equivalent to preferred securities, ranking senior to its obligations under this Guarantee nor give any guarantee in respect of any preferred securities or other instruments equivalent to preferred securities issued by any subsidiary if such guarantee would rank senior to this Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Profits) unless, (a) in each case, this Guarantee is amended so that it ranks *pari passu* with, and contains substantially equivalent rights of priority as to

payment of Distributable Profits as, any such other preferred securities or securities or other instruments equivalent to preferred securities or other such guarantee; and (b) the Distribution payable on the Preferred Securities on the most recent Distribution Payment Date was paid in full by the Issuer or by the Guarantor pursuant to the Guarantee on such Distribution Payment Date.

4.2 Non-Payments

The Guarantor undertakes that if any amount required to be paid pursuant to this Guarantee in respect of any Distribution payable in respect of the most recent Distribution Period has not been paid, whether by reason of the limitations of Clauses 2.2 and 2.3 or otherwise, no distributions on its Participations or on any class of share capital or securities issued by it and expressed to rank junior to the Guarantor's obligations under this Guarantee, as the case may be, shall be declared, paid or set aside for payment, nor will any of its Participations or any class of share capital or securities issued by it and expressed to rank junior to the Guarantor's obligations under this Guarantee, be redeemed, repurchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares of the Guarantor) by the Guarantor, until such time as the Issuer or the Guarantor pursuant to this Guarantee shall have made payment in full of Distributions on any Distribution Payment Date (Fixed) or on any Distribution Payment Date (Floating) in respect of all Preferred Securities then outstanding.

4.3 Ownership

The Guarantor undertakes to hold (directly or indirectly) 100 per cent. of the ordinary shares of the Issuer so long as any Preferred Securities remain outstanding.

4.4 Voting

The Guarantor undertakes, and shall ensure that any transferee of the ordinary shares of the Issuer undertakes, in connection with the right of the Holders to participate in the adoption by the Issuer of certain decisions in the General Assembly as contemplated in the terms and conditions of the Preferred Securities:

- (a) to vote at the corresponding general meeting of shareholders of the Issuer in favour of the appointment or removal of the directors named by the General Assembly and to take all necessary measures in such regard;
- (b) to vote at the corresponding general meeting of shareholders of the Issuer in conformity with the result of the vote of the General Assembly with respect to the dissolution and winding-up of the Issuer; and
- (c) to vote at the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Assembly with respect the issuance of further Preferred Securities or of other preferred securities where the Issuer has not duly made the most recent distribution required in respect of the preferred securities issued and outstanding at the time.

4.5 Compliance with the Preferred Securities

The Guarantor agrees to comply with any obligations expressed to be undertaken by it under the terms of the Preferred Securities and shall procure that the Issuer or the board of directors of the Issuer, as the case may be, complies with all of its obligations under the Preferred Securities.

5. Termination of the Guarantee

This Guarantee shall terminate and be of no further force and effect upon payment of the Redemption Price or purchase and cancellation of all Preferred Securities or payment in full of the Liquidation Distribution, provided, however, that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Guarantee must be restored by a Holder for any reason whatsoever.

6. General

6.1 Successions and Assigns

Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders, each of whom shall be entitled severally to enforce this Guarantee against the Guarantor. The Guarantor shall not transfer its obligations hereunder without the prior approval of the Holders, provided, however, that the foregoing shall not preclude the Guarantor from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders. The Guarantor shall, in relation to any such merger, consolidation or transfer, publish a supplement to the Offering Circular.

The Guarantor shall notify (a) any request for approval from the Holders and (b) any merger, consolidation, transfer or assignment, each as referred to in this Clause 6.1, in accordance with Clause 6.4 (Notices).

6.2 No Transfer

This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

6.3 Amendments

Except for those changes (a) required by Clause 4.1 hereof; (b) which do not adversely affect the rights of Holders; or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 6.1 (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Guarantor with the prior approval of the Holders in accordance with paragraph 6.3 of the Conditions of the Preferred Securities.

6.4 Notices

- (a) Any notice, request or other communication required or permitted to be given hereunder to the Guarantor shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Guarantor, as follows (and if so given by facsimile transmission), shall be deemed given upon mailing of confirmation, to:

Rambla d'Ègara 350
08221 Terrassa
Catalonia, Spain
Tel: +34 93 739 7851
Fax: + 34 93 739 7728
Attn: Marc Pujols Clotet

The address of the Guarantor may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Guarantor to Citibank, N.A. as Principal Paying Agent.

- (b) Any notice, request or other communication required to be given by the Guarantor under this Guarantee will be given by it (i) so long as any Preferred Security is listed on Eurolist by Euronext Amsterdam and the rules of Euronext Amsterdam so require, by publication in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam and in a Dutch daily newspaper with a national or wide circulation, and (ii) by mail to Euroclear and Clearstream, Luxembourg (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice, request or communication relates).

In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

6.5 Annual Reports

The Guarantor will furnish any prospective Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Guarantor to holders of securities issued by it.

7. Law and Jurisdiction

7.1 Law

This Guarantee shall be governed by, and construed in accordance with, Spanish law.

7.2 Jurisdiction

The Guarantor hereby irrevocably agrees for the benefit of the Holders that the courts of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and that accordingly any suit, action or proceedings arising out of or in connection with this Guarantee (together referred to as **Proceedings**) may be brought in such courts. The Guarantor irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of Madrid. Nothing contained in this clause shall limit any right to take Proceedings against the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

THIS GUARANTEE is executed as of the date first above written on behalf of the Guarantor.

Caixa d'Estalvis de Terrassa

By:

DESCRIPTION OF THE ISSUER

General

Caixa Terrassa, Societat de Participacions Preferents, S.A. Unipersonal (the **Issuer**) was established as Caixa Terrassa Preference Limited on 20 November 2000 in the Cayman Islands. By a board resolution of 7 December 2004, the Issuer adopted its current name and moved its registered office from the Cayman Islands to its present registered office at Rambla d'Ègara 350, 08221 Terrassa, Catalonia, Spain. The Issuer's telephone number is +34 93 739 7703. The Issuer is incorporated under the laws of the Kingdom of Spain and is registered with the mercantile registry of Barcelona at volume 37,151, page 69, sheet B-296,307 and book entry number 1. The Issuer is a wholly-owned subsidiary of the Savings Bank and has no subsidiaries.

The authorised share capital of the Issuer is Euro 100,000 divided into 10,000 ordinary shares, each with a nominal value of Euro 10. Shareholders of the Issuer are entitled to certain political rights (including to attend and vote at the shareholders' meeting of the Issuer) and to certain economic rights (including to receive distributions (if declared by the board of directors of the Issuer and approved in the shareholders' meeting)), all as more particularly described in the statutes of the Issuer and the *Ley de Sociedades Anónimas* (the **Spanish Corporations Law**). The entire share capital of the Issuer is fully paid up and held by the Savings Bank. The Issuer has no other shareholders. There are no measures in place to ensure that the Savings Bank does not abuse its control of the Issuer; however, decisions taken by the shareholders will not affect the terms and conditions of the Preferred Securities.

Business

The objects of the Issuer are to issue preferred securities pursuant to Law 13/1985 which are to be traded on national and international markets as specified in Article 2 of the Issuer's statutes (*estatutos*). The Issuer carries out the issue of preferred securities on the Group's behalf. The Issuer is dependent on the Savings Bank to meet its obligations under the Preferred Securities. It will deposit the net proceeds from the issue of the Preferred Securities with the Savings Bank under a deposit agreement (the **Deposit Agreement**) dated the Closing Date. The remuneration received by the Issuer under the Deposit Agreement will enable it to meet its obligations under the Preferred Securities.

On 6 December 2000, the board of directors approved the issuance of 50,000 preference shares of Euro 1,000 nominal value for an aggregate amount of Euro 50 million solely and irrevocably guaranteed by Caixa d'Estalvis de Terrassa. These series A preference shares were issued in June 2001 and no further issuances have been made in subsequent years. The series A preference shares are perpetual and entitle the holder to receive quarterly cash remuneration equivalent to 5.75 per cent. for the first 18 months and equivalent to EURIBOR at three months plus 0.25 per cent. thereafter, commencing on 30 December 2002. Remuneration is determined each quarter, two working days before the quarter falling due starts. Series A preference shareholders have no profit-sharing rights other than those described above. During 2004 and 2003, the aforementioned preference share issuance accrued interest of Euro 1,168,125 and Euro 1,343,258.88, respectively, which was booked under financial expenses in the Issuer's relevant statements of profit and loss.

Other than in connection with its issue of the series A preference shares described above, the Issuer has carried out no other activities.

Management

The Directors of the Issuer are Pere Gil Sanchis, Enrique Lizaso Olmos and Ramon Flo Besora. The principal activities of the directors of the Issuer are as employees of the Group; their functions within the Group are Vice-General Manager, Control Director and Deputy General Manager respectively. The professional

address of each director is Rambla d'Ègara 350, 08221, Terrassa, Catalonia, Spain. No conflicts of interest arise between the duties of the directors of the Issuer and their private interests or other duties.

The Issuer does not comply with the Spanish corporate governance regime and is not required to comply with such regime as its shares are not listed on a Spanish stock exchange. The Savings Bank, as the parent of the Group, is however, required to comply with the Spanish corporate governance regime – see “*Description of the Group*” below.

Financial Statements

The Issuer has prepared audited unconsolidated financial statements for the years ended 31 December 2004 and 2003 and will publish audited unconsolidated annual financial statements in subsequent years. Such annual financial statements will relate to periods ending on 31 December in each year and will be published before 30 June of the following year. The Issuer does not intend to publish interim financial statements. The Issuer’s 2003 annual financial statements were prepared in accordance with International Financial Reporting Standards (**IFRS**). The Issuer’s 2004 annual financial statements were prepared in accordance with Spanish generally accepted accounting principles (**Spanish GAAP**).

Under Articles 181 and 203 of the Spanish Corporations Law, the Issuer is currently exempt from preparing audited financial statements. However, if the Issuer prepares financial statements, then under the Spanish Corporations Law, any such financial statements must be prepared in accordance with Spanish GAAP. The Issuer will therefore prepare future annual financial statements in accordance with Spanish GAAP. To the extent that the Issuer is required to prepare future annual financial statements in accordance with IFRS under Regulation (EC) No 1606/2002, the Issuer will also prepare future annual financial statements in accordance with IFRS.

Material Contracts

The contracts that the Issuer will enter into (other than in the ordinary course of its business) which are material in connection with the issue of the Preferred Securities are the Subscription Agreement (as defined in “*Subscription and Sale*” below), the Paying Agency Agreement, the Deposit Agreement and the Public Deed of Issuance.

DESCRIPTION OF THE GROUP

Introduction

Caixa d'Estalvis de Terrassa (the **Savings Bank** or the **Guarantor**) is incorporated under the laws of the Kingdom of Spain as a *Caja de Ahorros* (savings bank) and is regulated and controlled by the Bank of Spain and the Regional Government of Catalonia. The Savings Bank was founded as a *Caja de Ahorros* in 1877. The Savings Bank's registered office is at Rambla d'Ègara 350, 08221 Terrassa, Catalonia, Spain and its telephone number is +34 93 739 7851. The Savings Bank is registered with number 34 and at volume 21,171, page B-17, 927 of the Administrative Registry of the Bank of Spain (*Registro Administrativo de Entidades de Ahorro, Capitalización y similares*).

Although *Cajas de Ahorros* are duly constituted Spanish legal entities, they are not corporations limited by shares and, therefore, do not have shareholders. Instead of shareholders having voting rights and the ability to appoint management, the members of the General Assembly of a *Caja de Ahorros* (as described in further detail below) are entitled to attend general meetings of the *Caja de Ahorros* and appoint the members of the Board of Directors and the Control Committee.

