

Offering Circular



Bancaja Capital, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

Euro 290,000,000 Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities

irrevocably and unconditionally guaranteed to the extent set forth herein by

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja

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

Issue price: 99.354%

Euro 290,000,000 Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 1,000 liquidation preference each (the "Preferred Securities") are being issued by Bancaja Capital, S.A. Unipersonal (the "Issuer") on 23rd March 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 4.5% per annum from the Closing Date up to and including 23rd March 2015 payable on each 23rd March. The first Distribution is payable on 23rd March 2006. From (and including) 23rd March 2015 Distributions will accrue at a rate of 0.80% per annum above three month EURIBOR payable on each 23rd March, 23rd June, 23rd September and 23rd December. In each case Distributions accrue on the liquidation preference of Euro 1,000 per Preferred Security.

The Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (the "Savings Bank", "Bancaja" or the "Guarantor") and of the Bank of Spain), in whole or in part, on any Distribution Payment Date falling on or after 23rd March 2015, unless they cease to qualify as Tier 1 capital of the Group (as defined below) pursuant to Spanish banking regulations in which case the Issuer (subject to the prior consent of the Savings Bank and of the Bank of Spain), may redeem the Preferred Securities, in whole but not in part, on any Distribution Payment Date, in both cases at the liquidation preference of Euro 1,000 per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption.

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 1,000, 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 Savings Bank on a subordinated basis to the extent described under "The Guarantee". The Savings Bank and its consolidated subsidiaries are referred to herein as the "Group".

The Preferred Securities are expected, upon issue, to be assigned an A3 rating by Moody's Investors Services, Inc. ("Moody's") and an A- rating by Fitch IBCA Limited ("Fitch IBCA"). 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 "Investment Considerations" 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 Guarantor 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 Guarantor 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", together with Euroclear the "Clearing Systems").

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

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 Managers (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.

BNP PARIBAS

JPMorgan

Merrill Lynch International

21st March 2005

The Issuer and the Guarantor 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" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Managers (as defined in "Subscription and Sale") have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them 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 Managers.

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 Managers 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%, in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5th July). The Guarantor 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 Guarantor will receive payments subject to Spanish withholding, currently at the rate of 15%. 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 and Disclosure of Holder Information in connection with Payments of Distributions".)

The Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Guarantor 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 procedures agreed and fully described in the Paying Agency Agreement may be amended to comply with Spanish laws and regulations and operational procedures of the Clearing Systems.

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 Guarantor, the Managers, 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 and 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, J.P. Morgan Securities Ltd. (the “Stabilising Manager”) (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

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Documents Incorporated by Reference

The annual reports of the Guarantor for the years ended 31st December 2002, 2003 and 2004 are incorporated herein by reference.

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

Summary

The following summary has been extracted without material adjustment from, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Circular with which it should be read in conjunction. Spanish law and regulations may differ from laws and regulations in other jurisdictions, and investors should therefore not assume that the Preferred Securities have the same features as preference shares or other similar instruments in any other jurisdiction. Capitalised terms used herein have the meanings given to them in "Conditions of the Preferred Securities".

Issuer:	Bancaja Capital, S.A. Unipersonal
Guarantor:	Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja
Issue size:	Euro 290,000,000.
Issue details:	<p>Euro 290,000,000 fixed/floating Non-Cumulative Perpetual Guaranteed Preferred Securities (<i>participaciones preferentes</i>) (the "Preferred Securities"), each with a liquidation preference of Euro 1,000.</p> <p>The Preferred Securities are governed by the laws of Spain.</p> <p>The Savings Bank has requested that the Preferred Securities qualify as Tier I capital of the Group pursuant to Spanish banking regulations.</p>
Liquidation Preference:	Euro 1,000 per Preferred Security.
Use of Proceeds:	<p>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 the founders' fund (<i>Fondo Fundacional</i>), which is the minimum allowance fund linked to the incorporation capital (the "Founders' Fund") and any participations (<i>Cuotas Participativas</i>) (the "Participations") have been reduced to zero and reserves have been exhausted. For a description of the Participations, see "Savings Banks – Participations (<i>Cuotas Participativas</i>)".</p>
Distributions (<i>retribución</i>):	<p>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.</p> <p>Distributions will accrue at the Distribution rate of 4.5% per annum for the period from the Closing Date up to and including 23rd March 2015 and thereafter at 0.80% per annum above three month EURIBOR. Distributions are payable on each 23rd March up to and including 23rd March 2015 (the first such Distribution payment being 23rd March 2006) and, thereafter, on each 23rd March, 23rd June, 23rd September and 23rd December. See "Conditions of the Preferred Securities - Distributions".</p>
Limitations on Distributions:	Distributions shall not be payable to the extent that:

- (a) the aggregate of such Distributions, any other distributions paid during the then-current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities) issued by the Savings Bank, the Issuer or by any other Relevant Subsidiary would exceed the Distributable Profits (as defined on page [11]) of the immediately preceding Fiscal Year; 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 (x) making payments on its Participations, if any, (except for payments from the Stabilisation Fund) or (y) assigning funds to the Community Project Fund (except pursuant to article 11.5 of Law 13/1985);
 - (ii) in any particular financial year, the Savings Bank makes a profit as shown in its profit and loss account, but the Group incurs a loss or zero result;
 - (iii) the Savings Bank or the Group have a shortfall in their capital for capital adequacy purposes of up to 20% below the minimum capital adequacy legal requirement, the Savings Bank and its Group make a profit and the Bank of Spain authorises the allocation of amounts to the Community Project Fund but not to holders of preferred securities; or
 - (iv) the Savings Bank or the Group has a shortfall in its capital for capital adequacy purposes of more than 20% below the minimum capital adequacy legal requirement.

For a description of the Stabilisation Fund and Community Project Fund, see "Savings Banks".

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 Savings Bank, as the case may be, in respect of the relevant Distribution Period will be extinguished. In such case, (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 Savings Bank's obligations under the Guarantee, as the case may be; and (ii) the Savings Bank 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 Savings Bank, as the case may be, shall have resumed the payment in full of Distributions on any Distribution Payment Date (fixed) or on any four consecutive Distribution Payment Dates (floating).

If, as a result of the limitations described above no Distribution is paid on the Preferred Securities, no

	<p>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.</p>
Guarantee:	<p>The payment of Distributions, Liquidation Distributions (as defined below) 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.</p> <p>For a full description of the Guarantee, see “The Guarantee”.</p>
Ranking of the Guarantee:	<p>The Savings Bank’s obligations under the Guarantee will rank (a) junior to all liabilities of the Savings Bank (including subordinated liabilities); (b) <i>pari passu</i> with any Parity Securities of the Savings Bank and any obligations of the Savings Bank under any guarantee in favour of the holders of any Parity Securities of any Relevant Subsidiary and (c) senior to any Participations of the Savings Bank and, in the case of a liquidation of the Guarantor, to the Community Project Fund of the Savings Bank in respect of the funds remaining after compliance with all the obligations of the Savings Bank.</p>
Ranking of the Preferred Securities:	<p>The Preferred Securities will rank (a) junior to all liabilities of the Issuer including subordinated liabilities, (b) <i>pari passu</i> 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.</p> <p>The Issuer may not issue any securities ranking senior to the Preferred Securities.</p>
Optional Redemption:	<p>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 or in part, at their Redemption Price on any Distribution Payment Date falling on or after 23rd March 2015 unless they cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations, in which case 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.</p>
Liquidation Distribution:	<p>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.</p>
Liquidation Rights:	<p>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.</p> <p>If proceedings for the liquidation, dissolution or winding up of the Savings Bank are commenced or there is a reduction</p>

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 23 March 2015. 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 Global Assembly. See "Conditions of the Preferred Securities - Exercise of Rights by Holders of Preferred Securities".
Withholding Tax:	<p>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 the Kingdom of Spain, subject to customary exceptions.</p> <p>The payment of Distributions and other amounts in respect of the Preferred Securities and payments under the Guarantee will be subject to Spanish withholding taxes, in the circumstances described below. In such circumstances, neither the Issuer nor the Savings Bank will pay any additional amounts to holders of Preferred Securities.</p> <p>Under Spanish law, income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 15%, in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5th July).</p> <p>In addition, holders in respect of whom information regarding their identity and tax residence is not received by the Savings Bank will receive payments subject to Spanish withholding tax currently at the rate of 15%. See "Conditions of the Preferred Securities - Taxation".</p>
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 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 Guarantor, the Managers, the Paying Agents or the Clearing Systems assume any responsibility therefor.

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 Euroclear and Clearstream, Luxembourg.

Accordingly, for so long as the Preferred Securities are so deposited, holders will have no direct rights against the Issuer or the Savings Bank 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 an A3 rating by Moody's and an A- rating by Fitch IBCA.

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 the Luxembourg Stock Exchange.

Investment Considerations

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 Liquidation Preference of Euro 1,000 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. The Issuer is a newly-established limited company with no previous operating history or revenues. 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.

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 above. Furthermore, Distributions will 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 in certain circumstances (including at its option on 23rd March 2015 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 Assemblies 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 Savings Bank under the Guarantee will rank junior as to payments to all liabilities to creditors of the Savings Bank (including without limitation depositors, general creditors and subordinated debt holders). In the event that the Savings Bank is wound-up, liquidated or dissolved, the assets of the Savings Bank would be available to pay obligations under the Guarantee only after all payments have been made on such senior liabilities and claims. The Savings Bank 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 the Luxembourg Stock Exchange, 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 Managers are 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.

Conditions of The Preferred Securities

The Preferred Securities are issued by virtue of (i) the board meeting held on 10th March 2005 and the shareholder's meeting of the Issuer held on 10th March 2005, and (ii) the meeting of the Board of Directors of the Savings Bank (*Consejo de Administración*) held on 22nd July 2004 (together, the "Corporate Resolutions") and in accordance with Law 13/1985, of 25th 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").

In accordance with Decree Law 1/1997, of 23rd July, relating to savings banks of Valencia, (*Decreto legislativo 1/1997 de 23 de julio del Gobierno Valenciano por el que se aprueba el texto refundido de la ley sobre Cajas de Ahorros*) as amended, the Savings Bank has notified the issue of the Preferred Securities to the Valencia regional government ministry of finance (*Instituto Valenciano de Finanzas*).

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

Paragraphs in italics are a summary of certain procedures of Euroclear and Clearstream, Luxembourg and certain other information applicable to the Preferred Securities and do not form part of the Conditions of the Preferred Securities. Euroclear and Clearstream, Luxembourg may, from time to time, change their procedures.

1. Definitions

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

"Agent Bank" means JPMorgan Chase Bank, N.A. and includes any successor agent bank appointed in accordance with the Paying Agency Agreement;

"Closing Date" means 23rd March 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 lower of the reported net profit (calculated in accordance with regulations of the Bank of Spain) including any cash distributions made to holders of any Participations or shares (as the case may be) of the Savings Bank or any Group company in such Fiscal Year of (i) the Group and (ii) the Savings Bank (*excedente neto o excedente de libre disposición*), determined in each case after tax and extraordinary items for such year, as derived from the consolidated audited profit and loss account of the Group or the audited profit and loss account of the Savings Bank, as the case may be, prepared in accordance with generally applicable accounting standards in Spain, 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 of the Issuer;

"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, 6th November, and Rule 2º of Bank of Spain Circular 5/1993 regarding capital adequacy requirements;

"Guarantee" means the guarantee dated 21st March 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 1,000 per Preferred Security;

"Offering Circular" means the offering circular dated 21st March 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 (including but not limited to, preference shares issued by Bancaja Eurocapital Finance), 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 21st March 2005 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 11 (Changes in Paying Agents) of the Paying Agency Agreement;

"Preferred Securities" means the preferred securities described in the Offering Circular;

"Principal Paying Agent" means JPMorgan Chase Bank, 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% of its share capital or voting rights;

"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) 23rd March 2015 at the rate of 4.5 per cent. per annum (the "Distribution Rate (Fixed)") payable in arrear on 23rd March in each year (each, a "Distribution Payment Date (Fixed)").

The amount of Distribution payable on each Distribution Payment Date (Fixed) shall be Euro 45 in respect of each Preferred Security of Euro 1,000 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 relevant 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, divided by the number of days in the Regular Period in which the relevant period falls; and

“Regular Period” means each period from (and including) the Closing Date or any Distribution Payment Date (Fixed) to (but excluding) the next Distribution Payment Date (Fixed).

2.2 *Floating Rate Period*: Subject to paragraph 2.8, the Preferred Securities bear Distributions from (and including) 23rd March 2015, payable on each 23rd March, 23rd June, 23rd September and 23rd December in each year (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 (as defined below), it will be postponed to the next TARGET Settlement Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding TARGET Settlement Day. Each period beginning on (and including) 23rd March 2015 or any Distribution Payment Date (Floating) and ending on (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:

(i) the Agent Bank will determine the rate for deposits in Euro for a period equal to the relevant Distribution Period (Floating) which appears on the display page designated 248 on the Moneyline Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m., (Brussels time), on the second TARGET Settlement Day before the first day of the relevant Distribution Period (Floating) (the “Distribution Determination Date”);

(ii) if such rate does not appear on that page, the Agent Bank will:

(A) 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 Agent Bank) to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11:00 a.m. (Brussels time) on the Distribution Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Distribution Period (Floating) and in an amount that is representative for a single transaction in that market at that time; and

(B) 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) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations;

(iii) if fewer than three such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone selected by the Agent Bank in its sole discretion acting in good faith and in a commercial and reasonable manner, at approximately 11:00 a.m. (Brussels time) on the first day of the relevant Distribution Period (Floating) for loans in Euro to leading European banks for a period equal to the relevant Distribution Period (Floating) and in an amount that is representative for a single transaction in that market at that time,

and the Distribution Rate (Floating) for such Distribution Period (Floating) shall be the sum of 0.80 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Distribution Period (Floating), the Distribution Rate (Floating) applicable to the Preferred Securities during such

Distribution Period (Floating) will be the sum of 0.80 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Preferred Securities in respect of a preceding Distribution Period (Floating);

(iv) in making any of the determinations and selections above, 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 Period (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 actual number of days in such Distribution Period (Floating) divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

2.5 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 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 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 nonexercise by it of its powers, duties and discretions for such purposes.

2.7 Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in Euro 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 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 as referred to above, on which the TARGET System is open.

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 depositary 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 Distributions shall not be payable to the extent that:

2.8.1 the aggregate of such Distributions, any other distributions paid during the then-current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities issued by the Savings Bank, the Issuer or by any other Relevant Subsidiary (including the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or

2.8.2 even if Distributable Profits are sufficient,

- (a) 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 11.5 of Law 13/1985);
- (b) in any particular financial year, the Savings Bank makes a profit as shown in its profit and loss account, but the Group incurs a loss or zero result;
- (c) the Savings Bank or the Group have a shortfall in their capital for capital adequacy purposes of up to 20% below the minimum capital adequacy legal requirement, the Savings Bank and its Group make a profit and the Bank of Spain authorises the allocation of amounts to the Community Project Fund but not to holders of preferred securities; or
- (d) the Savings Bank or the Group have a shortfall in their capital for capital adequacy purposes of more than 20% below the minimum capital adequacy legal requirement.

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.

2.9 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 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 set out 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 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 of the Savings Bank and its Relevant Subsidiaries 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 of the Savings Bank and its Relevant Subsidiaries, 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 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 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 (Fixed) or on any four consecutive Distribution Payment Dates (Floating).

2.13 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 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, 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 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 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 Notwithstanding the availability of sufficient assets of the Issuer to pay a full liquidating distribution in respect of the Preferred Securities or any Parity Securities of the Issuer, if at the time such liquidating 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 increase of the Founders' Fund or a simultaneous issue of Participations, the aggregate of liquidating distributions in respect of the Preferred Securities, of all Parity Securities of the Savings Bank and any Relevant Subsidiary, shall not exceed the aggregate of liquidating 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 the liquidation of the Savings Bank, to the Community Project Fund of the Savings Bank 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 liquidating distributions by payment to the bearer of the relevant Preferred Securities.

3.4 If liquidating distributions amounts are limited as described in paragraph 3.3, such distributions will be payable *pro rata* among holders of 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 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.

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

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 Subject to paragraph 4.2 below, the Preferred Securities shall not be redeemable prior to 23rd March 2015. All, or some only, 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 23rd March 2015, 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 or in part as the case may be).

In the case of a partial redemption of the Preferred Securities, redemption will be effected on a *pro rata* basis in relation to each holder's holding of Preferred Securities (including those held through Euroclear and Clearstream, Luxembourg) in the proportion that the total number of Preferred Securities to be redeemed shall bear to the total number of Preferred Securities outstanding prior to such redemption (no account being taken of any fraction of a Preferred Security).

4.2 If the Preferred Securities cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Savings Bank and of the Bank of Spain, on any Distribution Payment Date, 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).

4.3 If the Issuer gives a notice of redemption in respect of Preferred Securities, pursuant to paragraphs 4.1 or 4.2 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 laws 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. Purchases of Preferred Securities

Neither the Issuer, the Savings Bank nor any subsidiary may purchase Preferred Securities, before 23rd March 2015. 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 may at any time purchase outstanding Preferred Securities by tender, in the open market or by private agreement. Any Preferred Securities so purchased by the Issuer shall be cancelled immediately.

6. Exercise of Rights by Holders of Preferred Securities

6.1 The General Assembly

6.1.1 The General Assembly, which will be formed by all holders of preferred securities of the Issuer, will be called by the directors of the Issuer.

6.1.2 The directors of the Issuer will call the General Assembly, at its own discretion or at the request of the holders of preferred securities representing at least one twentieth of the aggregate liquidation preference of the preferred securities outstanding, in any of the circumstances set out below:

- (a) failure to pay Distributions on any Distribution Payment Date (Fixed) or on four consecutive Distribution Payment Dates (Floating);
- (b) liquidation, dissolution or winding-up 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 the reduction of 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;
- (c) further issuance of preferred securities, when the Issuer has not paid the most recent distribution due under its outstanding preferred securities; or

(d) in order to propose any amendment to the terms and conditions of the Preferred Securities.

6.1.3 The General Assembly will be convened in accordance with the rules governing the calling and holding of meetings of each series of preferred securities.

The Issuer shall give notice to the holders of Preferred Securities in accordance with paragraph 8 of any convening of a General Assembly.

6.1.4 In the General Assembly all resolutions shall be made by an absolute majority of the liquidation preference of the preferred securities present or represented, and will be binding on all of the holders of such preferred securities, including those not in attendance and dissenters.

The quorum of any General Assembly shall be the holders of preferred securities holding two-thirds of the liquidation preference of all preferred securities issued and outstanding. If the attendance of two-thirds of the holders of preferred securities issued and outstanding cannot be obtained, the General Assembly may be re-convened one day after the first meeting and the resolutions at such reconvened meeting may be adopted by absolute majority of the liquidation preference of the attendees. These resolutions shall be binding on all holders of preferred securities, in the same manner as referred to above.

6.2 Voting Rights

6.2.1 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 6.2.2, 6.2.3 or 6.2.4 below, have the right to participate in the adoption by the Issuer 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.

6.2.2 Failure to pay Distribution

(a) If neither the Issuer nor the Savings Bank pays full Distributions on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating), 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) Immediately following a resolution for the appointment or the removal of additional members to the board of directors, the person appointed for such purposes by the General Assembly shall give notice of such appointment or removal to:

(i) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and

(ii) the shareholder(s) of the Issuer, so that they may hold a universal meeting of shareholders.

The shareholder of the Issuer has undertaken to vote in favour of the appointment or removal of the directors so named by the General Assembly and to take all necessary measures to approve such appointment or removal.

(c) The foregoing shall apply in relation to the Preferred Securities so long as the Issuer has failed to pay Distributions and the Savings Bank has not discharged such payment obligations pursuant to the Guarantee.

(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 makes Distributions on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating).

(e) Notice of the appointment and the dismissal of directors shall be given on behalf of the Issuer in accordance with paragraph 8 below.

6.2.3 Liquidation, Dissolution or winding-up of the Issuer

- (a) With respect to the carrying out by the board of directors of the Issuer or the Savings Bank of any act providing for the liquidation, dissolution or winding-up of the Issuer, the intention to adopt such acts will be notified immediately to all holders of preferred securities in accordance with paragraph 8 below, 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 the reduction of 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.
- (b) Once the notice referred to in paragraph (a) above has been received, the General Assembly shall be called in accordance with the rules explained above. The agenda of the General Assembly shall contain a resolution to vote for or against the dissolution and winding-up of the Issuer.
- (c) The person appointed for such purposes by the General Assembly shall give notice of the result of the aforementioned vote to the shareholder of the Issuer.
- (d) The board of directors of the Issuer is not permitted to call a general meeting of shareholders, nor may the shareholder of the Issuer hold a universal meeting of shareholders, until the General Assembly has resolved to vote for or against the dissolution or winding-up of the Issuer.
- (e) The shareholder of the Issuer has undertaken to vote, in the corresponding general meeting of shareholders, in conformity with the result of the vote of the General Assembly.

6.2.4 Further issuance of preferred securities

The issuance of further Preferred Securities or of other preferred securities by the Issuer will not require the approval of the General Assembly unless the Issuer or the Guarantor, as the case may be, has not paid the most recent distribution due under its outstanding preferred securities.

The person appointed for such purposes by the General Assembly shall give notice of the decision so adopted to the shareholder of the Issuer. The shareholder of the Issuer has undertaken to vote in the corresponding general meeting of shareholders in conformity with the result of the vote of the General Assembly.

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. Such amendments will be approved either in writing by an absolute majority of at least two-thirds of the outstanding Preferred Securities or by a resolution of the holders of the Preferred Securities adopted in the General Assembly.

Such resolution shall be made by an absolute majority of the Preferred Securities present or represented with an attendance of two-thirds of the outstanding preferred Securities, and will be binding on all the holders of the Preferred Securities issued and outstanding.

If two thirds of the Preferred Securities in circulation are not represented by those attending, the holders of Preferred Securities may re-convene one day after the first meeting and the resolution may then be taken by an absolute majority of those in attendance. The resolution shall be binding on holders of the Preferred Securities as described above.

6.4 Pre-emptive Rights and other provisions

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

6.4.2 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.

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

6.4.4 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 All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Guarantor (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 The Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as would have been received had no such withholding or deduction been required.

7.2 Neither the Issuer nor the Guarantor 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:

- (i) 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 The Kingdom of Spain other than the mere holding of Preferred Securities; or
- (ii) 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 it requires in order to comply with Law 19/2003 of 4th July, Royal Decree 1778/2004 of 30th July, Royal Legislative Decree 4/2004 of 5th March and Order of 22nd December 1999; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iv) 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 26th- 27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a 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
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain or a resident of a tax haven (as defined in Royal Decree 1080/1991 of 5th July); or
- (vii) 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 (*Dirección General de Tributos*) dated 27th July 2004 and require a withholding to be made.

A list of the tax havens referred to in paragraph 7.2(vi) 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 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 which 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 relating 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 (i) so long as any Preferred Security is listed on the Luxembourg Stock Exchange, by publication in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe, 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 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.