Cajas de Ahorros may issue participation certificates (*cuotas participativas*), a type of non-voting, non-redeemable registered security for the purposes of the Bank of Spain's capital adequacy regulations. *Cuotas participativas* are considered as equity and rank behind all the *Caja de Ahorros'* creditors, both subordinated and unsubordinated, and the beneficiaries of any guarantees granted by the *Caja de Ahorros*. To date, the Savings Bank has not issued *cuotas participativas*. However, in the event that the Savings Bank does issue *cuotas participativas*, it will be required to pay returns on those *cuotas participativas*.

Except as expressly stated herein, all the financial figures referred to below are derived either from the Group's audited accounts for 2004 and 2003 or from the Group's *Balance Reservado* (Reserve Statement) as provided to the Bank of Spain for each of 2004 and 2003, in accordance with Bank of Spain Circular 4/2001, as amended by Circular 4/2004. The Group's Reserve Statements have been audited.

Business

The core business of the Savings Bank and its subsidiaries (the **Group**) is retail deposit taking and mortgage and non-mortgage lending. The Group also provides other banking services such as general consumer lending facilities. At 31 December 2004, the Savings Bank had 232 branches located in the provinces of Barcelona (176), Tarragona (21), Lleida (19), Girona (15) and Madrid (1), with a total of 1,285 employees and a customer base of approximately 478,000 clients.

In terms of total assets, at 31 December 2004, the Group was the 29th largest *Caja de Ahorros* in Spain and the fifth largest *Caja de Ahorros* in Catalonia (according to *Analistas Financieros Internacionales*). As a result of the increase of competition in the Spanish banking sector, the Group is facing increasing competition in the Catalonian banking market from a number of domestic credit institutions. The principal competitors of the Group within its area of activity are the other *Cajas de Ahorros* domiciled in Catalonia such as La Caixa, Caixa Catalunya, Caixa Penedes and Caixa Sabadell.

Total balance-sheet assets managed by the Group at 31 December 2004 stood at Euro 5,408.97 million, an increase of 10.29 per cent. on the figure of the previous year.

Ratings

As at date hereof, the short-term credit rating of the Savings Bank is F2 and the long-term credit rating of the Savings Bank is A-, in each case as assigned by Fitch.

Group

The Savings Bank is the parent company of the Group. The following two tables set out a list of the Savings Bank's subsidiaries and other associated companies. Each table details the relevant entity's corporate name, location, activity and the percentage share ownership of the Savings Bank. The first table lists entities controlled by the Savings Bank and whose results are consolidated with those of the Savings Bank. The second table lists entities that are associated with the Savings Bank but whose results are not consolidated with those of the Savings Bank since the relevant entities carry out non-banking activities.

Table of consolidated subsidiaries

<i>Company</i>	<i>Location</i>	<i>Activity</i>	<i>Percentage</i>
Caixa Terrassa Previsió S.A.....	Terrassa	Insurance	100.00
Caixa Terrassa Vida S.A.....	Terrassa	Insurance	100.00
Caixa Terrassa Vida 1, Sicav S.A.....	Terrassa	SICAV	99.29
Caixa Terrassa Correduría de Seguros, S.A.....	Terrassa	Insurance	100.00
Caixa Terrassa International Finance, B.V.....	The Netherlands	SPV	100.00
Caixa Terrassa Societat de Participacions Preferents, S.A.	Terrassa	SPV	100.00
Caixa Terrassa Gesfons SGIIC	Terrassa	Investment Funds	100.00
Caixa Terrassa RF, Sicav S.A.	Terrassa	SICAV	99.08
Catalonia Promodis 3, S.A.....	Terrassa	Construction	99.99
Promou ct, S.A.	Terrassa	Construction	100.00
Promou Medea, S.L.	Terrassa	Construction	51.00
Promou Bertrana, S.L.....	Terrassa	Construction	51.00
Promou Open Segre, S.L.	Terrassa	Construction	51.00
Promou Interpromo, S.L.	Terrassa	Construction	51.00
Promou Gebira, S.L.	Terrassa	Construction	51.00
Catalonia Gebira, S.L.....	Terrassa	Construction	70.00
Catalonia Promodis 4, S.A.....	Terrassa	Construction	99.99
Catalonia Promodis 5, S.A.....	Terrassa	Construction	99.99

Table of significant unconsolidated subsidiaries

<i>Company</i>	<i>Location</i>	<i>Activity</i>	<i>Percentage</i>
Albertis Infraestructuras, S.A.....	Barcelona	Infrastructure (roads)	1.81

Summary

Information on the Group's significant subsidiaries is set out below. These subsidiaries were established to complement the main banking activity of the Savings Bank. At the end of 2004 the Group consisted of nineteen companies.

- The insurance business of the Group, (channelled through Caixa Terrassa Vida, S.A., a life assurance and pension fund manager, Caixa Terrassa Previsió, S.A., a non-life insurance company, and Caixa Terrassa Correduría de Seguros, S.A., an insurance brokerage), obtained significant growth in 2004. Caixa Terrassa Vida, S.A. (dealing with life assurance and pension schemes) was set up in 1988 to market life assurance both as a savings product and in terms of risk cover, together with pension schemes and unit-linked investments. The premium income of Caixa Terrassa Vida, S.A. in 2004 was Euro 323.9 million,

27 per cent. up on the figure achieved in 2003. The volume of technical provisions as at 31 December 2004 was Euro 1,123.8 million, up 18 per cent. on the previous year, and the volume of assets under management in pension funds at year's end reached Euro 139.3 million, a figure which signifies a growth of 30 per cent. on that of the preceding year. Pre-tax profits rose to Euro 9.3 million, up 42 per cent. on that obtained in 2003;

- *Caixa Terrassa Previsió, S.A.* was set up in November 2002 to allow the Savings Bank to operate in the non-life insurance market (such as domestic and corporate multi-risk liability insurance, unemployment cover and other non-life policies). The premium income of Caixa Terrassa Previsió, S.A. in 2004 was Euro 1.3 million, while pre-tax profits rose to Euro 0.11 million. The first year of operations of this company was 2004;
- *Catalonia Promodis 3, S.A.* was set up in 1998. Its main activity is financing the purchase of land for real estate developers. This is carried out through the purchase and subsequent sale to developers with a deferred price and an implicit interest rate, to allow greater profitability than traditional means of financing;
- *Caixa Terrassa Correduría de Seguros, S.A.* (dealing with motor insurance, accident, theft, medical insurance, etc.) was constituted in 1992 to operate as broker for the insurance products of other companies. Brokerage fees passed on from Caixa Terrassa Correduría de Seguros, S.A. to the Savings Bank in 2004 totalled Euro 3.5 million, 18 per cent. higher than the figure for 2003. Pre-tax profit was Euro 0.53 million, an increase of 86 per cent. on that of the previous year; and
- *Caixa Terrassa Gesfons SGIIC* (investment fund manager) was established in 2001 to manage eight investment funds.

Summary financial information

The annual consolidated accounts of the Group are drawn up following the model established by the Bank of Spain Circular 4/1991 as amended from time to time, and detail the assets, the financial situation and the results from its operations and of the resources obtained and applied during the Group's fiscal year. These consolidated annual accounts have been prepared from the accounting registries of the Savings Bank and the Group companies and include certain adjustments and reclassifications in order to homogenize the accounting and presentation criteria use by other entities with those of the Savings Bank.

The definition of the "Group" for accounting purposes follows the Bank of Spain Circulars 4/1991, 5/1993 and 2/1996. In other words, companies dependent on the Savings Bank or those companies the activities of which are an extension of those of the Savings Bank (*Catalonia Promodis 3, S.A.*, *Caixa Terrassa Societat de Participacions Preferents, S.A.*, *Caixa Terrassa Gesfons SGIIC, S.A.* *Caixa Terrassa RF, SICAV, S.A.*, *Caixa Terrassa Vida 1, SICAV, S.A.*, *Promou ct, S.A.* and *Caixa Terrassa International Finance, B.V.*) have been consolidated by global integration. All of the important accounts and transactions between the consolidated companies have been eliminated in the process of consolidation.

As at 31 December 2004, the Group comprised nineteen companies which in close cooperation with the Savings Bank provided services in life assurance, insurance brokerage, real estate development and independent financial brokerage services for both its own and others' account. In compliance with the terms of the fifth section of the Bank of Spain circular 4/1991 and the second rule of circular 5/1993, the Group first began reporting its results in the form of consolidated group accounts in 2000.

The following table show the main consolidated financial figures as at 31 December 2004 and 31 December 2003 of the main subsidiaries of which the Savings Bank is the parent company.

	<i>The Savings Bank</i>		<i>Caixa Terrassa Vida, S.A.</i>		<i>Caixa Terrassa Previsió, S.A.</i>		<i>Catalonia Promodis 3, S.A. ¹</i>		<i>Caixa Terrassa Gesfonx SGIIC</i>		<i>Consolidated Group²</i>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
BALANCE SHEET	<i>(In thousands of Euro)</i>											
Cash and central banks	65,087	55,673	6,330	30,965	28	629	-	5,978	2,227	1,862	65,095	55,673
Savings banks	160,626	497,542	-	-	-	-	-	-	-	-	160,626	497,542
Loans.....	4,324,350	3,550,638	-	-	365	89	149,389	57,868	-	-	4,453,694	3,655,375
Securities portfolios	617,781	564,423	1,187,338	947,770	10,871	9,639	-	-	1,870	1,488	541,694	501,176
Other assets.....	164,300	160,195	31,404	25,371	167	144	18,635	80,020	276	199	187,856	184,582
TOTAL ASSETS	5,332,144	4,828,471	1,225,072	1,004,106	11,431	10,501	168,024	143,866	4,373	3,549	5,408,965	4,904,348
Savings banks	104,304	139,136	-	-	-	-	(17,656)	-	-	-	104,304	139,135
Customer deposits.....	4,668,497	4,219,151	-	-	-	-	-	-	-	-	4,594,852	4,187,826
Deposits in the form of securities	-	-	-	-	-	-	21,050	21,166	-	-	21,050	21,050
Other liabilities	76,164	70,517	1,128,315	958,410	1,208	352	53,787	53,875	843	546	129,019	123,706
Subordinated debt.....	201,035	131,035	(45,000)	-	-	-	-	-	-	-	151,035	81,035
Capital, reserves and profits	282,144	268,632	51,757	45,696	10,223	10,149	75,531	68,825	3,530	3,003	408,705	351,596
TOTAL LIABILITIES	5,332,144	4,828,471	1,225,072	1,004,106	11,431	10,501	168,024	143,866	4,373	3,549	5,408,965	4,904,348
	<i>The Savings Bank</i>		<i>Caixa Terrassa Vida, S.A.</i>		<i>Caixa Terrassa Previsió, S.A.</i>		<i>Catalonia Promodis 3, S.A. ¹</i>		<i>Caixa Terrassa Gesfonx SGIIC</i>		<i>Consolidated Group²</i>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
PROFIT AND LOSS STATEMENT	<i>(In thousands of Euro)</i>											
Income from interest and yields	196,461	195,474	362,778	292,774	1,604	437	2,415	2,422	87	75	202,652	199,357
Interest and other charges	103,518	(100,701)	(351,596)	(284,357)	(1,128)	(195)	(1,008)	(1,548)	-	-	(102,977)	(100,273)
NET INTEREST INCOME	92,943	94,773	11,182	8,417	476	242	1,407	874	87	75	99,675	99,084
Non-financial income ..	48,071	49,818	1,464	1,180	4	-	10,202	6,884	2,563	1,510	48,328	49,970
Operating costs	82,065	(77,653)	(3,360)	(3,067)	(275)	(25)	(1,092)	(674)	(1,816)	(1,130)	(83,622)	(78,651)
Write-offs, provisions and others	28,528	(29,287)	20	43	(92)	(18)	(207)	(206)	(23)	(45)	(5,296)	(17,744)
PRE-TAX PROFIT ..	30,421	37,651	9,306	6,573	113	199	10,310	6,878	811	410	59,085	52,659
Taxes	9,409	11,523	3,245	2,298	40	70	3,604	2,408	284	111	17,950	16,591
PROFIT OF THE YEAR	21,012	26,128	6,061	4,275	73	129	6,706	4,470	527	299	41,135	36,068

1 Financial figures for *Catalonia Promodis 3, S.A.* for 2004 are not derived from the annual audited statements but from the Group's management reports which are not audited.

2 This information refers to the consolidated data of the Group. Due to accounting rules there are some items that do not appear on consolidation.

Principal activities and markets

The core business of the Savings Bank and its subsidiaries is retail deposit taking and mortgage and non-mortgage lending. The Group also provides other banking services such as general consumer lending facilities. The Savings Bank's main market is the provision of banking services to individuals and to small and medium sized companies. The range of products offered by the Savings Bank extends from traditional banking operations to advanced financial products: including savings plans, retirement plans, investment funds, unit-linked savings, share trading, wealth management, insurance (covering life assurance, household policies, motor insurance and health insurance), and credit and debit cards.

The following table shows the contribution of the Savings Bank's activities to its ordinary revenues for the years ended 31 December 2004 and 31 December 2003.

	<i>Year ended 31 December 2004</i>	<i>Percentage of total gross operating revenue</i>	<i>Year ended 31 December 2003</i>	<i>Percentage of total gross operating revenue</i>
	<i>(millions of Euro)⁽¹⁾</i>		<i>(millions of Euro)</i>	
Mortgage lending (including retail and commercial lending).....	121.24	51.41	119.35	51.96
Consumer lending (other than mortgage lending)	17.27	7.32	17.00	7.40
Commercial lending other than mortgage lending.....	17.95	7.61	17.67	7.69
Interest and similar revenue on fixed-income securities ..	28.07	11.90	27.63	12.03
Fees and commissions received	39.45	16.73	36.36	15.83
Other ⁽²⁾	11.85	5.03	11.67	5.08
Total	235.83		229.66	

Note:

- (1) The financial figures in this table, except for these figures set out for "fees and commissions received", derive from the Group's management reports which are not audited.
- (2) Other ordinary revenues are composed principally of the following items in the profit and loss account: (i) equity securities, (ii) gains on financial transactions and (iii) other operating revenues.

Real Estate

The activities of the Group's real estate companies can be divided into two groups, as follows:

- The provision of finance by acquiring plots for subsequent sale to real estate developers. The total investment volume for these activities approved in 2004 amounted to Euro 80.6 million, 98 per cent. of which was for the purchase of land for housing developments. Seventy-three development projects are currently under way, with an investment outlay of Euro 200 million. These developments will lead to the construction of 4,000 buildings (dwellings and industrial premises) over the next three years.
- The establishment of joint ventures with real estate developers. At present, the Group has ownership interest in six such companies. The projects begun in 2004 represent a total investment of Euro 102 million, resulting the construction of over 400 buildings, mostly homes.

With regard to mortgage lending, and according to the figures of Spain's official statistics agency, in the last few years, the Savings Bank has funded approximately 6 per cent. of house purchases in Catalonia.

Investment funds

The Group's investment fund manager, Caixa Terrassa Gesfons SGIIC, managed ten funds at 31 December 2004, two more than at the end of 2003, plus two open-ended investment companies. Total assets under management amounted to Euro 464 million, an increase of 56 per cent. on the total at the end of the previous year.

Group credit cards

With respect to means of payment, the Savings Bank's credit and debit cards were used in 8.5 million transactions in commercial premises and in settlement of services, generating a turnover of Euro 355 million, 11.5 per cent. more than in the previous year. The Group's 'Solidarity' cards have now been on the market for ten years, in which time the Group has contributed Euro 1.6 million of card fees to NGO charities.

With regard to corporate finance products (such as loans, special-purpose credit facilities, export credits, general credit facilities, discounting bills, leasing arrangements, etc.), the Savings Bank has a network of branches specialising in corporate services. Funding SMEs accounts for about a third of the activity of the Savings Bank. According to Visa España, whose clients number 137, in terms of turnover in Visa cards, the Savings Bank is the seventh largest Spanish savings bank and ranks eighteenth in the full list of Spanish banks, including both savings and commercial banks.

Product range

The Group has continued to expand its product range, setting up new investment funds, new personalised pension schemes and other savings products. It has also created new types of loans such as the "peace of mind" loan, allowing customers to bundle all their outstanding mortgage loans into a single loan payment. The development of new products and services aimed at immigrants, such as remittances and personal assistance services by means of the Multihogar household insurance policy, is also important.

Online Banking

With respect to online banking, the Group has continued to enhance its provision of services and activities, as a result of which business has increased by 47 per cent. with 9.4 million transactions. The number of customers who regularly use this service rose to 20,500, while corporate users numbered 7,100. 45 per cent. of total corporate activity is conducted on line, while 40 per cent. of customer share transactions are carried out via this electronic business channel.

In the course of the year, the Group introduced online statements, allowing customers permanent access to their statements and the documentary justification of movements, both of which are now permanently available on the Group's website.

Issues of securities by the Group

Preferred securities

The issue of preferred securities issue detailed in the following table has received the necessary Bank of Spain rating to enable it to qualify, with the limitations of Bank of Spain's Circular 5/1993 (as amended, Circular 5/1993), entirely as basic equity capital of the consolidated Group. The securities are held in their entirety by third parties.

<i>Issue⁽¹⁾</i>	<i>Year of issue</i>	<i>Amount (in thousands of Euro)</i>	<i>Maturity</i>
1ª Emisión Participaciones Preferentes Serie A.....	2001	50,000	Indefinite

(1) *Participaciones preferentes* = preferred securities

The securities are listed on the AIAF (*Asociación de Intermediarios de Activos Financieros*), with their sale being carried out in the retail market entirely through the Savings Bank's website.

Subordinated debt

Each of the following subordinated debt issues has received the necessary Bank of Spain classification to enable each issue to qualify, with the limitations of Circular 5/1993, as Tier 2 capital.

<i>Issue</i> ⁽¹⁾	<i>Year of issue</i>	<i>Amount (in thousands of Euro)</i>	<i>Maturity</i>
1ª Emisión Deuda Subordinada	1989	15,025	Indefinite
2ª Emisión Deuda Subordinada	1990	6,010	Indefinite
3ª Emisión Deuda Subordinada	2003	60,000	10 years
4ª Emisión Deuda Subordinada	2004	70,000	15 years

(1) *Deuda Subordinada* = Subordinated Debt – Issue 1 to 4

The first of these issues is listed on the Barcelona Stock Exchange (*Bolsa de Barcelona*), while the third and fourth issues are listed on AIAF. The second issue is not listed. The securities were sold in the retail market in their entirety through the Savings Bank's website.

Covered Bonds

The following issues of covered bonds have the guarantee of a series of mortgage loans of the Savings Bank in order to give liquidity to the Group. Each of these issues has been sold in their entirety in the institutional market.

<i>Issue</i> ⁽¹⁾	<i>Year of issue</i>	<i>Amount (in thousands of Euro)</i>	<i>Maturity</i>
Cédulas Cajas II	2001	240,000	7 years
Cédulas Cajas III	2002	300,000	10 years
Cédulas Cajas IV	2003	90,000	10 years
Cédulas Cajas TDA2	2003	230,000	10 years
Cédulas Cajas V Tramo A	2003	72,581	10 years
Cédulas Cajas V Tramo B	2003	152,419	15 years
Cédulas Cajas TDA3	2004	125,000	12 years
Cédulas Cajas TDA4	2004	100,000	5 years
IM Cédulas IV	2005 ⁽²⁾	150,000	10 years
Cédulas Cajas IX Tramo A	2005	106,250	10 years
Cédulas Cajas IX Tramo B	2005	43,750	15 years
Cédulas Cajas TDA6	2005	100,000	20 years
IM Cédulas V	2005	100,000	15 years
Cédulas Cajas TDA7	2005	100,000	12 years
Cédulas Cajas X Tramo A	2005	48,718	10 years
Cédulas Cajas X Tramo B	2005	51,282	20 years

(1) *Cédulas* = Covered Bonds.

(2) The financial figures for the *Cédulas* (covered bonds) issued in 2005 derive from the Group's management reports which are not audited.

Bonds

The following treasury bond issues are outstanding.

<i>Issue</i> ⁽¹⁾	<i>Year of issue</i>	<i>Amount (in thousands of Euro)</i>	<i>Maturity</i>
Bonos de Tesorería Catalonia Promodis 3, S.A.	2003	12,885	5 years
Bonos de Tesorería Catalonia Promodis 3, S.A.	2003	8,165	5 years
Bonos de Tesorería AyT I.....	2005 ⁽²⁾	100,000	5 years

These issues were distributed entirely through the Savings Bank's website and listed on AIAF.

(1) *Bonos de Tesorería* = Treasury Bonds.

(2) The financial figures for the *Bonos de Tesorería* (treasury bonds) issued in 2005 derive from the Group's management reports which are not audited.

Schuldschein

In 2005, the Savings Bank carried out a *Schuldschein* issue (promissory notes) in the amount of Euro 100 million. The financial figures with regard to the *Schuldschein* issue derive from the Group's management reports which are not audited.

Branches and Employees

The Savings Bank continued to expand its branch network in 2004, providing access to new markets by opening eight new branches, three of which opened in Sabadell and one branch in each of Vilafranca del Penedès, Sant Pere de Ribes, Tortosa, Amposta and Castelldefels.

With the incorporation of these new branches, the Group's marketing network (covering retail, SME and private banking) now has 232 points of sale, spread across 25 districts and 81 towns throughout Catalonia, together with a flagship office in Madrid. At 31 December 2004, the Group had 232 branches located in the provinces of Barcelona (176), Tarragona (21), Lleida (19), Girona (15) and Madrid (1), with a total of 1,285 employees and a customer base of approximately 478,000 clients.

The evolution of the Group's branches over recent years is shown in the following table:

	<i>Operative offices as of 31 December</i>	<i>Percentage increase upon previous year</i>	<i>Growth index (base 1999)</i>
2004	232	3.57	17.17%
2003	224	4.67	13.13%
2002	214	0.94	8.08%
2001	212	0.95	7.07%
2000	210	6.06	6.06%

At 31 December 2004, the Savings Bank's breakdown of branches by region was as follows:

<i>Region</i>	<i>Number of Savings Bank's branches</i>
Barcelona.....	176
Tarragona.....	21
Lleida.....	19
Girona	15
Madrid	1
Total	232

The Group's staff at the close of 2004 numbered 1,285 (1,245 belonging to the Savings Bank). Forty-eight new jobs were created in the course of the year to staff new branches and strengthen the central services of the Group. The increase represented a 4 per cent. rise in staffing levels compared with the headcount at the close of 2003.