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 depositary for Euroclear and Clearstream, Luxembourg. 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 (such as the closure of Euroclear and Clearstream, Luxembourg, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from Euroclear and Clearstream, Luxembourg and failure to comply with the terms and conditions of the Preferred Securities by either the Issuer or the Savings Bank) 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.

10. Use of Proceeds

The net proceeds of the Preferred Securities are Euro 286,956,600 and in accordance with Law 13/1985, will 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 there is a reduction in the Founders' Fund and Participations to zero and 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 or 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 Luxembourg Stock Exchange and the rules of such Exchange so require, the Issuer and the Savings Bank shall maintain a Paying Agent having its specified office in Luxembourg.

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

13.1 Governing Law

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

13.2 Jurisdiction

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.

The Guarantee

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

THIS GUARANTEE (the "Guarantee"), dated 21st March 2005, is executed and delivered by Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja incorporated under the laws of the Kingdom of Spain (the "Savings Bank" or the "Guarantor") for the benefit of the Holders (as defined below).

WHEREAS, the Savings Bank wishes to procure the issue by Bancaja Capital, S.A., Unipersonal a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the "Issuer") of Euro 290,000,000 Fixed/Floating Non-Cumulative Perpetual Guaranteed Preferred Securities (the "Preferred Securities") and the Savings Bank wishes to issue this Guarantee for the benefit of the Holders.

NOW, THEREFORE the Savings Bank 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, Holder shall not include the Savings Bank or any subsidiary (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); and

"Offering Circular" means the offering circular dated 21st March 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.

1.4 Clauses

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

1.5 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 Savings Bank irrevocably and unconditionally agrees to pay in full to the Holders, 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 defense, 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 Savings Bank 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:

2.2.1 the aggregate of such Distributions, any other distributions paid during the then-current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities issued by the Savings Bank, the Issuer or by any other Relevant Subsidiary (including the Preferred Securities) would exceed the Distributable Profits of the immediately preceding Fiscal Year; or

2.2.2 even if Distributable Profits are sufficient,

(a) under applicable Spanish banking regulations on capital adequacy requirements, the Savings Bank would be prevented at such time from (i) making payments on its Participations, if any (except for payments made from the Stabilisation Fund) or (ii) assigning funds to the Community Project Fund (except pursuant to Law 13/1985);

(b) in any particular financial year, the Savings Bank makes a profit as shown in its individual profit and loss account, but the Group incurs a loss or zero result;

(c) the Savings Bank or the Group have a shortfall in their capital for capital adequacy purposes of up to 20% below the minimum capital adequacy legal requirement, the Savings Bank and its Group make a profit and the Bank of Spain authorises the allocation of amounts to the Community Project Fund but not to holders of preferred securities; or

(d) the Savings Bank or the Group have a shortfall in their capital for capital adequacy purposes of more than 20% below the minimum capital adequacy legal requirement.

2.3 Limitations to the Guarantee Payments in relation to the Liquidation Distributions

Notwithstanding Clause 2.1, if, at the time that any liquidating 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 liquidating distributions in respect of the Preferred Securities, of all Parity Securities issued by the Guarantor and of any Relevant Subsidiary shall not exceed the aggregate of liquidating 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 Participations of the Savings Bank as well as, only in the case of the liquidation of the Savings Bank, the Community Project Fund of the Savings Bank and in respect of the funds remaining after compliance with all the obligations of the Savings Bank.

References to the liquidating distribution in respect of Preferred Securities shall mean the Liquidation Distribution.

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 Savings Bank'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 Savings Bank agrees that subject to applicable laws, the Savings Bank's obligations hereunder constitute unsecured obligations of the Savings Bank and rank and will at all times rank (a) junior to all liabilities of the Savings Bank (including subordinated liabilities); (b) *pari passu* with any Parity Securities of the Savings Bank and any obligations of the Savings Bank under any guarantee in favour of holders of any Parity Securities of any Relevant Subsidiary; and (c) senior to any Participations of the Savings Bank and in the case of a liquidation of the Guarantor, the Community Project Fund of the Savings Bank in respect of the funds remaining after compliance with all the obligations of the Savings Bank.

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:

3.2.1 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

3.2.2 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

3.2.3 any breach, omission or delay by any Holder in exercising its rights under the Preferred Securities; or

3.2.4 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

3.2.5 any defect in or invalidity of the Preferred Securities; or

3.2.6 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 Savings Bank 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 Savings Bank under this Guarantee. The Savings Bank 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 Savings Bank in breach of the preceding sentence, the Savings Bank shall pay such amount to the Holders.

3.4 *Deposit of the Guarantee*

This Guarantee shall be deposited with and held by JPMorgan Chase Bank N.A. as Principal Paying Agent until all the obligations of the Savings Bank hereunder have been discharged in full. The Savings Bank 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 Savings Bank, and the Savings Bank 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 Savings Bank. 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 Savings Bank 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 Savings Bank under this Guarantee.

4. Other obligations of the Guarantor under the Guarantee

4.1 *No further issues*

The Savings Bank 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 Savings Bank pursuant to the Guarantee on such Distribution Payment Date.

4.2 *Non-Payments*

The Savings Bank 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 Clause 2.2 and 2.3 or otherwise, no distributions will be declared or paid or set aside for payment, and no distribution may be made upon the Participations (except for distributions to holders of Participations against the Stabilisation Fund or in the form of other securities of the Savings Bank ranking junior to the obligations of the Savings Bank under this Guarantee) or any securities of the Savings Bank ranking junior to this Guarantee, nor will any Participations of the Savings Bank or any other securities of the Savings Bank ranking *pari passu* with or junior to the obligations of the Savings Bank 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 Participations of the Savings Bank or securities) by

the Savings Bank (except by conversion into or in exchange for Participations or securities of the Savings Bank ranking junior to this Guarantee), until such time as the Issuer or the Savings Bank pursuant to this Guarantee shall have made payment in full of Distributions on any Distribution Payment Date (fixed) or on any four consecutive Distribution Payment Dates (floating) in respect of all Preferred Securities then outstanding.

4.3 Ownership

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

4.4 Voting

The Savings Bank 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:

4.4.1 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;

4.4.2 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

4.4.3 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 Savings Bank and shall inure to the benefit of the Holders, each of whom shall be entitled severally to enforce this Guarantee against the Savings Bank. The Savings Bank shall not transfer its obligations hereunder without the prior approval of the Holders, provided, however, that the foregoing shall not preclude the Savings Bank 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

Savings Bank shall, in relation to any such merger, consolidation or transfer, publish a supplement to the Offering Circular.

The Savings Bank shall notify (i) any request for approval from the Holders and (ii) 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 Savings Bank with the prior approval of the Holders in accordance with paragraph 6.3 of the Conditions of the Preferred Securities.

6.4 *Notices*

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

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja
Pintor Sorolla, 8
46002 Valencia, Spain
Facsimile: +34 96 387 57 92
Attention: Treasury and Capital Markets Division – Financiación Estructural

The address of the Savings Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Savings Bank to JPMorgan Chase Bank as Principal Paying Agent.

6.4.2 Any notice, request or other communication required to be given by the Savings Bank under this Guarantee will be given by it (i) so long as any Preferred Security is listed on the Luxembourg Stock Exchange, by publication in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe, 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 Savings Bank 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 Savings Bank 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 Savings Bank 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 Savings Bank 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 Savings Bank 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 Savings Bank.

CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

By:

Bancaja Capital, S.A. Unipersonal

Bancaja Capital, S.A., Unipersonal

The Issuer was incorporated on 3rd August 2004 for an indefinite period of time as a limited liability company (*sociedad anónima*) under the laws of the Kingdom of Spain, with its registered office at calle Caballeros 2, 12001 Castellón. The Issuer is registered in Volume 1224, Book 787, Folio 149, Sheet CS-22394, Registration 1 of the Spanish Mercantile Registry (*Registro Mercantil*). The Issuer has no subsidiaries.

The Issuer has not conducted any operations or issued any debt obligations in any form to date. The authorised share capital of the Issuer is Euro 60,500 divided into 605 ordinary shares, each with a par value of Euro 100. The subscribed and fully paid up share capital is Euro 60,500.

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 3 of the Issuer's by-laws (*estatutos*).

The directors of the Issuer are Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja represented by Miguel Angel Soria Navarro, Bageva Inversiones, S.A. represented by Benito Castillo Navarro and Grupo Bancaja Centro de Estudios, S.A. represented by José Contreras Aparicio. Outside the Issuer, Miguel Angel Soria Navarro, Benito Castillo Navarro and José Contreras Aparicio work principally as executives of Bancaja.

The business address of Miguel Angel Soria Navarro, Benito Castillo Navarro and José Contreras Aparicio is Pintor Sorolla 8, 46002 Valencia.

Auditors

Under Articles 181 and 203 of the Ley de Sociedades Anónimas (Spanish Corporations Law) the Issuer is currently exempt from preparing audited financial statements. The Issuer intends to publish audited annual financial statements. Such annual financial statements will relate to periods ending on 31st December in each year and will be published before 30th June of the following year. The first such financial statements will be published in relation to the year ending 31st December 2005. The Issuer does not intend to publish interim financial statements.

Capitalisation of the Issuer

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at the date hereof, adjusted to give effect to the issue of the Preferred Securities and the application of the proceeds as described under "Conditions of the Preferred Securities – Use of Proceeds".

	(in thousands of Euro)
Short-term liabilities	—
Long-term liabilities	
Preferred Securities	290,000
Stockholders' equity	
Share capital ⁽¹⁾	60.5
Reserves	—
Retained earnings	—
Total stockholders' equity	60.5
Total capitalisation	290,060.5

Notes:

- (1) The share capital is subscribed as follows:
Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja 605 ordinary shares

Capitalisation and Indebtedness of Bancaja

The following table sets out the capitalisation and indebtedness of Bancaja, based on audited consolidated accounts for the year ended 31st December 2004 prepared in accordance with generally accepted accounting principles in Spain.

	31st December 2004
Amounts in € 000	
Long Term Debt	6,596,910
Senior Debt	5,315,575
Subordinated debt.....	1,281,335
Minority Interest ¹	933,064
Preferred stock	600,000
Shareholders' equity	1,629,729
Authorised and issued share capital.....	0
Reserves	1,367,491
Consolidated profit attributable to the group	262,238
Dividends for the year	0
Total capitalisation and indebtedness ^{2,3}	9,159,703

- (1) The issues of the preferred shares Series A and B amounting to EUR 600 million launched by Bancaja Eurocapital Finance, a wholly-owned subsidiary of Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja. The issues are guaranteed by the parent company on a subordinated basis and are not secured. These are a perpetuals issues; however, the Issuers may unilaterally opt to redeem the related shares early, after obtaining approval from the Bank of Spain.
- (2) As of 31st December 2004, the Group had contingent liabilities of € 3,773,252,000
- (3) Save as disclosed above, there has been no material change in the consolidated capitalisation, indebtedness, contingent liabilities or guarantees of the Group since 31st December 2004.

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja

Introduction

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

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

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

As at 31st December 2004, Bancaja was Spain's third largest savings bank and the parent entity of the seventh largest banking group by total assets.

As at 31st December 2004, Bancaja and its consolidated subsidiaries (the "Group") had 1,300 branches mainly located on the east Mediterranean coast of Spain, 6,789 employees dedicated to banking activities and over two million customers.

Bancaja's consolidated equity as at 31st December 2004 amounted to €3,991.4 million, in compliance with Bank of Spain regulations. The Group's total capital to weighted-risk ratio, calculated in accordance with Bank of Spain capital adequacy criteria, as at 31st December 2004 was 11.59%.

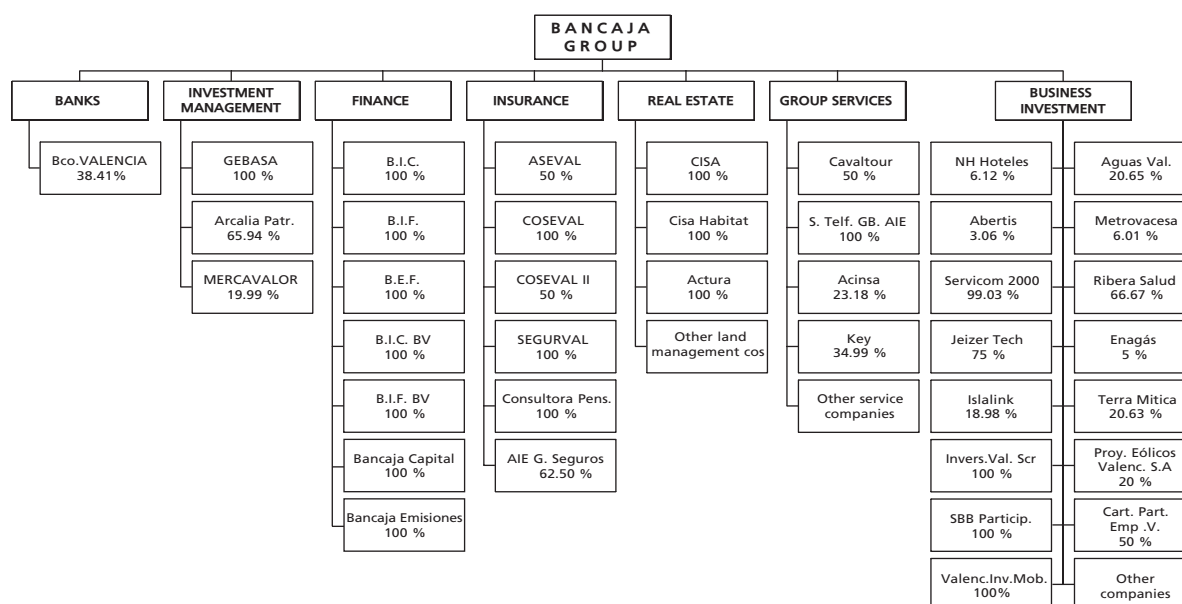
The above financial information has been extracted from Bancaja's audited financial statements as at and for the year ended 31st December 2004.

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

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

Group Structure

The following is an organisational chart of the Group as of 31st December 2004 including the name of each member of the Group and the percentage shareholding of Bancaja in each company:



Note: The percentage shareholding shown above correspond to Bancaja's controlling interest (being the sum of Bancaja's direct holdings and indirect holdings through other companies).

Consolidated Subsidiaries

The following table sets out the name of each consolidated subsidiary of the Savings Bank, such subsidiary's line of business and location, the name of its auditors, the direct or indirect interest in the shares of the relevant Subsidiary owned by the Savings Bank and the percentage change in such shareholding between 31st December 2003 and 31st December 2004:

Subsidiary	Line of business /Location	Auditor	2004	2003
			% of Ownership	% of Ownership
Banco de Valencia, S.A.	Banking / Valencia	Deloitte	38.41	38.39
Valenciana de Inversiones Mobiliarias, S.L.	Brokerage / Valencia	Not audited	100.00	100.00
Gestora Bancaja, S.G.I.I.C., S.A.	Investment management. / Valencia	Ernst & Young	100.00	100.00
Cartera de Inmuebles, S.L.	Real estate / Valencia	Ernst & Young	100.00	100.00
Grupo Bancaja Centro de Estudios, S.A.	Brokerage / Valencia	Not audited	100.00	100.00
Servicio Telefónico G.B. A.I.E.	Telephone banking services / Valencia	Not audited	95.77	95.77
Bancaja International Capital, Ltd.	Brokerage / G. Cayman	Ernst & Young	100.00	100.00
Bancaja International Finance, Ltd.	Brokerage / G. Cayman	Ernst & Young	100.00	100.00
Bancaja Eurocapital Finance, Ltd.	Brokerage / G. Cayman	Ernst & Young	100.00	100.00
SBB Participaciones, S.L.	Brokerage / Castellón	KPMG	100.00	100.00
Bageva Inversiones, S.A.	Brokerage / Valencia	Not audited	100.00	100.00
Inversiones Valencia Capital Riesgo, S.C.R.	Venture capital company/ Valencia	Deloitte	38.39	38.39
Arcalia Patrimonios, A.V., S.A.	Brokers / Madrid	Ernst & Young	56.92	56.92
Arcalia Inversiones, S.G.I.I.C., S.A.	Investment management / Madrid	Ernst & Young	56.92	56.92
Arcalia Valores, A.V., S.A.	Brokers / Madrid	Ernst & Young	56.92	56.92
Arcalia Pensiones, E.G.F.P., S.A.	Pension fund management. / Madrid	Ernst & Young	56.92	56.92
Bancaja International Capital B.V.	Brokerage / Holland	Not audited	100.00	100.00
Bancaja International Finance B.V.	Brokerage / Holland	Not audited	100.00	100.00
Inmobiliaria Muntaner 262, S.A.	Real estate / Barcelona	Not audited	100.00	-
Lastras Gestión SICAV, S.A.	Security investment firm / Madrid	Deloitte	99.99	-
Inversiones Valix 6 SICAV, S.A.	Security investment firm / Valencia	BDO Audiberia	50.00	-
Real Equity, S.L.	Real estate / Valencia	Not audited	38.39	-
Bancaja Capital, S.A.	Brokerage / Castellón	Not audited	100.00	-
Bancaja Emisiones, S.A.	Brokerage / Castellón	Ernst & Young	100.00	-
Cartera de Participaciones Empresariales CV, S.L. (*)	Portfolio management / Valencia	KPMG	50.00	50.00
Sitreba, S.L. (*)	Portfolio managment / Málaga	PWC	27.33	27.33

(*) Multigroup company consolidated using the proportional consolidation method.

Business

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

The Group's non-banking subsidiaries provide specialised services in life insurance (ASEVAL), other insurances (COSEVAL and SEGURVAL), investment fund management (GEBASA, ARCALIA), travel (CAVALTOUR) and real estate services (CISA).

Performance of the Group in 2004

The Group's businesses were conducted in the context of high economic growth in Spain, as in previous years. The GDP growth rate was 2.7%, compared with 2.5% in 2003 and the European Union average of 1.7%. The inflation rate was 3.2%, reflecting an increase of 0.6 percentage points over the previous year, higher than the European Union average of 2.4%. Unlike previous years, where interest rates continuously decreased, rates remained stable at 2% in 2004, as opposed to successive rate increases in the U.S. throughout 2004, from 1% to 2.25%. Equity markets reflected a global positive performance, and Spain outperformed the European markets, with a 17.4% increase in 2004.

In this scenario, the financial sector generally followed a similar performance to previous years, in a markedly competitive environment. Credit investment continued to increase significantly whilst non-performing loans, already low at the beginning of the year, continued to decrease. Furthermore, external financing improved, despite low interest rates. As a result, the Group focused its growth policy on its branch office network, in order to increase its presence in Spain's largest markets outside the Autonomous Community of Valencia, and on its client portfolio and business turnover.

The following is a summary of certain financial information relating to the Group for the financial year 2004:

- an increase in gross loans and in funds managed, by 24.38% and 23.55% respectively. Taking into account securitisations carried out during the financial year, the true growth in gross loans was 28.83%.
- Reduction in non-performing loans 0.54%, and the coverage of insolvency, which reached 434.08%.
- Growth in the operating margin of 18.20%, based on an increase in the ordinary margin of 10.11%. The pre-tax profit was €422.6 million, with an increase of 9.39% compared to the previous financial year. The post-tax profit was €326.1 million, an increase of 13.42% in comparison to 2003. The post-tax profits attributed to the Group amounted to €262.2 million, an annual increase of 18.54%.
- The net equity of the Group at 31st December 2004 amounted to €3,991.4 million, an increase of 30.72% when compared with 31st December 2003. On 31 December 2004, net equity exceeded the minimum required pursuant to prevailing regulations by €1,235.1 million.

Key financial figures

The following key financial figures for the Group have been extracted from the Group's audited consolidated figures for the financial year ended 31st December 2004.

		Variation	
	31/12/2004	2004/2003	%
Business			
Total Balance-Sheet Assets	43,377,786	7,982,716	22.55
Turnover	72,020,601	13,904,787	23.93
Loans and credits	32,632,332	6,396,334	24.38
Customer funds under management	39,388,269	7,508,083	23.55
Balance-sheet funds	30,673,425	6,404,823	26.39
Off-balance-sheet transactions ⁽¹⁾	8,714,844	1,103,260	14.49
Results			
Net interest income	911,761	65,064	7.68
Ordinary margin	1,211,826	111,297	10.11
Operating margin	637,737	98,207	18.20
Book results before taxes	422,552	36,272	9.39
Profit after taxes	326,077	38,586	13.42
Equity			
Equity suitable for meeting equity requirements	3,991,380	938,008	30.72
Surplus equity after minimum equity requirements	1,235,130	372,068	43.11
		Variation	
	31/12/2004	2004/2003	%
Sources			
Employees dedicated to ordinary activities ⁽²⁾	6,789	249	3.81
Branches.....	1,300	126	10.65
ATMs	1,607	77	5.03

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

(2) Including Bancaja and Banco de Valencia

Geographical distribution of branches as of 31st December 2004

	Bancaja	Banco de Valencia	Total
Autonomous Community of Valencia	607	247	854
Alicante	93	60	153
Castellón	116	32	148
Valencia	398	155	553
Murcia	11	65	76
Cataluña	75	9	84
Barcelona	58	7	66
Lleida	3	–	3
Girona	5	1	6
Tarragona	9	1	9
Madrid	80	14	94
Castilla la Mancha	26	–	26
Albacete	18	–	18
Ciudad Real	2	–	2
Cuenca	1	–	1
Guadalajara	2	–	2
Toledo	3	–	3
Castilla León	9	–	9
Burgos	2	–	2
León	2	–	2
Palencia	1	–	1
Salamanca	1	–	1
Valladolid	2	–	2
Zamora	1	–	1
Andalucía	41	17	58
Almería	5	17	22
Cádiz	5	–	5
Córdoba	1	–	1
Granada	3	–	3
Huelva	2	–	2
Jaén	1	–	1
Málaga	15	–	15
Sevilla	9	–	9
Extremadura	3	–	3
Badajoz	2	–	2
Cáceres	1	–	1
Islas Baleares	39	1	40
Aragón	7	6	13
Huesca	1	1	2
Zaragoza	6	5	11
Asturias	2	–	2
La Rioja	1	1	2
Canarias	21	–	21
Las Palmas de Gran Canaria	13	–	13
Santa Cruz de Tenerife	8	–	8
País Vasco	4	–	4
Álava	1	–	1
Guipúzcoa	1	–	1
Vizcaya	2	–	2
Navarra	1	2	3
Galicia	10	–	10
A Coruña	5	–	5
Lugo	2	–	2
Ourense	1	–	1
Pontevedra	2	–	2
USA	1	–	1
Miami	1	–	1
Total	938	362	1,300

Group Service Points by type as of 31st December 2004

	Bancaja	Banco de Valencia	Total
Commercial Banking			
Branches	758	361	1,119
Other offices	106	–	106
Corporate Banking.....	41	1	42
Real Estate Developers	5	–	5
Individual Banking	25	–	25
Specialised Customer Service modules and branches	3	3	6
Other Centres	–	3	3
Monte de Piedad	1	–	1
Exhibition and Auction Rooms (Bancarte).....	1	–	1
Telephone Banking:			
Telephone Authorisation Centres	1	–	1
Telephone Services.....	1	1	2
Ticket Sales Service	1	–	1
ATMs	1,262	345	1,607
Tele-Purchase Customer Service Points.....	18,020	8,136	26,156
Automatic Passbook Update Points	192	–	192

Commercial banking network

ATMs

Bancaja ended 2004 with a total of 1,262 ATMs and over 53 million transactions, 5.8% increase over 2003.