Social and cultural activities

The social and cultural activities of Catalan savings banks are governed by the legislative decree 1/94, promulgated on 6 April of 1994, the revised text of the Acts 15/85, of 1 July, 6/89 of 25 May and 13/93 of 25 November, together with the decree of the *Generalitat* (the **Government**) of Catalonia of 29 August 1989, and decree 99/86 of 3 April, which establish among other things that savings banks must devote all profits not allocated to reserves to establishing and maintaining social and cultural activities, either their own or those engaged in jointly with other savings banks. Legislation also provides that a percentage of profit is allocated to reserves and regulates how these activities are to be maintained.

In addition, Decree 99/86 provides that the Department of Economy and Finance of the *Generalitat* is entitled to vet the agreements reached at general assembly meetings of savings banks on how profits were distributed.

As for funding these activities, in 2004 the Group allocated Euro 7.5 million to its social and cultural fund, as approved at the last general assembly meeting. Payments for these activities totalled Euro 7.6 million, being 13 per cent. more than the amount spent in 2003. 30 per cent. of this sum was spent on programmes run by the Group itself (cultural activities, social aid to underprivileged groups, youth and senior-citizen programmes, conferences, etc.), while 40 per cent. was earmarked for the various trusts set up by the Savings Bank, including the following: the Cultural Centre; Euncet (business training); Fupar (occupational therapy for the mentally handicapped); and the Senior Citizens' Residence. The remaining 30 per cent. was allocated under cooperation agreements with some 700 different Catalan organisations pursuing a variety of activities.

One highlight in 2004 was the opening and start-up of the new building for Fupar. The Savings Bank's social department has provided aid to the mentally handicapped for the last thirty years, caring for 275 people in this period. The construction of the new building, measuring 14,000 square metres, cost Euro 9.0 million.

Recent developments

There have been no substantial variations in the Savings Bank's policies with regard to investment, risk avoidance, type of products or services offered to the Savings Bank's clients.

In 2004, loans and credit facilities totalling Euro 2,498 million were provided to households and companies, up 30 per cent. on the previous year.

Globally, customer deposits managed at year's end stood at Euro 5,753 million, an increase of 11.60 per cent. on the figure at the end of 2003.

Excluding mortgage bonds sold on the institutional market, total customer deposits showed a balance at year's end of Euro 4,443 million, 9.20 per cent. up on the amount from the previous year.

The principal amount of marketable debt securities issued by the Group increased from Euro 1,310 million at 31 December 2004 to Euro 2,110 million at the date of this Offering Circular. In addition, there is a further Euro 100 million of indebtedness under a *Schuldschein* issue – see page 49. The financial figures with regard to the marketable debt securities as at the date of this Offering Circular derive from the Group's management reports which are not audited.

Strategy

At the beginning of February 2005 the Savings Bank's board of directors approved the strategic plan for 2005–2007, setting out the strategy to be pursued by the Group over the next three years. The plan, amongst other things, contains the following aims:

- the extension of business activities in the SME sector through the specialist network of branches focusing on small- and medium-sized enterprises;
- a programme to expand Group presence throughout Catalonia prior to expansion outside Catalonia. This programme is due to begin in the plan's final year;
- the enhancement of the Savings Bank's specialisation in savings products (pension schemes and savings plans which offer significant tax advantages and enable customers to establish permanent savings schemes); and
- the achievement of a net profit of Euro 100 million and an efficiency ratio of 57 per cent. by the end of 2007. The efficiency ratio is calculated by dividing operating costs with ordinary revenue. At 31 December 2004 the efficiency ratio was 61.73 per cent., while at 31 December 2003 it was 57.4 per cent..

Performance in 2004

For the year ended 31 December 2004, the Group reported consolidated net profits of Euro 41.135 million, an increase of 14 per cent. over 2003. This increase was due principally to an increase in the number of mortgages taken out with the Group by the Group's clients. The net ordinary revenue of the Group for the year ended 31 December 2004 was Euro 147.64 million, a decrease of 0.5 per cent. over 2003.

Other significant developments in 2004 include the following:

- The Group's equity as at 31 December 2004 was Euro 512.9 million (excluding any distribution of the net surplus for the year ended 31 December 2004), according to Bank of Spain regulations. The total capital to weighted-risk ratio of the Group as at 31 December 2004 was 12.27 per cent. (Tier 1: 8.35 per cent.) – see the table entitled "BIS Ratio" on page 53.
- As at 31 December 2004, the Group's total funding base was Euro 4,871.24 million. The table below shows the composition of the Group's funding base as at 31 December 2004 and 2003 respectively:

	<i>As at 31 December 2004</i>	<i>Percentage of total funding</i>	<i>As at 31 December 2003</i>	<i>Percentage of total funding</i>
	<i>(millions of Euro)</i>		<i>(millions of Euro)</i>	
Customer funds	3,284.85	67.43	3,102.73	70.06%
Due to credit institutions.....	104.30	2.14	139.14	3.14%
Subordinated debt	151.04	3.10	81.04	1.83%
Debentures and bonds.....	21.05	0.43	21.05	0.48%
Mortgage debentures.....	1,310.00	26.89	1,085.00	24.50%
Total	4,871.24		4,428.96	

- At 31 December 2004, the Group's total assets amounted to Euro 5,408.97 million, an increase of 10.29 per cent. over its assets as at 31 December 2003. Euro 4,453.69 million of the Group's total assets was represented by net lending to customers (which consists of all loans and credits to customers, minus the related credit loss allowance) of which Euro 3,765.53 million is related to mortgages, Euro 688.16 million related to consumer and commercial loans and Euro 100.13 million related to credit loss allowance. Net lending to customers in 2004 was 21.51 per cent. higher than in 2003. In addition to net lending to customers in 2004, Euro 9.16 million of the Group's total assets was represented by loans to and placings with credit institutions and Euro 541.69 million by bonds and securities (including shares) held in its portfolio.

- At 31 December 2004, the Group held investments in the share capital of certain Spanish companies including:

- (i) Caixa Terrassa Vida, S.A., a wholly-owned subsidiary of the Group, through which the Group carries out life assurance and pension fund business. The contribution of Caixa Terrassa Vida, S.A. to total consolidated reserves of the Savings Bank was Euro 51.76 million and Euro 45.70 million, representing 12.66 per cent. and 12.99 per cent. of the total consolidated equity of the Savings Bank as at 31 December 2004 and 31 December 2003, respectively.

In accordance with Bank of Spain regulations, Caixa Terrassa Vida, S.A. is consolidated on an equity basis (rather than on the basis of full consolidation) in the consolidated financial statements of the Savings Bank. The contribution of Caixa Terrassa Vida, S.A. to the total consolidated net income of the Savings Bank for the financial years ended 31 December 2004 and 31 December 2003 was Euro 6.06 million and Euro 4.28 million, representing 14.75 per cent. and 10.4 per cent. of the total consolidated net income of the Savings Bank, respectively, for those years.

- (ii) Companies involved in general insurance (Caixa Terrassa Previsió, S.A. and Caixa Terrassa Correduria de Seguros, S.A.) and real estate (Catalonia Promodis 3, S.A., Catalonia Promodis 4, S.A. and Catalonia Promodis 5, S.A.).

Equity and capital ratios

Under the fourth rule of the Bank of Spain Circular 5/1993 of 26 March 1993 (as amended, **Circular 5/1993**), consolidated groups of banking entities must have at all times sufficient shareholders' capital to offset:

- (i) the sum of their outstanding credit risk, based on loans, undertakings and other memorandum accounts where this risk is present;
- (ii) their outstanding exchange-rate risk, according to their global position in foreign currency;
- (iii) their outstanding market risk, according to their tradeable securities portfolio; and
- (iv) the risk arising from their status as mixed groups of banks and insurance companies.

These capital requirements are met provided the solvency ratio at no time falls short of 8 per cent.. This ratio is defined as the quotient between weighted Group capital and the aforesaid risks, calculated using the weightings contained in Circular 5/1993.

Circular 5/1993 was the final stage of legislation on minimum capital requirements and their supervision for financial entities which had begun with Act 13/1992 of 1 June, and continued with Decree 1343/1992 of 6 November, and the ministerial order of 30 December 1992. Spanish regulation also determines that subordinated debt constitutes second-tier shareholder capital, making it eligible to be considered shareholder capital provided it does not exceed 50 per cent. of shareholder capital itself and that the total of second-tier capital does not exceed 100 per cent. of shareholder capital to the extent that this excess was not eliminated as a result of the first-mentioned limitation.

At 31 December 2004 and 2003, the Group is fully compliant with these minimum capital requirements. Group equity at the close of the year stood at Euro 512.886 million, taking into account the approval by the general assembly meeting of the Savings Bank of the proposed allocation of the profits obtained in 2004. This figure represents an increase of 24.3 per cent. on Group equity as at the end of the previous year.

With this amount of capital resources, the Group's solvency ratio, comparing eligible capital with overall risk as weighted by the rules of the Bank of Spain rules, exceeded minimum capital requirements by approximately 53.2 per cent..

	2004	2003
	<i>(In thousands of Euro)</i>	
BIS Ratio⁽¹⁾		
Total Risk Weighted Assets ⁽²⁾	4,181,045	3,655,587
Tier 1 Capital ⁽³⁾	349,153	319,042
Tier 2 Capital ⁽⁴⁾	163,733	93,635
Total Capital (Tier 1 + Tier 2)	512,886	412,677
Total BIS Ratio (%)	12.27	11.29
Total Capital Surplus or (deficit)	178,402	120,230

Note: The financial information referred to in this table is not audited and has been derived from the Group's own net worth documentation for 2004 and 2003 (*Documentación de Recursos Propios de la Entidad*).

- (1) **BIS Ratio:** A solvency ratio which applies the criteria of the Bank for International Settlements (BIS).
- (2) **Total Risk Weighted Assets:** The group of assets susceptible to cover by Equity Capital.
- (3) **Tier I Capital:** This comprises the corporate capital, the reserves (minus any revaluation), the portion of the profit to be applied to the reserves and the minority interests once treasury stock and intangible assets have been deducted.
- (4) **Tier II Capital:** This comprises the revaluing reserves, any generic capital provision, subordinate liabilities and the fund for the Obra Social, minus any other deduction from equity capital.

Risk management

The Group has well established and defined credit procedures. The Board of Directors has ultimate control over the Group's credit procedures and has authority to grant loans for any term and size. Loans in

excess of Euro 150,000 are dealt with at Risk Committee level, while loans in excess of Euro 1.5 million are dealt with both at Investment Committee level and at the level of the Board of Directors. The financial risk management of the Group is overseen by the Assets and Liabilities Committee pursuant to a policy approved by the Board of Directors.

Interest-rate risk

The Savings Bank uses the KPMG software application Profit Master to manage and monitor its interest rate risks. This is complemented with software developed by the Savings Bank itself on the basis of the experience obtained in using Profit Master. The two tools are used to obtain the information required by the Savings Bank's Asset and Liabilities Committee.

This Asset and Liability Committee is a committee at the highest level of the Savings Bank designed to monitor the performance of the main balance-sheet items and establish loans and deposit policies, the way the balance-sheet is structured, pricing policy and also to monitor interest-rate risk, liquidity risk and exchange-rate risk.

One of the most widely used analysis techniques is the 'gap' method, by which loans and deposits that are sensitive to interest-rate changes over a horizon not exceeding twelve months are aligned with another to reveal any inherent misadjustments and thus calculate the potential impact on net interest income and help reach decisions on how best to cover the risk.

At 31 December 2004 the situation was as shown below.

Interest-Rate Risk-Sensitive Assets	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than year</i>	<i>Total</i>
	<i>(In thousands of Euro)</i>					
Money market	273,585	260,776	58,902	39,155	120,711	753,128
Loan market.....	298,096	741,053	896,305	1,475,223	389,482	3,800,158
Securities market.....	13,004	45,336	181,224	37,721	165,766	443,051
Total sensitive assets	584,685	1,047,164	1,136,431	1,552,099	675,959	4,996,337
% of total sensitive assets	11.70	20.96	22.75	31.06	13.53	–
% of total assets.....	10.81	19.36	21.01	28.69	12.50	–
Interest-Rate Risk-Sensitive Deposits						
Money market	23,952	22,867	3,483	24,087	74,525	148,914
Deposit market	53,543	546,676	1,290,594	433,018	1,547,389	4,353,221
Bond market	89,107	37,675	73,364	37,736	64,791	302,674
Total sensitive liabilities	648,602	607,219	1,367,441	494,841	1,686,706	4,804,808
% of total sensitive liabilities	13.50	12.64	28.46	10.30	35.10	–
% of total liabilities	11.99	11.23	25.28	9.15	31.18	–
Sensitivity Gaps						
Asset-liability gap	-63,917	439,946	-231,010	1,057,258	-1,010,747	–
% of total assets	-1.18	8.13	-4.27	19.55	-18.69	–
Accumulated asset-liability gap	-63,917	376,028	145,018	1,202,276	191,529	–
% of total assets	-1.18	6.95	2.68	22.23	3.54	–
Risk coverage (%)	90.15	172.45	83.11	313.66	40.08	–

Note: Other than the figure of total assets, which is taken from the balance sheet at 31 December 2004 of the annual report of the Savings Bank (Euro 5,408.97 million), the figures in this table derive from the Group's management reports which are not audited.

As detailed in the table, there is a slight excess of deposits in the very short term, which is amply compensated by the successive renewals of loans.

The total accumulated gap between risk-sensitive loans and deposits represents only 3.54% of total assets, meaning that an unexpected shift in interest rates would have a minimal effect on net interest income and, thus, results. This percentage figure is calculated by dividing the total asset figure (Euro 5,408.97 million) by the accumulated asset-liability gap figure (Euro 191,529).

Credit Risk

Credit risk (*)	<u>2004</u>	<u>2003</u>	<u>% change</u>
	<i>(In thousands of Euro)</i>		
Total risk ⁽¹⁾	4,553,821	3,743,584	21.64
Non-performing loans (NPL) ⁽²⁾	36,206	26,922	34.48
Total coverage required ⁽³⁾	99,990	78,258	27.77
Provisions constituted at end of period ⁽⁴⁾	99,990	78,258	27.77
NPL ratio (%) ^(2/1)	0.80	0.72	11.11
% NPL coverage ^(4/2)	276.17	290.68	-4.99
% NPL coverage/required coverage.....	100.00	100.00	0.00

Note: The financial information referred to in this table above has been derived from the Group's management reports and is not audited.

(*) Does not include country risk or corresponding risk provisions.

(1) Includes both non-performing loans (2) and the eligible risk of the generic 1 per cent. and 0.5 per cent. provisions.

(2) Includes non performing loans with and without obligatory provisioning as well as the associated risks pertaining to customers where repayment is deemed doubtful.

(3) According to Bank of Spain regulations.

(4) Provisions for non-performing loans and customer risk assessed at the end of the period.

The Group follows the Bank of Spain's regulations on classification of non-performing or "delinquent" loans and on bad debt write-offs. According to the Bank of Spain's regulations, any loans in arrears and loans of which repayment is, in accordance with the Bank of Spain's regulations, deemed to be reasonably doubtful are deemed to be "delinquent loans". Spanish credit institutions are required by the Bank of Spain to make provisions for any loans which are deemed to be delinquent loans by the setting up of specific reserves.

As of 31 December 2004, the amount of loans considered to be delinquent by the Savings Bank according to the Bank of Spain's criteria stood at Euro 36.206 million, an increase of Euro 9.284 million within the year and of 34.48 per cent. in relative terms. This took the total delinquent loan ratio of the Savings Bank at 31 December 2004 to 0.80 per cent., 0.08 percentage points higher than that recorded at the end of the previous year.

At the same time, delinquent loan provisions funded in accordance with the legal parameters in terms of the nature and age of assets deemed delinquent reached the figure of Euro 99.990 million, thereby providing delinquent loan coverage of 276.17 per cent..

As of the end of both 2004 and 2003, the Group had assumed no country risk.

Counterparty and exchange-rate risk

Futures, options and other derivatives

For the purpose of providing sufficient cover against adverse balance-sheet positions which by the nature of the business can result in interest- and/or exchange-rate risk the Group employed financial derivatives, as shown in the following table.

The majority of these transactions were undertaken purely for coverage purposes, the results obtained being negligible.

	<u>2004</u>	<u>2003</u>	<u>% change</u>
	<i>(In thousands of Euro)</i>		
Interest-rate and share-price futures.....	0	0	0
Interest-rate options bought	127,729	110,946	15.13
Interest-rate options issued	49,804	20,454	143.49
Other transactions on interest rates and share prices.....	1,379,063	1,092,030	26.28
Interest-rate and share-price transactions	1,556,596	1,223,430	27.23
Outstanding currency transactions	1,882	1,928	-2.39
Currency options bought	0	0	-
Other currency transactions	0	0	-
Total exchange-rate transactions	1.882	1.928	-2.39

Exchange-rate risk

Most of the activity of the Group is undertaken in Euro, with a proportionately small amount of business being conducted in foreign currency, meaning that the corresponding risk is similarly small.

Assets and liabilities in foreign currency

	<u>2004</u>	<u>2003</u>	<u>% change</u>
	<i>(In thousands of Euro)</i>		
Savings banks.....	4,680	3,461	35.22
Customer loans.....	21,576	13,860	55.67
Securities portfolios	1,786	2,166	-17.54
Other assets held in foreign currency	23	30	-23.33
Total assets in foreign currency	28,065	19,517	43.80
% of total assets	0.51%	0.40%	28.32
Savings banks.....	21,591	14,062	53.54
Customer deposits	4,676	3,252	43.79
Deposits represented by tradable securities.....	-	-	-
Subordinated debt	-	-	-
Other liabilities in foreign currency.....	11	8	37.50
Total liabilities in foreign currency	26,278	17,322	51.70
% of total liabilities	0.46	0.35	32.09

Note:

The financial figures in the following table derive from the Group's management reports which are not audited.

Material contracts

The contracts that the Guarantor will enter into (other than in the ordinary course of business) which are material to the issue of the Preferred Securities are the Subscription Agreement, the Deposit Agreement, the Paying Agency Agreement and the Guarantee.

Corporate governance

The corporate governance regime is set down in Law 26/2003, of 17 July concerning amendments to Law 24/1988, of 28 July, on the Securities Market and the Law on Joint Stock Companies (**Law 26/2003**), which aims to reinforce the transparency of listed companies. Law 26/2003 requires savings banks that are issuers of securities listed in secondary markets to publish a corporate governance report annually. Law 26/2003 was further developed by Ministerial Order 354/2004, of 17 February, which concerns the Annual Corporate Governance Report and other information requirements for savings banks which are issuers of securities listed in secondary markets. The Savings Bank is required to comply and does comply with the Spanish corporate governance regime in accordance with Law 26/2003.

Management

The Savings Bank's governing bodies are the General Assembly, the Board of Directors and the Control Committee. There is also an Executive Committee with functions delegated to it by the Board of Directors.

General Assembly

The General Assembly is the main governing body of the Savings Bank and comprises 100 members elected by the founding members of the Savings Bank, deposit account holders, Savings Bank employees, local government authorities of the cities where the Savings Bank has a branch office and the provincial government authorities of Catalonia.

Board of Directors

The Board of Directors, the main body responsible for the management and administration of the Savings Bank, including its *obra social*, is made up of 12 members who are representatives of the different groups constituting the General Assembly.

Control Committee

The Control Committee's purpose is to ensure that the Board of Directors complies with the general guidelines set by the General Assembly, as well as the general business purpose of the Savings Bank and all relevant legislation. The Control Committee is made up of six members elected by the General Assembly in proportion to the groups represented plus the General Manager of the Savings Bank (who does not have voting rights). Members of the Control Committee cannot be members of the Board of Directors.

Set out below are the names of the members of the Board of Directors and the Control Committee of the Savings Bank at the date of this Offering Circular, their position and their respective dates of appointment. The business address of each member of the Board of Directors and the Control Committee is Rambla d'Ègara, 350, 08221 Terrassa, Catalonia, Spain. No conflict of interest arises between the duties of the members of the Board of Directors and the Control Committee of the Savings Bank and their private interests or other duties.

Board of Directors

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Francesc Astalas Coma	Chairman	8/04/03
Francesc Armengol Giralt	First Vice-Chairman	26/02/91
Jaume Ribera Segura	Second Vice-Chairman	23/03/99
Francesc Dalmeses Capella	Secretary	12/11/91
Joan Muñoz Galián	Member	1/6/98
Josep Arán Trullás	Member	12/11/91
Angel Artiga Oriol.....	Member	27/03/01
María Mercé Corbera Penalva.....	Member	23/02/04
Miguel Font Roca	Member	08/04/03
Daniel Hausmann Fargas.....	Member	08/04/03
Enric Segarra Bosch	Member	08/04/03
Albert Vilardell Figueras	Member	27/03/01

None of the members of the Board of Directors of the Savings Bank perform activities outside the Group which are significant with respect to the Group.

Control Committee

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Frances Comajuan Plo.....	Chairman	18/03/97
Josep Rifà Sais	Vice-Chairman	08/04/03
Joan Antoni Olivares Abad	Secretary	08/04/03
Jaume Busqueta Escanila	Member	27/03/01
Pascual d'Ossó Matéu	Member	08/04/03
Montserrat Roca Mas	Member	08/04/03

The table below contains the details of the executive officers holding top management positions at the Savings Bank as at the date of this Offering Circular, their current positions and the date of their respective appointments. The business address of the Savings Bank's executive officers is Rambla d'Ègara, 350, 08221 Terrassa, Catalonia, Spain. No conflict of interest arises between the duties of the executive officers of the Savings Bank and their private interests or other duties.

Executive Officers

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Enric Mata Tarragó	General Manager	01/03/80
Pere Gil Sanchis	Vice-General Manager, Financial and Investment Area	01/05/89
Amadeu Guarch Berengueras	Deputy General Manager, Business Development Area	01/11/89
Enrique Lizaso Olmos	Deputy General Manager, Control Area	09/02/05
Martí Crespo Arrufat	Deputy General Manager, Technology and Information Area	01/05/89
Rafael Morillo Lobo	Deputy General Manager, Commercial Area	13/05/98
Ramon Flo Besora.....	Deputy General Manager, General Secretary	08/10/03

SUPERVISION AND REGULATION OF THE SAVINGS BANK

Bank of Spain

The Bank of Spain, established in its present form in 1962, is a public law entity (*entidad de derecho público*) which operates as Spain's autonomous central bank and is also a member of the European System of Central Banks. Except in its performance of public functions, the Bank of Spain's relations with third parties are governed by private law and its actions are subject to the civil and business law codes.

The Bank of Spain has, among others, the following supervisory powers over Spanish credit institutions: (i) to conduct periodic inspections of Spanish credit institutions to test compliance with current regulations concerning, among other matters, preparation of financial statements, account structure and credit policies; (ii) to advise a credit institution's board of directors and management when its dividend policy is deemed inconsistent with the credit institution's financial results; (iii) to undertake extraordinary inspections of credit institutions concerning any matter relating to their banking activities; and (iv) to participate with other authorities in appropriate cases in the imposition of penalties applicable to credit institutions for infringement or violation of applicable banking regulations.