Credit cards

Bancaja has issued over 1,784,000 credit cards, cards in issue increased by 14.1% with respect to 2003.

Total credit card purchases amounted to over €1,546 million in 2004 (an increase of 19.8% compared with 2003).

Bancaja card sales at business

As at 31 December 2004 a total of 18,020 point-of-sale terminals were installed, 0.8% more than in 2003. Total related purchases were over €1,338 million.

Telephone banking

During 2003, Línea Directa received almost 815,000 calls which were answered by an automatic system (IVR) in 58% of cases.

2.3 million calls were made to Línea Directa in 2004 and to the other telephone services (such as collection activities, ticket sales, ATM customer services, credit cards and internet services).

Bancaja Próxima Particulares

In 2004, 846,000 internet transactions were made (€626 million), representing increases of 29.3% (in terms of number of transactions) and 19.9% (in terms of financial amounts) compared with 2003.

C.A.T. – Mortgage Loan Centre

In 2004 the Telephone Authorisation Centre (CAT) facilitated loans amounting to over €1,906 million (50% more than in 2002).

In 2004, over 36,000 mortgage loans were granted by the Mortgage Loan Centre, a centre for analysing, authorising, documenting and granting mortgage loans.

Bancaja Próxima Empresas

The number of customers using this service increased by 28% in 2004. Over 858,000 business transactions (representing more than €3,196 million) were made.

In addition to simple transactions, over 411,000 AEB (Spanish Banking Association) transactions were processed through this channel, with a turnover of over €7,245 million.

Community welfare projects

On 30th June 2004, Bancaja's General Assembly agreed to allocate out of the 2003 cash surplus €38 million to community welfare projects.

Institutional, corporate banking and capital markets transactions

The following agreements with government agencies relate to the financing of investments that qualify for official aid:

- agreement with Sociedad de Garantía Recíproca (Reciprocal Guarantee Company) of the Autonomous Community of Valencia to finance investment projects for small and medium-sized companies. The investment amounted to €26.4 million in 2004;
- agreement with the Ministry for Development on subsidised activities relating to housing and land. Total lending by Bancaja under this agreement amounted to €169.7 million in 2004;
- agreement with "Instituto de Crédito Oficial" (Official Credit Institute – ICO) to help small and medium-sized companies acquire new fixed assets. Lending by Bancaja amounted to €58.7 million in 2004; and
- joint agreement with "Instituto de Crédito Oficial" (Official Credit Institute – ICO) and "Centro para el Desarrollo Tecnológico e Industrial" (Centre for Technical and Industrial Development – CDTI) to provide financing to companies investing in technology and industrial design. Financing provided by Bancaja amounted to €5.6 million in 2004.
- Agreement with Instituto de Diversificación y Ahorro de la Energía and ICO, with transactions worth €4.2 million approved in 2004.

In 2004 Bancaja traded a total of €2,334 million in private fixed income securities, representing a 42% increase over 2004.

In 2004 Bancaja participated as underwriter in the following primary market transactions:

Issuer	Rating	Instrument	Status	Amount (in millions of euros)
Banco Sabadell	A2	Subordinated Debt	Underwriter	300
Valencia				
Hipotecario 1	Several tranches	MBS	Colead manager	472
MBS Bancaja 1	Several tranches	ABS	Colead manager	690
Banco Pastor	A3	Subordinated Debt	Underwriter	300
Pastor IM2 FTA	Several tranches	MBS	Underwriter	1.000
TDA 20 Mixto	Several tranches	MBS	Underwriter	421
Rural Hipotecario	Several tranches	MBS	Underwriter	950
Bancaja 7 FTA	Several tranches	MBS	Colead manager	1.900
Bancaja FTPYME 3	Several tranches	ABS	Colead manager	900
Bancaja	A2	Subordinated Debt	Arranger	500
PMI 2	Several tranches	MBS	Colead manager	295

Banco de Valencia

Financial highlights of Banco de Valencia

		Variation	
	Balance 31/12/2004	2004/2003	%
	(thousands of euros)		
Total Balance-Sheet Assets	9,099,288	1,493,913	19.64
Turnover	15,194,821	2,584,860	20.50
Loans and credits	8,272,076	1,553,072	23.11
Customer funds under management	7,096,318	1,205,361	20.46
Balance-sheet funds	6,478,664	1,131,726	21.17
Off-balance-sheet transactions ⁽¹⁾	617,654	73,635	13.54
Book Results before taxes	120,917	9,145	8.18
Profit after taxes	81,758	8,873	12.17
Resources			
Employees	1,696	58	3.54
Branches.....	362	14	4.02
ATM's.....	345	7	2.07

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

The following are certain aspects of Banco de Valencia's recent performance in 2004:

- A 20.46% increase in net worth and a year-on-year 21.17% growth rate in liabilities, despite a 12% growth rate in retail clients.
- A 34.16% growth in family mortgage portfolio, which represents more than 57% of total loans.
- A fall in the non-performing loans, from 0.60% at 31st December 2002 to 0.56%, and 0.51% at 31st December 2004.
- A 15.81% ROE in 2004, a 1.47% ROA and a 5.92% increase in operating margin.
- An increase of €139.4 million in total capital gains in the participations portfolio, reflecting a 57.1 million increase in 2004, mainly attributable to Abertis (formerly Áurea and Aumar).
- A €0.83 increase in profit per share, reduced, however, as a result of the two rights issues made in June and September, as calculations were based on net profits and the outstanding of shares as at the end of the financial year, which, for the same reason, decreased the ROE.

Insurance Group

The Group conducts its insurance business through its subsidiaries Aseval, Coseval and Segurval.

Highlights

	31/12/2004	31/12/2003	Variation
	(thousands of euros)		%
Results before taxes	57,887.24	53,635.96	7.70
Insurance Life, casualty and illness			
Premiums	801,965.17	1,076,333.08	-25.49
Technical reserves.....	3,568,784.26	3,258,975.73	9.51
Pension Plans			
Assets managed	1,428,829.01	1,257,822.18	13.60
Contributions	244,814.37	212,496.01	15.21
Brokerage			
Premiums from open policies	55,989.96	51,578.67	12.51
Fees	21,398.11	19,586.02	9.25
	31/12/2004	31/12/2003	Variation
			%
Number of Bancaja Insurance Group Customers			
Insurance Life, casualty and illness	1,346,095	1,267,922	6.17
Participants.....	217,236	194,721	11.56
Open policies intermediated	251,935	231,167	12.81

Investment management

Gebasa

At 31st December 2004, Gestora Bancaja S.G.I.I.C., S.A. managed 60 investment funds broken down as follows:

Investment management funds

FIAMM	4
Short-term fixed income	4
Long-term fixed income	2
Guaranteed fixed income	2
International fixed income	1
Mixed fixed income	10
– Funds	4
– Master feeder fund	6
Mixed equity investment	3
– Funds	1
– Master feeder fund	2
Domestic equity investment	2
Euro equity investment.....	7
Guaranteed equity investment	12
International equity investment	4
– Funds	3
– Master feeder fund	1
Global	9
– Master feeder fund	7

At 31st December 2004, the volume of investments managed exceeded €2,168 million, an increase of 28.59% with respect to 2003.

For the year ended 31st December 2004, Gebasa's profit before taxes amounted to €6.5 million.

Real Estate Group

The Real Estate Group is comprised of Cartera de Inmuebles, S.L. –CISA-, its subsidiaries Actura, S.L. and CISA Habitat, S.L., and other companies in which it owns holdings.

In 2004 the Real Estate Group's consolidated profit after taxes (including holdings in companies using the equivalence method) amounted to €40.9 million, an 31% increase over 2003. Consolidated net profit amounted to €57.8 million, a 12.8% decrease over 2003.

The financial highlights of the Real Estate Group in 2004 were:

	2004
	<i>(thousands of euros)</i>
Sales margin	32,768
Ordinary margin	43,547
Profit before taxes	47,439
Profit after taxes	40,889
Capital and Reserves.....	118,351
Total Investment ⁽¹⁾	<u>390,000</u>

(1) Includes land, marketing and other assets.

Travel

Cavaltour

Cavaltour, the Group's travel agency, which operates through telephone sales, recorded a €25.6 million turnover (up 37% from 2003), answered over 154,000 calls and took over 32,500 bookings.

Risk Management

Introduction

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

New Capital Accord: Basel II

In keeping with the new regulatory trends set out within the framework of Basel II, the Group has continued to make progress, both internally and in collaboration with other banks by means of the Sectorial Project for Global Risk Control coordinated by the Spanish Confederation of Savings Banks (CECA), on the analysis and development of procedures, systems and methods needed to increase and improve efficient risk management.

Balance Sheet Position

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

- *Balance sheet interest rate risk:* the risk of suffering negative changes in the economic value of the balance sheet or of the intermediation margin as a result of the effect of

movements in interest rate curves on the rates at which the different balance sheet aggregates are renewed;

- *Market risk*: the risk associated with market activities in relation to possible losses in the economic value of transactions as a result of negative changes in financial market quotations;
- *Exchange rate risk*: the risk of unfavorable movements in the quotations of those currencies in which Bancaja's assets and liabilities, or its off-balance sheet undertakings, are expressed. This risk is essentially negligible for the Group, due to the policies employed in this area. Namely, the currency position generated by any transactions carried out in the Institution that might entail exchange rate risk is hedged on a daily basis; and
- *Liquidity risk*: Bancaja's exposure should it lack sufficient funds to meet its repayment obligations upon maturity of client transactions.

Balance Sheet Interest Rate Risk

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

By delegation of the ALC, the G.A.P. Technical Unit analyses the structural positions in terms of interest rate risk due to time lags between maturity dates and rate reviews for the different asset and liability amounts of the balance sheet, as well as those for any off-balance sheet undertakings and products.

The controls are performed by calculating and analysing asset-liability gaps, both with regard to their current and projected positions. The monitoring of these gaps enables identification of balance sheet aggregates subject to changes in interest rates and, thus, the planning of possible hedging strategies to minimise the negative impact such changes might have on future renewals or maturities.

Bancaja Group Maturity and Interest Rate Renewal Gap as of 31st December 2004

Breakdown of Balances by Maturity or Price Reviews

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 2 Years	More than 2 Years	Not Sensitive	Total Balance
(in thousands of euros)								
Money Market	4,328,283	636,652	244,428	40,280	66	0	232,702	5,482,411
Capital Market	484,324	85,346	11,254	383,336	837,849	2,000,791	652,366	4,455,266
Credit Market	6,815,523	10,538,823	6,445,131	6,453,068	890,870	992,581	-198,727	31,937,269
Other Assets	2,172	2,396	2,503	892	12	0	1,494,863	1,502,838
Assets	11,630,302	11,263,217	6,703,316	6,877,576	1,728,797	2,993,372	2,181,204	43,377,784
Money Market	6,425,289	650,406	387,218	10,624	43,475	776,113	0	8,293,125
Capital Market	1,294,532	2,268,788	350,480	1,471,365	172,709	1,039,036	0	6,596,910
Client Deposits	8,789,722	1,708,258	1,601,879	1,413,297	1,045,041	9,421,396	96,922	24,076,515
Other Liabilities	7,194	311,384	305,105	3,659	6,793	7,089	3,770,010	4,411,234
Liabilities	16,516,737	4,938,836	2,644,682	2,898,945	1,268,018	11,243,634	3,866,932	43,377,784
GAP Balance	-4,886,435	6,324,381	4,058,634	3,978,631	460,779	-8,250,262	-1,685,728	0
Off-Balance Sheet GAP ..	1,135,329	-3,054,577	761,345	-1,743,896	38,123	3,307,952	-444,275	0
Total GAP	-3,751,106	3,269,804	4,819,979	2,234,735	498,902	-4,942,310	-2,130,004	0
% Subtotal Assets	-8.65	7.54	11.11	5.15	1.15	-11.39	-4.91	0
Total Accumulated GAP	-3,751,106	-481,302	4,338,677	6,573,412	7,072,314	2,130,004	0	0
% Subtotal Assets	-8.65	-1.11	10.00	15.15	16.30	4.91	0	0
Total Accumulated GAP								
31/12/2003	-4,794,708	-383,709	1,920,021	2,468,389	2,818,415	894,850	0	-
% Subtotal Assets	-13.55	-1.08	5.42	6.97	7.96	1.96	0	-

Market and Counterparty Risk

Market Risk

Market risk refers to the possibility of suffering losses in positions due to negative changes in market prices. Managing this risk requires limiting the possibility of losses and optimising the ratio between the assumed exposure level and the expected profits according to goals set by the Group. The Market Risk Control Unit, acting independently from the market areas responsible for contracting work and portfolio management, which is where the risk originates, has developed a series of policies aimed at gauging risk levels, overseeing their adaptation to the established limits and keeping senior management informed through the Assets and Liabilities Committee (ALC).

Types of Portfolios

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

- *Asset and liability management*: the treasury area is responsible for executing the strategies drawn up by the ALC in order to modify the risk profile of the commercial balance sheet by monitoring established policies;
- *Investment*: investment in strategic assets in order to create medium- and long-term economic value;
- *Dealing*: taking directional positions so as to capitalise on changes in market variables with a view to obtaining short-term profits; and
- *Distribution*: obtaining margins from primary market intermediation activities between issuers and investors or secondary market purchases to service clients.

Method

The main tool used by the Group to assess market risk is the Value at Risk (VaR) model. This method, used in historic simulation mode, attempts to estimate the maximum loss that could be suffered by market positions with a 99% confidence level and a time horizon of 1 day.

In 2004, Bancaja created a new application to facilitate the automatic uploading of transactions and positions, as well as market variables required to value portfolios and calculate risk. The application also allows for the calculation of VaR figures.

Market Risk of the Negotiation Portfolio

The following is a summary of the overall risk amounts assumed over the financial year 2004:

	As of 31/12/04	Minimum	Average	Maximum
		(thousands of euros)		
VaR Negotiation Portfolio 2004	59.96	13.62	142.21	718.55

Bancaja's average daily VaR in 2003, calculated with a 99% confidence level and a time horizon of 1 day, was €14,210, fluctuating between a maximum risk of €718,550 and a minimum risk of €13,620.

At no time during 2004 were the market risk limits for portfolio dealing exceeded.

Based on measurements, the Market Risk Control Unit ensures compliance with Bancaja's limits. Limits are approved by the ALC and are valid for a period of one year in normal conditions. They are managed by market areas and are allocated internally among business lines, products, markets, tranches or currencies, according to criteria previously agreed by the Market Risk Control Unit. Whenever market situations so require, the limits are revised downwards, thereby minimising risks.

In order to ensure the quality of risk estimates, back-testing is performed. In these tests, the theoretical profits and losses, assuming an unchanged portfolio composition, are compared to the VaR. In addition, stress testing is carried out to determine the level of potential losses the portfolio's market value would suffer in especially adverse conditions, such as situations of historical crisis in different markets.

Market risk monitoring is supplemented by the careful control of certain warning signs, such as a strong increase in market volatility or the accumulation of losses (stop-loss).

Bancaja's dealing portfolios are subject to monthly stop-losses, so that should the maximum loss figure established for the month be reached, dealings will be stopped until the following month.

The behaviour of interest rates continues to be the main market risk factor for the Group, although variable-income positions are also taken.

Counterparty Risk

The Group's counterparty risk is measured at the transaction level, using a system which calculates the existing risk for each counterparty in real time. The method for calculating exposure depends on the type of transaction, although it is generally based on market value or replacement cost and, where applicable, certain potential exposure factors (add-ons).

The different counterparty lines are reviewed annually, using credit ratings assigned by rating agencies or, in their absence, Bancaja's internal rating models. The risk line for a given counterparty may be closed at any time in order to minimise risks, if necessary.

Notional Chart of Derivatives by Maturity

	Up to 1 Year	2-5 Years	> 5 years	Total 2004	Positive Market Value	Negative Market Value
	(thousands of euros)					
IRS.....	1,740,592	6,752,077	4,856,580	13,349,249	387,254	-131,886
Securitisation.....	0	0	7,442,506	7,442,506	94,350	0
Interest Rate Options.....	0	1,274,842	4,114	1,278,956	32,532	-78
OTC Interest	1,740,592	8,026,919	12,303,200	22,070,711	514,136	-131,964
CCIRS	0	367,080	52,420	419,500	2,528	-168,279
FX OTC Options.....	86,303	0	0	86,303	3,826	0
OTC Exchange Rate	86,303	367,080	52,420	505,803	6,353	-168,279
Equity Swaps.....	0	250,526	9,734	260,260	20,506	-1,814
OTC Variable Income	0	250,526	9,734	260,260	20,506	-1,814
Total	1,826,895	8,644,526	12,365,353	22,836,774	540,995	-302,057

OTC derivatives are primarily used by Bancaja for hedging its issues as well for distribution to institutional clients or through the sales network and for macro hedging strategy.

Bancaja executes OTC derivative transactions with counterparties with high credit ratings, Group companies or clients. Bancaja also enters into collateral agreements with certain frequent counterparties.

Exchange rate risk

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

The limits applicable to this risk are strict, since currency diversification is not part of Bancaja policy. Limits apply to both open positions and VaR levels, and the assumed risk is always low

or negligible. The greatest risk concentration by currency, albeit within established limits, occurs with the U.S. dollar.

Liquidity Risk

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

Bancaja manages this risk from an operational liquidity and a structural liquidity perspective. The former is managed in the short term by the Treasury Area, and the latter, resulting from positions generated in the long term or, otherwise, from short-term but ongoing positions, is managed and controlled by Bancaja's management through the Assets and Liabilities Committee (ALC).

The Group manages its structural liquidity by using a variety of financing programs, managing sufficient liquidity levels at all times, while ensuring that its short-term dependence on markets remains at acceptable levels. It thus minimises the risks inherent to operational liquidity management. In addition, it has an active presence in a wide and diversified set of markets for the financing or securitisation of its assets.

Bancaja's financing strategy is to optimise the diversification of financing sources by instruments, markets and terms, while also taking capitalisation goals into account.

Amounts Issued in 2004

	Amount (thousands of euros)
Subordinated Issues	500,000
Bond issues	1,200,000
Securitisation.....	3,490,000
	5,190,000

The outstanding amount of securitisation funds issued since 1998 amounted to €7,436 million as of 31st December 2004.

Total Securitisation Issues

	Amount (thousands of euros)
BANCAJA 1 FTH	28,615
BANCAJA 2 FTH	98,788
FTPYME BANCAJA 1 FTA	600,000
BANCAJA 3 FTH	520,900
BANCAJA 4 FTH	828,101
BANCAJA 5 FTH	927,104
FTPYME BANCAJA 2 FTA	500,000
BANCAJA 6 FTA	2,080,000
MBS BANCAJA 1 FTA	690,000
BANCAJA 7 FTA	1,900,000
FTPYME BANCAJA 3 FTA	900,000
	9,073,508

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

In addition, a Liquidity Contingency Plan, approved by the ALC, establishes goals and action principles, a set of indicators and alerts, corresponding action plans and communication channels to enable Bancaja to overcome possible market crises.

Operational Risk Management

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

To reduce operational risk the Group adopts strict professional standards, staff training programs and clear and suitably-documented procedures. In order to verify compliance, Internal auditing employs.

The economic impact of operational risk, along with the capital requirements established in the New Basel Accord, call for an operational risk management framework in which an overall management model for risk can be defined and implemented throughout Bancaja. The Group's strategy for developing this management model comprises several stages:

- the creation of an operational risk culture within Bancaja;
- the implementation of a model for the identification, analysis and compilation of risk events by business line; and
- the development of a robust and efficient risk quantification method.

The actions taken by the Group, mainly concern the development of:

- *Qualitative Assessment Tools:* By means of a Risk Map, a series of weighted control points per area were established, both for business and support. Thus, strengths and weaknesses are permanently identified, and can be actioned. The Risk Map is reviewed annually.
- *Quantitative Tools: Loss Databases.* The Loss Databases compile information about losses from each Centre and/or Service for subsequent review and assessment.

Management

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

The General Assembly is the main governing body of Bancaja. It comprises 200 members elected by depositors, the government of Valencia, municipalities, employees and the founders of Bancaja.

The Board of Directors is the main body responsible for the management, administration and representation of Bancaja, including its social projects. It is made up of 20 members who are representatives of the different groups which make up the General Assembly. The Executive Committee is made up of the President, the 1st Vice-president of the Board of Directors, and 9 members of the Board of Directors. The Executive Committee is responsible for the day-to-day management of the Group, covering staff, investment and risk management.

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

The table below sets forth the names and titles of the members of the Board of Directors of Bancaja as of 31st December 2004. The business address of each member of the Board of Directors is Pintor Sorolla 8, 46002 Valencia.

Board of Directors

Directors

Ángel A. Álvarez Martín
Manuel Escámez Sánchez
Rafael Ferrando Giner
Héctor Ferrás Guarch
F. Vicente Gregori Gea
María Carmen Hernández Lara
Vicente March Soler
R. Francisco Oltra Climent
Jorge Palafox Gámir
María del Rocío Peramo Sánchez
J. Luis Pérez de los Cobos y Esparza
Juan Antonio Pérez Eslava

Participants at Board Meetings with the
right to speak but not to vote:

Rafael Alcón Traver
Manuel Breva Ferrer
Rafael Calvo Calpe
Enrique Martinavarro Dealbert

Chairman

José Luis Olivas Martínez

1st Vice Chairman

Antonio J. Tirado Jiménez

2nd Vice Chairman

Arturo Virosque Ruiz

3rd Vice Chairman

Josefa Martí Puig

4th Vice Chairman

José María Cataluña Oliver

5th Vice Chairman

Eduardo Montesinos Chilet

Secretary

Ángel D. Villanueva Pareja

Assistant Secretary

Vicente Montesinos Vernetta

Control Committee

Members

Fernando Bellido Querol
Francisco Cabezas Tanco
Juan Francisco Delgado Torres
José Falomir Martínez
Pascual González Cervera
José Ángel Hidalgo Pitarch
Evaristo Muñoz Martí
Manuel Portolés Sanz
María Vicenta Sanz Segarra
Francesc Xavier Tarazona Martínez
Enrique Villarreal Rodríguez

Chairman

Rafael Aznar Garrigues

Secretary

José Ramón Serrano Santamáns

Executive Committee

Members

F. Vicente Gregori Gea
R. Francisco Oltra Climent
J. Luis Pérez de los Cobos y Esparza
Juan Antonio Pérez Eslava

Participants at Board Meetings with the right to
speak but not to vote:

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Antonio J. Tirado Jiménez

2nd Vice Chairman

Arturo Virosque Ruiz

3rd Vice Chairman

Josefa Martí Puig

4th Vice Chairman

José María Cataluña Oliver

Secretary

Ángel D. Villanueva Pareja

Assistant Secretary

Rafael Ferrando Giner

Summary Financial Statements of Bancaja

Cash Flow Statements

The consolidated cash flow statements of Bancaja for the years ended 31st December 2004, 2003 and 2002 are summarised below:

	2004	2003	2002
	(thousands of euros)		
Results for the year after taxes.....	326,007	287,491	261,135
Credit loss allowance	234,446	174,398	138,494
Securities portfolio allowance.....	3,860	8,578	32,419
Pension fund allowance	117,460	3,475	5,566
Other provisions.....	(72,960)	27,717	(1,505)
Amortization/depreciation of fixed assets.....	76,736	67,560	48,593
Losses on sales of investments and property and equipment	66	246	243
Profit on sales of investments and property and equipment.....	(38,123)	(31,024)	(13,757)
Total sources obtained from operations	647,562	538,441	471,188

Consolidated Balance Sheet

The consolidated balance sheets of Bancaja as of 31st December 2004, 2003 and 2002 are summarised below:

	As at 31st December		
	2004	2003	2002
	(Audited) (in thousands of Euro)		
Assets			
Cash on hand and deposits at central banks	786,323	551,275	534,782
Cash on hand	232,702	220,622	207,533
Cash at Bank of Spain	550,627	329,032	325,946
Cash at other central banks	2,994	1,621	1,303
Government Debt Securities	3,494,038	2,867,669	2,576,322
Due from Credit Entities	4,696,088	4,062,843	1,651,606
Demand deposits	89,499	120,815	163,304
Other	4,606,589	3,942,028	1,488,302
Loans to Customers	31,937,270	25,733,659	22,830,431
Debentures and other fixed-income securities	290,824	348,289	613,073
Government bonds	22,166	10,976	30,293
Other	268,658	337,313	582,780
Common Stocks and Other Equity Securities	217,630	223,179	153,146
Holdings in Non-Group Companies	371,450	331,670	359,311
Credit institutions	0	0	0
Other holdings	371,450	331,670	359,311
Holdings in Group Companies	81,324	55,151	14,109
Credit institutions	0	0	0
Other	81,324	55,151	14,109
Intangible Assets	1,278	1,333	2,022
Formation and start-up expenses	176	185	514
Other deferred expenses	1,102	1,148	1,508
Goodwill on Consolidation	57,050	71,114	43,767
Companies consolidated using the full and proportional consolidation methods	21,146	27,998	0
Companies consolidated using the equity method	35,904	43,116	43,767
Property and Equipment	474,011	397,036	366,255
Land and buildings for own use	249,624	212,121	179,446
Other property	58,282	40,796	42,974
Furniture, installations and other	166,105	144,119	143,835
Other Assets	671,346	526,634	444,645
Accrual Accounts	247,356	194,143	187,782
Losses in Consolidated Companies	51,798	31,075	16,985
Companies consolidated by the full and proportional consolidation methods	4,602	2,500	25
Companies consolidated using the equity method	47,196	28,575	16,960
Conversion differences	0	0	0
Consolidated Losses for the year	0	0	0
Total assets	43,377,786	35,395,070	29,794,236

	As at 31st December		
	2004	2003	2002
	(Audited)		
	(in thousands of Euro)		
Liabilities and Equity			
Due to Credit Entities	8,293,126	7,272,921	5,568,379
Demand deposits	65,651	206,906	150,117
Time or short order deposits	8,227,475	7,066,015	5,418,262
Customer Funds	24,076,515	19,010,478	15,733,554
Savings deposits	21,823,829	17,698,369	14,274,496
Demand	11,773,736	10,020,665	8,325,950
Time	10,050,093	7,677,704	5,948,546
Other deposits	2,252,686	1,312,109	1,459,058
Demand	0	0	10
Time	2,252,686	1,312,109	1,459,048
Marketable Debt Securities	5,315,575	4,576,788	4,433,896
Bonds and debentures outstanding	4,581,165	4,147,248	4,005,196
Promissory notes and other securities	734,410	429,540	428,700
Other Liabilities	945,581	765,002	594,718
Accrual Accounts	266,086	204,224	177,595
Provisions for Contingencies and Expenses	249,264	313,692	286,542
Pension fund	156,391	53,479	53,453
Provision for tax	0	0	0
Other provisions	92,873	260,213	233,089
General Risk Allowance	266,960	151,596	151,601
Negative Difference in Consolidation	4,914	4,516	4,516
Companies consolidated by the full and proportional consolidation methods	500	500	500
Companies valued using the equity method	4,414	4,016	4,016
Consolidated Profit for the Year	326,077	287,491	261,135
Group	262,238	221,231	193,732
Minority interest	63,839	66,260	67,403
Subordinated Debt	1,281,335	681,336	681,336
Minority Interest	933,064	899,710	828,197
Subscribed Capital	0	0	0
Share Premium	0	0	0
Reserves	1,226,891	1,085,952	960,177
Revaluation Reserves	0	0	0
Reserved in Consolidation Companies	192,398	141,364	112,590
Companies consolidated using the full and proportional consolidation methods	137,473	111,623	87,718
Companies valued using the equity method	54,925	29,741	24,872
Conversion differences	0	0	0
Results from prior years	0	0	0
Total liabilities	43,377,786	35,395,070	29,794,236
Memorandum accounts			
Contingent Liabilities	3,773,252	3,018,585	2,540,913
Guarantees, deposits and sureties	3,615,217	2,862,184	2,409,728
Other contingent liabilities	158,035	156,401	131,185
Commitments	8,761,213	6,526,890	5,514,497

Consolidated Income Statements

The consolidated income statements of the Group for the year ended 31st December 2004, 2003 and 2002 are summarised below:

	Year ended 31st December		
	2004	2003	2002
	(Audited)		
	(in thousands of Euro)		
Interest and similar revenues	1,456,133	1,378,748	1,377,107
Of which: fixed-income securities portfolio	142,816	136,663	151,358
Interest and similar expenses	(584,796)	(554,036)	(608,728)
Income from equity securities:	40,424	21,985	23,494
Common stocks and other equity securities	11,039	1,726	2,219
Holdings in non-Group companies	23,424	18,410	19,487
Holdings in Group companies	5,961	1,849	1,788
Net interest income	911,761	846,697	791,873
Fees collected	315,393	266,732	234,673
Fees paid	(51,301)	(42,373)	(40,801)
Gains (losses) on financial transactions	35,973	29,473	(14,987)
Ordinary margin	1,211,826	1,100,529	970,758
Other operating revenues	10,697	10,451	10,741
General administrative expenses:	(539,414)	(521,994)	(480,957)
Personnel expenses	(373,864)	(351,343)	(330,933)
of which:			
Wages and salaries	(281,732)	(262,304)	(251,224)
Social Security	(76,847)	(71,503)	(68,658)
of which:			
Pensions	(13,511)	(11,661)	(12,171)
Other administrative expenses	(165,550)	(170,651)	(150,024)
Depreciation, amortisation and write-down of property and equipment and intangible assets	(37,331)	(42,772)	(36,934)
Other operating expenses	(8,041)	(6,684)	(6,566)
Operating margin	637,737	539,530	457,042
Net results generated by companies consolidated using the equity method:	46,529	34,229	20,091
Equity in income on companies included using the equity method	75,914	54,488	41,031
Adjustments in value for dividends received	(29,385)	(20,259)	(20,940)
Amortisation of goodwill on consolidation	(39,405)	(24,788)	(11,659)
Gains on Group transactions:	—	—	—
Gains on disposals of holdings in companies consolidated using the equity method	—	—	—
Reversal of negative differences on consolidation	—	—	—
Bad debt write-offs and credit loss allowances (Net)	(222,043)	(164,544)	(131,095)
Write-down of financial investments (Net)	816	(2,073)	(1,597)
General risk allowance	(115,370)	—	—
Extraordinary income	250,028	48,087	39,394
Extraordinary loss	(135,740)	(44,161)	(20,460)
Profit before taxes	422,552	386,280	351,716
Corporate income tax	(96,471)	(98,784)	(90,581)
Other taxes	(4)	(5)	—
Consolidated profit for the year	326,077	287,491	261,135
Profit attributed to minority interest	63,839	66,260	67,403
Profit attributed to the Group	262,238	221,231	193,732

Savings Banks

Savings banks are characterised as credit institutions by virtue of Law 26/1988 of 29th July on Discipline and Intervention of Credit Institutions (*Ley 26/1988 de 29 de Julio, de Disciplina e Intervención de las Entidades de Crédito*) 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.

Unlike commercial banks, saving banks do not have shareholders but may issue participations (*Cuotas Participativas*) (see below).

As at the date of this Offering Circular Bancaja has not, nor has any other Spanish savings bank, issued any participations.

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 of 25th 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 by Law 44/2002 of 22nd November, on Reform Measures of the Financial System (*Ley 44/2002, de 22 de noviembre, de Medidas de Reforma del Sistema Financiero*) and by provisions contained in Royal Decree 302/2004 of 20th 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 savings bank, 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 savings bank;
- a holders of Participations reserve fund (*Fondo de Reserva de los Cuotapartícipes*) (the "Holders of 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 savings bank for the purposes of calculating solvency ratios.

The percentage of freely available surplus in relation to Participations will be equal to the volume of Participations in issue over the assets of the savings bank plus the volume of Participations in issue. For the purposes of this calculation, the volume of Participations in issue will be equal to the Stabilisation Fund plus the Holders of Participations Reserve Fund and assets of the savings bank will be equal to the Founders Fund together with general reserves and the fund for general banking risks of the relevant savings bank.

Any Participations issued by Bancaja would rank below (i) all general and subordinated creditors of Bancaja, (ii) the guarantee given by Bancaja in respect of the Preferred Securities, and (iii) any other preferred securities issued by the Issuer or any other subsidiary of Bancaja as well as those of Bancaja.

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 Holders of Participations Reserve Fund. 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, and 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*).

In relation to savings banks whose registered offices are in Valencia, as is the case with Bancaja, and in accordance with with Decree Law 1/1997, of 23rd July, relating to Savings Banks of Valencia, (*Decreto legislativo 1/1997 de 23 de Julio del Gobierno Valenciano por el que se aprueba el texto refundido de la ley sobre Cajas de Ahorro*) as amended ("Law 1/1997") the Valencia regional government ministry of finance (*Instituto Valenciano de Finanzas*) advises all savings banks within the region on social projects requirements, subject to the discretion of savings banks to decide upon specific investments.

The social projects undertaken by savings banks can be realised independently or in collaboration with public or private entities, moreover savings banks can participate in projects carried out by other entities.

The management of the projects corresponds to the Board of Directors of each savings bank in accordance with the guidelines issued by its General Assembly, and the projects can be put in place and supervised by internal departments of the relevant savings bank or by an institution created by the savings bank. The creation of such an institution and its by-laws requires the authorisation of the Valencia regional government ministry of finance (*Instituto Valenciano de Finanzas*).

The resolutions adopted by the general assembly of a savings bank in relation to the budget for social projects requires the authorisation of the Valencia regional government ministry of finance (*Instituto Valenciano de Finanzas*).

The regional government of Valencia (*Generalitat Valenciana*) enacts regulations in relation to social projects and its ministry of finance (*Instituto Valenciano de Finanzas*) supervises compliance with Law 1/1997.

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, which are not owed to holders of Participations to (i) the Community Project Fund or (ii) reserves.