Law 13/1994, of 1 June, on the Autonomy of the Bank of Spain (*Ley de Autonomía del Banco de España*), as amended, which vests responsibility for the implementation of monetary policy in the Bank of Spain, repealed Law 26/1983, of 26 December, on the Imposition of Liquidity Ratios of Financial Intermediaries and, effective 3 June 1994, provides that freed funds relating to minimum reserves which are required to be maintained in accordance with the By-Laws of the European System of Central Banks may be deposited with the Bank of Spain. Ruling (CE) No. 2818/98 of the European Central Bank, of 1 December 1998, on the Application of Minimum Reserves provides that a reserve ratio of 2% apply to certain categories of liabilities and that such reserves be maintained with the respective Central Bank in a euro-denominated account.

Investment Ratio

The Spanish Government has in the past required credit institutions to invest a portion of certain qualifying liabilities in certain kinds of public sector of public-interest financing (the **investment ratio**). Pursuant to a Royal Decree liberalising the Spanish economy, the investment ratio was reduced progressively beginning in January 1989 and was abolished as of 31 December 1992.

Capital Adequacy Requirements

Bank of Spain requirements

Spanish credit institutions and each of their bank subsidiaries are subject to capital adequacy requirements pursuant to Law 13/1985, of 25 May, on Investment and Information Obligations and Own Resources (as amended, **Law 13/1985**). Law 13/1985 has been amended, *inter alia*, by Law 13/1992, of 1 June, on Own Resources and Supervision on a Consolidated Basis (**Law 13/1992**), Law 44/2002, of 22 November, on Reform Measures of the Financial System and Law 19/2003, of 4 July, on the Legal Regime on Capital Movements and Offshore Economic Transaction and Measures on Prevention of Money Laundering. Law 13/1985 adapted Spain's capital adequacy rules to EU requirements. Credit institutions that fail to comply with these capital adequacy requirements are subject to restrictions on distributions, as described below. Such credit institutions may also be subject to fines and other sanctions.

The principal characteristics of the capital adequacy requirements introduced by Law 13/1992 (as amended and supplemented by Royal Decree 1343/1992, of 6 November) are a division of regulatory capital (*recursos propios* or own resources) between core capital (*recursos propios básico* or basic own resources) and

complementary capital (*recursos propios de segunda categoría* or second category own resources) and the adoption of a solvency ratio.

- Basic own resources generally includes ordinary shares (or participations (*cuotas participativas*) of savings banks), voting equity, certain non-voting equity, most reserves and generic allowances less participations in other financial institutions, treasury stock and financing for the acquisition of the issuer's shares (other than by the issuer's employees).
- Second category own resources generally includes certain non-voting equity, revaluation and similar reserves and subordinated and perpetual debt. Circular No. 5/1993, of 26 March, on the Determination and Control of Minimum Own Resources (the **Circular**) provides that the excess of second category own resources of a credit institution over 100% of its basic own resources does not qualify as own resources of the credit institution.

The computation of both basic own resources and second category own resources is subject to provisions limiting the type of stockholding and the level of control which these stockholdings grant a credit institution group.

The solvency ratio (set out in rule 12.1 of the Circular) provides that the consolidated own resources (comprising basic own resources and second category own resources) of a credit institution group, calculated in the manner described above, may not be less than 8 per cent. of a bank's risk-weighted assets. The Circular also contains certain other ratios that credit institutions must comply with.

The calculation of total risk-weighted assets implies minimum multipliers of 0 per cent., 10 per cent., 20 per cent., 50 per cent. and 100 per cent. of a credit institution's assets. Loans to the Spanish Government or OECD and EU countries' central banks and debt securities of Spanish autonomous communities (authorised by the Spanish Government) receive a 0 per cent. weighting. Mortgage backed-securities and *cédulas territoriales* receive a 10 per cent. weighting. Loans to autonomous communities, to EU and OECD regional and local governments, to banks, banks and brokerage firms and to multilateral development banks receive at least a 20 per cent. weighting. Residential mortgage loans receive at least a 50 per cent. weighting. All other loans are weighted at 100 per cent.; however, such weighting may be lower if the loan is guaranteed or secured. Off-balance sheet liabilities are also included in the calculation of risk-weighted assets.

Credit institutions which fail to comply with capital adequacy ratios by more than 20 per cent. are required to devote all of their distributable profits to increasing their own resources. Credit institutions which fail to meet any ratio by 20% or less must obtain prior approval of the Bank of Spain in order to make distributions and must devote at least 50% of their distributable profits to increasing their own resources. In addition, failure to comply with the required ratios and capital adequacy requirements may give rise to fines and other sanctions.

Basle Accord

The Basle Committee, which includes the supervisory authorities of twelve major industrial countries, has adopted an international framework (the **Basle Accord**) for capital measurement and capital standards of banking institutions. The framework provides (i) definitions for "Tier 1" (core) capital and "Tier 2" (supplemental) capital; (ii) a system for weighting assets and off-balance sheet items according to credit risk; and (iii) a requirement that banks engaged in international operations maintain Tier 1 capital of at least 4 per cent. of risk-weighted assets and total capital (i.e. Tier 1 capital plus up to an equal amount of Tier 2 capital) of at least 8 per cent. of risk-weighted assets. Spain is not party to the Basle Accord, and therefore has not implemented this capital framework as such, although Spain's current capital requirements are in many aspects similar to the requirements imposed by the Basle Accord, since the Basle Accord is the framework on which EC Directive 89/299/EC of 17 April 1989 is based, which itself is the basis for Law 13/1992.

Concentration on Risk

Pursuant to Royal Decree 1343/1992, of 6 November 1992, which supplements Law 13/1992, a credit institution's exposure to a single person or group may not exceed 25 per cent. (20 per cent. in the case of exposure to an affiliate) of its consolidated stockholders' equity. Exposure to a person or a group exceeding 10 per cent. of consolidated stockholders' equity is deemed a concentration and the total amount of exposure represented by all such concentrations may not exceed 800 per cent. of consolidated stockholders' equity.

Regulation of Fees and Interest Rates

In March 1987, interest rates on deposits, and fees and commissions chargeable in addition to interest, were substantially deregulated. Interest rates on most kinds of loans and deposits are no longer subject to a maximum limit. Credit institutions must publish their preferential rates, rates applied on overdrafts, and fees and commissions charged in connection with banking transactions and communicate the same to the Bank of Spain. Banking clients must be provided with written disclosure adequate to permit them to ascertain real net transaction costs. Subject to such disclosure requirements, the level of fees and commissions is generally regulated. The foregoing regulations are enforced by the Bank of Spain in response to complaints from credit institutions' clients.

Savings banks

Savings banks are characterised as savings banks by virtue of Law 26/1988, of 29 July, on Discipline and Intervention of Credit Institutions and may carry out deposit-taking activities. In view of their particular legal nature, savings banks are regulated not only by laws applicable to credit entities and deposit-taking entities but also by legislation applicable specifically to savings banks.

Participations

Unlike commercial banks, savings banks do not have shareholders but may issue participations (*Cuotas participativas*). Participations of savings banks are negotiable instruments with a nominal amount and indefinite duration granting holders certain economic rights (**Participations**). Participations are regulated by article 7 of Law 13/1985 and by provisions contained in Royal Decree 302/2004, of 20 February, on Participations of savings banks.

Participations do not confer on holders any voting rights. The issue of Participations must be authorised by the general assembly (*Asamblea General*) of a credit institution, which can delegate such power to the board of directors (*Consejo de Administración*).

The issue of Participations requires the establishment of the following funds:

- a participation fund (*Fondo de Participación*) (the **Participation Fund**) representing the total nominal amount of the Participations issued by a credit institution;
- a Participations reserve fund (*Fondo de Reserva de los Cuotaparticipes*) (the **Participations Reserve Fund**) representing the percentage of freely available funds in relation to the Participations, which have not been allocated to the Stabilisation Fund (see below) or been paid out to the holders of Participations; and
- a stabilisation fund (*Fondo de Estabilización*) (the **Stabilisation Fund**) created to mitigate fluctuations in the annual return on Participations. This fund is not considered as capital of a credit institution for the purposes of calculating capital adequacy ratios.

The percentage of freely available funds in relation to Participations (for the purpose of the Participations Reserve Fund) is obtained by expressing the value of the Participations in issue as a percentage of the aggregate of the assets of the credit institution and the value of the Participations in issue. For the purposes of this calculation, the value of the Participations in issue is equal to the aggregate of the Participations Fund, the Participations Reserve Fund and the Stabilisation Fund and the assets of the credit institution is equal to the aggregate of the Founders' Fund (*fondo fundacional*), general reserves and the fund for general banking risks of the relevant credit institution.

Community Project Fund (*Fondo de Obra Social*)

Savings banks are non-profit making entities of a social nature as reflected by the social projects that savings banks undertake. To that effect savings banks have a community project fund (*Fondo de Obra Social*) (the **Community Project Fund**) in which each year savings banks deposit part of their profits which are not allocated to the Participations Reserve Fund.

The relevant credit institution's general assembly is responsible for deciding the percentage of that credit institution's profits to be allocated to the Community Project Fund. The resolution of the general assembly is subject to approval by the Department of Economy and Finance of the Regional Government of Catalonia. The remaining surplus is allocated to reserves or funds not used to cover specific risks.

The Community Project Fund is used to finance projects in the health, research, education, culture, social services sectors and any other sectors of a social nature. Use of the Community Project Fund is supervised by the Community Project Committee (*Comisión de Obras sociales*). The social projects undertaken by savings banks can be realised independently or in collaboration with public or private entities. Further, savings banks can participate in projects carried out by other entities.

In relation to savings banks whose registered offices are in Catalonia, as is the case with the Credit Institution, the Community Project Fund is regulated by Law 1/1994, of 6 April, which approved the restated text of Law 15/1985, of 1 July, Law 6/1989, of 25 May, and Law 13/1992, of 25 November, of the Regional Government of Catalonia (as amended, **Law 1/1994**).

Distribution of profits

Savings banks are subject to rules on the distribution of their profits or surpluses.

As savings banks do not have shareholders, they do not declare dividends. As a result they allocate profits, (other than those owed to holders of Participations) to: (i) the Community Project Fund; or (ii) reserves.

Article 11.4 of Law 13/1985 provides that savings banks must allocate at least 50 per cent. of freely available profits or surplus (other than those owed to holders of Participations), to reserves or funds not used to cover any specific risk. The percentage that must be allocated to general reserves can be reduced by the Bank of Spain when the capital of a credit institution exceeds the minimum required by more than a third. This means that in any financial year, savings banks can allocate to the Community Project Fund up to 50 per cent. of freely available profits (other than those owed to holders of Participations), though there is no obligation to allocate any amount to the Community Project Fund.

Under article 11.5 of the Law 13/1985, the percentage to be allocated to general reserves can be varied by the Ministry of Finance (*Ministerio de Economía y Hacienda*) at the request of the Bank of Spain (subject to prior consultation with the authorities responsible for the supervision of social projects undertaken by savings banks), when the investment in or maintenance of social projects previously authorised cannot be met with the amounts allocated to the Community Project Fund. If the percentage threshold is varied, the relevant credit institution cannot include investments in new projects in its budget.

In relation to savings banks whose registered offices are in Catalonia, as is the case with the Credit Institution, the distribution of the surplus funds of savings banks must be approved by its general assembly and by the Department of Economy and Finance of the Regional Government of Catalonia.

If a credit institution issues Participations, any freely available surplus allocated to the holders of Participations (in accordance with the formula set out above in the section headed “Participations”) will be distributed between: (i) the holders of Participations; (ii) the Participations Reserve Fund; and (iii) if created, the Stabilisation Fund. The remaining surplus is allocated to reserves and the Community Project Fund.

The distribution of the surplus funds of savings banks is subject to regulations on capital adequacy of savings banks described above.

TAXATION AND DISCLOSURE OF HOLDER INFORMATION IN CONNECTION WITH PAYMENTS OF DISTRIBUTIONS

The following is a general description of certain tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities and in particular does not purport to be a tax analysis for all type of investors, some of which might be subject to a special tax regime. Prospective purchasers of Preferred Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain and The Netherlands of acquiring, holding and disposing of Preferred Securities and receiving any payments under the Preferred Securities. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

TAXATION IN SPAIN

1. Introduction

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

- (a) of general application, Additional Provision Two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, as well as Royal Decree 1778/2004, of 30 July establishing disclosure obligations in relation to preferred shares and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules;
- (b) for individuals with tax residence in Spain which are Individual Income Tax payers, Royal Legislative Decree 3/2004, of 5 March promulgating the Consolidated Text of the Individual Income Tax Law, and Royal Decree 1775/2004, of 30 July promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax payers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporate Income Tax Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain and who are Non-resident Income Tax payers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax.

2. Indirect tax on the acquisition and transfer of the Preferred Securities

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

3. Individuals with tax residence in Spain

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

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute financial income in accordance with the provisions of Section 23.2 of the Individual Income Tax Law, and therefore will be taxed at marginal rates (currently ranging between 15 per cent. and 45 per cent.).

In the event of Distributions derived from the Preferred Securities, the aggregate taxable income shall be determined by the amount of interest received, including the withholding tax made.

In the event of transfer, redemption or repayment of the Preferred Securities, the taxable income shall be deemed to be the difference between the transfer, redemption or repayment value (less properly supported ancillary disposal expenses) and the acquisition or subscription value (plus properly supported ancillary acquisition expenses). Expenses corresponding to discretionary or individual portfolio management are not computed for these purposes.

Both types of income are subject to a 15 per cent. withholding tax on account of the individuals' final Income Tax liability.

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

3.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Spanish Wealth Tax is levied on the net worth of an individual's assets at rates ranging between 0.2 per cent. and 2.5 per cent.

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

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

Individuals with tax residence in Spain who acquire ownership or other rights over any Preferred Securities by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. The applicable tax rates, after applying all relevant factors, range between 7.65 per cent. and 81.6 per cent.

4. Legal entities with tax residence in Spain

4.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute financial income subject to tax in accordance with the rules set out in Title IV of the Corporate Income Tax Law and will therefore be taxed at the current rate of 35 per cent.

In accordance with Section 59(s) of the Corporate Income Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporate Tax payers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Application has been made for the Preferred Securities to be traded on Euronext Amsterdam and they will therefore, upon admission to trading on Euronext Amsterdam, fulfil the requirements legally established for the exemption from withholding.

The Directorate General for Taxation (*Dirección General de Tributos*), on 27 July 2004, issued a tax ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities falls within this exemption as the Preferred Securities are to be placed outside Spain and in the international capital markets and none of the entities initially placing the Preferred Securities is resident in Spain. Consequently, the Issuer will not make any withholding on Distributions to Spanish Corporate Income Tax payers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

Please see “Disclosure of Holder information in connection with Payments of Distributions” below for information regarding the withholding tax exemption.

4.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities are not subject to Wealth Tax.

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

Legal entities with tax residence in Spain which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax but to Corporate Income Tax by computing the market value of the Preferred Securities as taxable income.

5. Individuals and legal entities with no tax residence in Spain

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

Income obtained by investors who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, redemption or repayment of the Preferred Securities, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation in Spain under the applicable domestic legislation, without prejudice to the provisions contained in any applicable treaty for the avoidance of double taxation (**DTT**).

(a) With permanent establishment in Spain

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

If the Preferred Securities form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Preferred Securities are the same as those previously set out for Corporate Income Tax payers.

(b) With no permanent establishment in Spain

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities, obtained by individuals or entities who have no tax residence in Spain, being Non-Resident Income Tax payers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax except if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991,

of 5 July), in which case such income will be subject to Non-Resident Income Tax in Spain at the rate of 15 per cent. to be withheld by the Issuer.

For these purposes it is necessary to comply with certain disclosure obligations relating to the identity of the holders of Preferred Securities, in the manner detailed under “Disclosure of Holder Information in connection with Payments of Distributions” as laid down in section 12 of Royal Decree 2281/1998, as promulgated by Royal Decree 1778/2004. If these disclosure obligations are not complied with in the manner indicated, the Issuer will apply a withholding tax of 15 per cent. and the Issuer will not, as a result, be under any obligation to pay additional amounts.

5.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

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

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

In any other case, individuals who are not tax resident in Spain will be subject to Wealth Tax at the rates ranging between 0.2 per cent. and 2.5 per cent., to the extent that rights deriving from the Preferred Securities can be exercised in Spanish territory.

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

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

The transfer of the Preferred Securities to individuals who are not tax resident in Spain by inheritance, gift or legacy, shall be subject to Inheritance and Gift Tax, even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT ratified by Spain.

Such individuals will be subject to tax at the applicable marginal rates (ranging between 7.65 per cent. and 81.6 per cent.) in accordance with the applicable regional and state legislation.

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

6. Tax Rules for payments made by the Guarantor

Payments which may be made by the Guarantor to holders of Preferred Securities under the Guarantee will be subject to the same tax rules previously set out for payments made by the Issuer.

7. Tax Havens

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

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

The Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The following is a summary only and is subject to the Clearing Systems' discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Manager, the Paying Agents or the Clearing Systems assume any responsibility therefor.

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

8.1 Legal entities with tax residence in Spain subject to Spanish Corporate Income Tax

In accordance with procedures established in the Paying Agency Agreement, the Principal Paying Agent must receive a list of those holders that are Spanish Corporate Income Tax payers specifying the name, address, Tax Identification Number, ISIN code of the Preferred Securities, number of Preferred Securities held at each Distribution Payment Date, gross income and amount withheld, substantially in the form set out below (see Annex I below).

8.2 Individuals and legal entities with no tax residence in Spain

This section describes the disclosure obligations to be complied with in order to apply the exemption are those laid down in Section 12 of Royal Decree 2281/1998 (**Section 12**), as promulgated by Royal Decree 1778/2004.

In accordance with Section 12.1, the Issuer must file on a yearly basis a return with the Spanish tax authorities specifying the following information with respect to the Preferred Securities:

- (a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Preferred Securities.

In accordance with Section 12.3, for the purpose of preparing the return referred to in Section 12.1, the following supporting documentation drafted in Spanish must be obtained on each payment of income evidencing the identity and tax residence of each holder of Preferred Securities:

- (i) if the non-resident holder of Preferred Securities acts on its own account and is a Central Bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country or in a country with which Spain has entered into a double tax treaty (containing an exchange of information clause) and subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residence in the manner laid down in Annex I of the Order of 16 September 1991 (see Annex II below);
- (ii) in the case of transactions in which any of the entities indicated in the foregoing paragraph (i) acts as an intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex III below);
- (iii) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex III below);
- (iv) in other cases, the tax residence must be evidenced by submission of the tax residence certificate issued by the tax authorities of the State of residence of the holder of Preferred Securities. These certificates will be valid for one year as from the date of issue.

In accordance with Section 12.4, for the purpose of implementing the withholding tax exemption provided for non-resident investors, the following procedure must be followed: on the due date of each Distribution the Issuer must transfer the net amount to the entities referred to in paragraphs (i), (ii) and (iii) above resulting from applying the general withholding tax rate (currently 15 per cent.) to the whole of the Distribution. If the certificates referred to above are received prior to expiry of the Distribution Period, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided.

In the case of both paragraph 8.1 and this paragraph 8.2, in order for a beneficial owner to benefit from the withholding tax exemption, the above documentation should be received by the Principal Paying

Agent in accordance with the procedures established in the Paying Agency Agreement, which may be inspected during normal business hours at the specified office of each Paying Agent.

If the Principal Paying Agent does not receive complete documentation in respect of an eligible holder of Preferred Securities by the Distribution Date, such holder may obtain a quick refund of the full amount of withholding tax by ensuring that the documentation described above is received by the Principal Paying Agent no later than 10.00 a.m. (CET) on the tenth calendar day of the month following the relevant Distribution Date (or if such date is not a Business Day, the Business Day immediately preceding such date) (the **Quick Refund Deadline**). For the avoidance of doubt, no interest will be payable on any such amounts.

Holders of Preferred Securities entitled to a refund but in respect of whom the Principal Paying Agent does not receive relevant documentation on or before a Quick Refund Deadline may apply for a full refund of withholding tax directly with the Spanish tax authorities (by means of the standard refund procedure).

8.3 Format of information to be provided

Set out on the following pages are Annexes I, II and III referred to in paragraphs 8.1 and 8.2 above. Sections in English have been translated from the original Spanish. In the event of any discrepancy, the Spanish version shall prevail.

ANNEX I

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

(a emitir por las entidades citadas en el art. 12.3.a) del Real Decreto 1778/2004)

Certificate for application of the exemption on withholding to Spanish Corporate Income Tax payers and to permanent establishments of Non-resident Income Tax payers

(to be issued by entities mentioned under article 12.3.a) of Royal Decree 1778/2004)

(nombre) (name).....

(domicilio) (address).....

(NIF) (fiscal ID number)

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

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

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registro de

that the institution I represent is recorded in theRegister of

(país estado, ciudad), con el número

(country, state, city), under number

4. Que la Entidad que represento está sometida a la supervisión de (Organo supervisor)

that the institution I represent is supervised by(Supervision body)

en virtud de*(normativa que lo regula)*

under(governing rules).

5. Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.

That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax payers and permanent establishment in Spain of Non-Resident Income Tax payers, and are recipients of the referred income.

6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.

That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en a de de 20

I certify the above in on the of of 20

RELACIÓN ADJUNTA

TO BE ATTACHED

Identificación de los valores:

Identification of the securities

Razon social/Domicilio/Número de identificación fiscal/Número de valores/Rendimientos brutos/Retención al 15%.

Name/Domicile/Fiscal Identification Number/Number of securities/Gross income/Amount withheld at 15 per cent.

ANNEX II

Modelo de Certificación en Inversiones por Cuenta Propia

Form of Certificate for Own Account Investments

(nombre) (name).....

(domicilio) (address).....

(NIF) (fiscal ID number)

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

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

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that its residence for the Entity I represent is:

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registrode

that the institution I represent is recorded in theRegister of

(país estado, ciudad), con el número

(country, state, city), under number

4. Que la Entidad que represento está sometida a la supervisión de(Organo supervisor)

that the institution I represent is supervised by(Supervision body)

en virtud de(normativa que lo regula)

under(governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseídos por cuenta propia

Identification of securities held on own account

Importe de los rendimientos

Amount of income

Lo que certifico enade.....de 20

I certify the above inon theofof 20

ANNEX III

Modelo de Certificación en Inversiones por Cuenta Ajena

Form of Certificate for Third Party Investments

(nombre) (name).....

(domicilio) (address).....

(NIF) (fiscal ID number)

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

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

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registrode

that the institution I represent is recorded in theRegister of

(país estado, ciudad), con el número

(country, state, city), under number

4. Que la Entidad que represento está sometida a la supervisión de (Organo supervisor)

that the institution I represent is supervised by(Supervision body)

en virtud de(normativa que lo regula)

under(governing rules).

5. Que, de acuerdo con los registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o entidades residentes en España o en los países o territorios que tienen en España la consideración de paraíso fiscal de acuerdo con las normas reglamentarias en vigor.