Article 11.4 of Law 13/1985 of 25th 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 modified by Law 13/1992 and Law 44/2002), provides that savings banks must allocate at least 50% of freely available profits or surplus, which are not 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 savings bank exceeds by more than a third the minimum required). This means that in any financial year savings banks can allocate to the Community Project Fund up to 50% of freely available profits that are not owed to holders of Participations.

This percentage threshold 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 savings bank cannot include in its budget investments in new projects.

If a savings bank 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 Holders of 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 credit institutions.

In addition to the specific rules on distribution of profits or surplus, in relation to savings banks whose registered offices are in Valencia, as is the case with Bancaja, and in accordance with Law 1/1997, savings banks must allocate at least 50% of their freely available profits or surplus to the Community Project Fund. Any resolutions adopted by the General Assemblies (*Asambleas Generales*) in relation to the allocation of such profits or surplus must be governed by the overriding principles of client money protection and enhancing the solvency ratio of the savings bank and require the authorisation of the Valencia regional government ministry of finance (*Instituto Valenciano de Finanzas*).

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. 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

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 25th May on investment ratios, own funds and information obligations of financial intermediaries, as promulgated by Law 19/2003, of 4th 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 30th July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules;
- (b) for individuals with tax residency in Spain which are Individual Income Tax (IRPF) taxpayers, Royal Legislative Decree 3/2004, of 5th March promulgating the Consolidated Text of the Individual Income Tax Law, and Royal Decree 1775/2004, of 30th July promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are Corporation Tax taxpayers, Royal Legislative Decree 4/2004, of 5th March promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 1777/2004, of 30th July promulgating the Corporation Tax Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5th March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30th July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax.

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 Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December regulating such tax.

1. Individuals with Tax Residency in Spain

1.1 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 a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 23.2 of the Individual Income Tax Law, and must be included in the general portion of the investor's taxable income.

Both types of income are subject to a withholding on account at the rate of 15%.

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

1.2 Wealth tax (*impuesto sobre el patrimonio*)

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

1.3 Inheritance and gift tax (*impuesto sobre sucesiones y donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any 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.

2. Legal Entities with Tax Residency in Spain

2.1 Corporation tax (*impuesto sobre sociedades*)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in profit and taxable income of legal entities with tax residency in Spain for corporation tax purposes in accordance with the rules for this tax.

In accordance with Section 59.s) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. 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 laid down by the legislation for exemption from withholding. The Directorate General for Taxation (Dirección General de Tributos - "DGT"), on 27th July 2004, issued a reply to a consultation 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 corporation tax taxpayers 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.

In order to implement the exemption from withholding, the procedures laid down in the Order of 22nd December 1999 will be followed. No reduction percentage will be applied. (Please see "Disclosure of Holder Information in connection with Payments of Distributions" below).

2.2 Wealth tax (*impuesto sobre el patrimonio*)

Legal entities are not subject to Wealth Tax.

2.3 Inheritance and gift tax (*impuesto sobre sucesiones y donaciones*)

Legal entities with tax residency 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 and

must include the market value of the Preferred Securities in their taxable income for Spanish corporation tax purposes.

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

3.1 Non-resident income tax (*impuesto sobre la renta de no residentes*)

(a) With permanent establishment in Spain

Ownership 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 Corporation Tax taxpayers.

(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 residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt. This exemption is not applicable if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991, of 5th July), in which case such income will be subject to Non-Resident Income Tax in Spain at the rate of 15% which the Issuer will withhold.

For these purposes it is necessary to comply with certain information 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 information obligations are not complied with in the manner indicated the Issuer will apply a withholding of 15% and the Issuer will not, as a result, be under any obligation to pay additional amounts.

3.2 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 residency in Spain who hold such Preferred Securities will be exempt from wealth tax.

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

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to wealth tax to the extent that rights deriving from the Preferred Securities can be exercised in Spanish territory.

Non-resident legal entities are not subject to wealth tax.

3.3 Inheritance and gift tax (*impuesto sobre sucesiones y donaciones*)

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

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with the applicable regional and state legislation.

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. They will be subject to Non- Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. Tax Rules for payments made by the Guarantor

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

5. Tax havens

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

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

6. 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 Managers, the Paying Agents or the Clearing Systems assume any responsibility therefor.

6.1 Legal Entities with tax residency in Spain subject to Spanish Corporation 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 Corporation Tax taxpayers 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 III below).

6.2 Individuals and Legal Entities with no tax residency in Spain

The information 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, being the following:

In accordance with sub-section 1 of such Section 12, a return must be made to 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 sub-section 3 of such Section 12, for the purpose of preparing the return referred to in sub-section 1 of Section 12, the following documentation must be obtained on each payment of income evidencing the identity and country of tax residency of each holder of Preferred Securities:

- (a) 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 subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residency in the manner laid down in Annex I of the Order of 16th September 1991, promulgated pursuant to Royal Decree 1285/1991 (see Annex I below), of 2nd August establishing the procedure for the payment of interest on Book Entry State Debt (as defined therein) to non-residents who invest in Spain without the intervention of a permanent establishment;
- (b) in the case of transactions in which any of the entities indicated in the foregoing paragraph (a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and country of tax residency of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16th September 1991 (see Annex II below);
- (c) 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 residency of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16th September 1991 (see Annex II below);
- (d) in other cases, residency must be evidenced by submission of the residency certificate issued by the tax authorities of the State of residency of the holder of Preferred Securities. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 4 of Section 12, for the purpose of implementing the exemption provided for, 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 (a), (b) and (c) resulting from applying the general withholding rate (currently 15%) to the whole of the Distribution. If the certificates referred to 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 6.1 and paragraph 6.2 above, in order for a beneficial owner to benefit from an exemption from withholding, 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 withheld by ensuring that the documentation described above is received by the Principal Paying Agent no later than 10:00 am (CET) on the 10th 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 seek a full refund of withholding tax directly with the Spanish tax authorities.

Set out below are Annexes I, II and III. 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 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:

- Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is.....:
- Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
- Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(país estado, ciudad), con el número
(country, state, city), under number
- Que la Entidad que represento está sometida a la supervisión de (Órgano 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 en a de de 20
I certify the above inon the.....ofof 20.....

Annex II

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:

- Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:.....
- Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
- 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
- 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).
- 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 paraísos 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 en a de de 20
I certify the above inon the.....ofof 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

Annex III

Modelo de certificación para hacer efectiva la exclusion de retencion 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 RD 1778/2004)

***Certificate for application of the exemption on withholding to spanish corporation tax taxpayers and to permanent establishments of non-resident income tax taxpayers
(to be issued by entities mentioned under article 12.3.a) of RD 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 1778/2004,**

(function)....., in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1778/2004,

CERTIFICO:

CERTIFY:

- 1. Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
- 2. Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
- 3. Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in 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 (Órgano 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 Corporations Tax taxpayers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.
- 6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.**
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en a de de 20
I certify the above inon the.....ofof 20.....

RELACIÓN ADJUNTA

TO BE ATTACHED

Identificación de los valores:

Identification of the securities

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

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

Taxation in the Netherlands

Dutch Resident Holders

Holders of the Preferred Securities who are individuals and are resident or deemed to be resident in The Netherlands ("Holders"), or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes, are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Preferred Securities or gain or loss realised upon disposal or redemption of the Preferred Securities, provided that the Preferred Securities are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4% of the average value of the Holder's net assets in the relevant fiscal year (including the Preferred Securities) and is taxed at a flat rate of 30%.

Corporate holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Preferred Securities.

EU Savings Tax Directive

On 3rd June 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1st July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Subscription and Sale

BNP Paribas, J.P. Morgan Securities Ltd. and Merrill Lynch International as lead managers (the "Lead Managers" and "Managers") have, in a subscription agreement dated 23rd March 2005 (the "Subscription Agreement") and made between the Issuer, the Guarantor and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Preferred Securities at their issue price of Euro 1,000 per Preferred Security less a combined management, underwriting and selling commission. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Preferred Securities. The Managers are entitled in certain circumstances to be released and discharged from their 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. Each 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 (i) as part of their distribution at any time and (ii) 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 or their behalf have engaged or will engage in any directed selling efforts with respect to the Preferred Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each 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 (i) as part of their distribution at any time or (ii) 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. Each 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, each Manager will represent that it has not communicated, and agree that it will not communicate, directly or indirectly, with a prospective purchaser if either such Manager or such purchaser is within the United States or its possessions or otherwise involve such 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

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

(a) No offer to public: it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) Financial promotion: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the 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

(c) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

Spain

The Preferred Securities will not be offered or sold in Spain by means of a public offer as defined and construed by Spanish law save in compliance with the requirements of the Spanish Securities Market Law of 28th July 1988, as amended and restated, and Royal Decree 291/1992 of 27th March, on issues and public offers for the sale of securities ("RD 291/92"), as amended and restated, and other applicable regulations. Accordingly, the Preferred Securities have not been offered and will not be offered to persons in the Kingdom of Spain in any way that would constitute an offer to the public.

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

The Netherlands

The Preferred Securities (including rights representing an interest in a Preferred Security in global form) may only be offered in The Netherlands, as part of their initial distribution or as part of any re-offering, and this Offering Circular may only be distributed and circulated, and any offer of these Preferred Securities shall only be announced in writing (whether electronically or otherwise) in The Netherlands, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession ("Professional Investors", which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities) provided that each of the Managers undertakes with the Issuer and the Guarantor that it will be made clear upon making any such offers and from any and all documents or advertisements in which the forthcoming offering of these Preferred Securities is publicly announced in The Netherlands that the offer is exclusively made to such Professional Investors in The Netherlands.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any 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 each 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 has been authorised by the shareholder's and board meetings of the Issuer each held on 10th March 2005. The giving of the Guarantee of the Preferred Securities has been authorised by the meeting of the Board of Directors (*Consejo de Administración*) of the Guarantor dated 22nd July 2004.
2. Save as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, any of its/their respective subsidiaries or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Preferred Securities.
3. Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or the Guarantor since 31st December 2004 that is material in the context of the issue of the Preferred Securities.
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) the *estatutos* of each of the Issuer and the Guarantor;
 - (b) the Public Deed of Issuance of the Preferred Securities;
 - (c) the Guarantee;
 - (d) the Paying Agency Agreement; and
 - (e) the Subscription Agreement.
5. For so long as any of the Preferred Securities are outstanding, copies of the following documents (together with English translations thereof) may be obtained free of charge during normal business hours at the Specified Office of each Paying Agent:
 - (a) the audited consolidated and unconsolidated financial statements of the Guarantor for the years ended 31st December 2002, 2003 and 2004;
 - (b) the latest published unaudited interim and audited year-end consolidated and unconsolidated financial statements of the Guarantor; and
 - (c) the latest published audited year-end financial statements of the Issuer.
6. The Guarantor publishes quarterly unaudited consolidated and unconsolidated interim financial statements.
7. Under Articles 181 and 203 of the Ley de Sociedades Anónimas (Spanish Corporations Law) the Issuer is currently exempt from preparing audited financial statements. The Issuer intends to publish audited annual financial statements. Such annual financial statements will relate to periods ending on 31st December in each year and will be published before 30th June of the following year. The first such financial statements will be published in relation to the year ending 31st December 2005. The Issuer does not intend to publish interim financial statements.
8. Ernst & Young, S.L. have audited the Guarantor's accounts in accordance with generally accepted auditing standards, in Spain for the financial years ended 31st December 2004, 2003 and 2002. These auditors' reports were unqualified.
9. The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0214965450 and the common code is 021496545.

THE ISSUER

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Pintor Sorolla, 8
46002 Valencia

THE GUARANTOR

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