That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the corresponding income amounts are accurate, and does not include person(s) or institution(s) resident either in Spain or, in tax haven countries or territories as defined under Spanish applicable regulations.

Lo que certifico enade.....de 20

I certify the above inon theofof 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores:

Identification of the securities

Listado de titulares:

List of beneficial owners:

Nombre/País de residencia/Importe de los rendimientos

Name/Country of residence/Amount of income

TAXATION IN THE NETHERLANDS

1. Introduction

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Preferred Securities. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Preferred Securities. Each prospective holder of Preferred Securities should consult a professional adviser with respect to the tax consequences of an investment in the Preferred Securities. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.

This summary is based on the Netherlands tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of the Offering Circular, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

This summary does not address the Netherlands tax consequences of an individual holder of Preferred Securities who holds a substantial interest (*aanmerkelijk belang*) in the Issuer, within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, an individual holder of Preferred Securities holds a substantial interest in the Issuer, if such individual holder of Preferred Securities, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer. This summary does not address the Netherlands tax consequences of a corporate holder of Preferred Securities who holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire such interest or (iii) certain profit sharing rights in the Issuer.

For the purpose of the principal Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

2. Netherlands Withholding Tax

No Netherlands withholding tax is due upon payments on the Preferred Securities.

3. Netherlands Corporate Income Tax and Individual Income Tax

If the holder of Preferred Securities is subject to Netherlands corporate income tax and the Preferred Securities are attributable to its (deemed) business assets, income derived from the Preferred Securities and gains realised upon the redemption and disposal of the Preferred Securities are generally taxable in The Netherlands.

If the holder of Preferred Securities is an individual, resident or deemed to be resident of The Netherlands for Netherlands tax purposes (including the individual holder of Preferred Securities who has opted to be taxed as a resident of The Netherlands), the income derived from the Preferred Securities and the gains realised upon the redemption and disposal of the Preferred Securities are taxable at the progressive rates of the Income Tax Act 2001, if:

- (a) the holder of Preferred Securities has an enterprise or an interest in an enterprise, to which enterprise the Preferred Securities are attributable; or
- (b) such income or gains qualify as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) within the meaning of Section 3.4 of the Income Tax Act 2001, which include

the performance of activities with respect to the Preferred Securities that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).

If neither condition (a) nor condition (b) applies to the individual holder of Preferred Securities, the actual income derived from the Preferred Securities and the actual gains realised with respect to the Preferred Securities will not be taxable. Instead, such holder of Preferred Securities will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*) within the meaning of Section 5.1 of the Income Tax Act 2001. This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*) within the meaning of article 5.3 of the Income Tax Act 2001 at the beginning of the calendar year and the individual’s yield basis at the end of the calendar year, insofar the average exceeds a certain threshold. The fair market value of the Preferred Securities will be included in the individual’s yield basis.

4. Netherlands Gift and Inheritance Taxes

Generally, gift and inheritance taxes will be due in The Netherlands in respect of the acquisition of the Preferred Securities by way of a gift by, or on the death of, a holder of Preferred Securities who is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

An individual of The Netherlands nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax, if he or she has been resident in The Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax only if he or she has been residing in The Netherlands at any time during the twelve months preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

Treaties may limit the Dutch sovereignty to levy gift and inheritance tax.

EU SAVINGS TAX DIRECTIVE

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

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited (of 25 Cabot Square, Canary Wharf, London E14 4QA) as lead manager (the **Manager**) has, in a subscription agreement dated the date of this Offering Circular (the **Subscription Agreement**) and made between the Issuer, the Savings Bank and the Manager upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Preferred Securities at an issue price of 100 per cent. the aggregate liquidation preference of the Preferred Securities less a combined management, underwriting and selling commission of 2.00 per cent of such amount. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Manager for certain of its expenses incurred in connection with the management of the issue of the Preferred Securities. The Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Preferred Securities.

United States of America

The Preferred Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Manager will represent in the Subscription Agreement that it has offered and sold the Preferred Securities, and agrees that it will offer and sell the Preferred Securities (a) as part of their distribution at any time and (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its behalf has engaged or will engage in any directed selling efforts with respect to the Preferred Securities, and it has complied and will comply with the offering restrictions requirement of Regulation S. The Manager will agree that, at or prior to confirmation of sale of Preferred Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Preferred Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**), Preferred Securities must be issued and delivered outside the United States and its possessions in connection with their original issue. The Manager will represent that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, Preferred Securities within the United States or its possessions in connection with their original issue. Further, in connection with the original issue of Preferred Securities, the Manager will represent that it has not communicated, and agree that it will not communicate, directly or indirectly, with a prospective purchaser if either the Manager or such purchaser is within the United States or its possessions or otherwise involve the Manager’s U.S. office in the offer or sale of Preferred Securities. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

United Kingdom

The Manager will represent, warrant and undertake in the Subscription Agreement to the Issuer and the Guarantor that:

- (a) *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 Financial Services and Markets Act 2000 (the **FSMA**) received by it in connection with the issue or sale of any Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) *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 the Preferred Securities in, from or otherwise involving the United Kingdom.

Spain

The Manager will represent, warrant and undertake in the Subscription Agreement to the Issuer and the Guarantor that the Preferred Securities may not be offered or sold in Spain by means of a public offer as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Act (as amended by Royal Decree Law 5/2005, of 11 March) and related legislation.

This Offering Circular has not been registered with the CNMV and therefore it is not intended for any public offer of the Preferred Securities to be conducted in Spain.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Preferred Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Preferred Securities to the public in that Relevant Member State:

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

For the purposes of this provision, the expression an “offer of Preferred Securities to the public” in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities, as the same may be varied in that Member State by any measure

implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Manager that would, or is intended to, permit a public offering of the Preferred Securities, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Manager to comply with all applicable securities laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or has in its possession, distribute or publish this Offering Circular or any other offering material relating to the Preferred Securities, in all cases at its own expense.

GENERAL INFORMATION

1. The creation and issue of the Preferred Securities was authorised by a meeting of the board of directors of the Issuer on 13 July 2005 and by a meeting of the shareholders held on 28 June 2005. The giving of the Guarantee of the Preferred Securities was authorised by a meeting of the executive commission (*comisión ejecutiva*) of the board of directors (*Consejo de Administración*) of the Savings Bank held on 28 June 2005.

2. There has been no significant change in the financial or trading position of the Issuer or the Group since, in the case of the Issuer, 31 December 2004 or, in the case of the Group, 31 March 2005. There has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2004.

3. Neither the Issuer, the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

4. For so long as any of the Preferred Securities are outstanding, copies of the following documents will be available during normal business hours at the Specified Office of each Paying Agent:

- (a) this Offering Circular;
- (b) the statutes (*estatutos*) of each of the Issuer and the Guarantor;
- (c) the Public Deed of Issuance;
- (d) the Guarantee;
- (e) the Deposit Agreement,
- (f) the Paying Agency Agreement; and
- (g) the Subscription Agreement.

5. For so long as any of the Preferred Securities are outstanding, copies of the following documents may be obtained free of charge during normal business hours at the specified office of each Paying Agent:

- (a) the audited consolidated financial statements of the Savings Bank for the year ended 31 December 2004;
- (b) the audited consolidated financial statements of the Savings Bank for the year ended 31 December 2003;
- (c) the unaudited interim consolidated financial statements of the Savings Bank for the 3 months ended 31 March 2005;
- (d) the audited unconsolidated financial statements of the Issuer for the year ended 31 December 2004;
- (e) the audited unconsolidated financial statements of the Issuer for the year ended 31 December 2003;
- (f) translations in English of the financial statements of the Savings Bank referred to in (a) to (c) above; and

- (g) translation in English of the financial statements for the Issuer for the year ended 31 December 2004 referred to in (d) above.
6. The Savings Bank publishes quarterly unaudited interim consolidated financial statements.
7. Under Articles 181 and 203 of the Spanish Corporations Law, the Issuer is currently exempt from preparing audited financial statements. However, the Issuer will publish audited financial statements in subsequent financial years. Such annual financial statements will relate to periods ending on 31 December in each year and will be published before 30 June of the following year. The Issuer does not intend to publish interim financial statements.
8. Deloitte, S.L. has audited the Savings Bank's financial statements in accordance with generally accepted accounting principles in Spain (**Spanish GAAP**) for the years ended 31 December 2004 and 2003. Deloitte & Touche (of One Capital Place, P.O. Box 1787GT, Grand Cayman, Cayman Islands) audited the Issuer's financial statements for the year ended 31 December 2003 in accordance with International Financial Reporting Standards (**IFRS**). Deloitte, S.L. has audited the Issuer's financial statements for the year ended 31 December 2004 in accordance with Spanish GAAP. These auditors' reports were unqualified. Deloitte, S.L. is registered in the *Registro Oficial de Auditores de Cuentas* (Official Registry of Auditors).
9. The reports of the auditors of the Issuer and the Guarantor are included or incorporated, in the form and context in which they are included or incorporated, with the consent of Deloitte, S.L. and, as the case may be, Deloitte & Touche. The Issuer and the Guarantor confirm that the reports of the auditors included or incorporated in the Offering Circular have been accurately reproduced and that, as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by the auditors, no facts have been admitted which would render the reproduced information inaccurate or misleading.
10. The Savings Bank prepared its interim and annual financial statements incorporated herein by reference in accordance with Spanish GAAP. In accordance with Regulation (EC) No 1606/2002, the Savings Bank will prepare future interim and annual financial statements in accordance with IFRS. Save as required by the Bank of Spain, the Savings Bank will not restate its previous financial statements in accordance with IFRS.
11. The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0225115566 and the common code is 22511556. The *Fondscode* on Euronext Amsterdam is 15506.
12. Notices to the Holders of Preferred Securities, including notices for meetings of holders of the Preferred Securities and non-payment of distributions or other amounts in relation to the Preferred Securities will be mailed to the holder of record and will be published, for so long as the Preferred Securities are listed on Eurolist by Euronext Amsterdam, in a daily newspaper of general circulation in The Netherlands, which for the time being shall be *Het Financieele Dagblad*, and in the Daily Official List of Euronext Amsterdam (*Officiële Prijscourant*). Any mailed notice shall be deemed to have been given one clear day after the date on which it was posted and any notice published in a newspaper shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.
13. Under article 8.8 of Circular 5/1993, of 26 March, on the determination and control of minimum own funds (*Circular 5/1993, de 26 de marzo, a entidades de crédito, sobre determinación y control de los recursos propios mínimos*) (as amended, **Circular 5/1993**) (a) the Offering Circular must be verified by the Department of Financial Institutions (*Departamento de Instituciones Financieras*) of the Bank of Spain (the **DFI**) for the purposes of qualifying the Preferred Securities as own funds, and (b) the Deposit Agreement must be verified by the DFI in order to ensure that it complies with the conditions established in articles 6 and 7 of Circular 5/1993. The Issuer and the Guarantor have provided the Offering Circular and the Deposit Agreement to the DFI for the purposes of obtaining these verifications in respect of the Preferred Securities but, as at the date hereof, these verifications have not been obtained. The Issuer and the Guarantor have no reason to believe

that these verifications will not be obtained in due course such that all or part of the Preferred Securities qualify as own fund of the Group for the purposes of Circular 5/1993 and, under the Subscription Agreement, are obliged to use their best endeavours to obtain them.

THE ISSUER

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Rambla d' Ègara, 350
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LEGAL ADVISER

*To the Manager as to
Spanish law and English law*

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Madrid 28006
Spain

AUDITORS TO THE ISSUER AND THE GUARANTOR

Deloitte, S.L.
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