

## IMPORTANT NOTICE

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS), ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (the “United States”), TO ANY U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (a “U.S. Person”)), OR TO ANY PERSON LOCATED OR RESIDENT IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THE ATTACHED TENDER OFFER MEMORANDUM.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached Tender Offer Memorandum and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the Tender Offer Memorandum. By accessing the Tender Offer Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Bankia, S.A., Merrill Lynch International and/or Société Générale (together the “**Dealer Managers**”) and/or Lucid Issuer Services Limited (the “**Tender Agent**”) as a result of such access. Capitalised terms used but not otherwise defined in this disclaimer shall have the meaning given to them in the Tender Offer Memorandum.

THE ATTACHED TENDER OFFER MEMORANDUM AND ANY ANNOUNCEMENT OR OTHER DOCUMENT RELATING TO THE OFFERS DESCRIBED THEREIN MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE TENDER OFFER MEMORANDUM AND ANY ANNOUNCEMENT OR OTHER DOCUMENT RELATING TO THE OFFERS DESCRIBED THEREIN MAY ONLY BE DISTRIBUTED TO NON-US PERSONS OUTSIDE THE UNITED STATES AND TO PERSONS TO WHOM IT IS OTHERWISE LAWFUL TO SEND SUCH MATERIALS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE TENDER OFFER MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF APPLICABLE LAWS.

**Confirmation of your representation:** In order to be eligible to view the attached Tender Offer Memorandum, you must be a non-U.S. Person outside the United States and otherwise able to participate lawfully in the invitations by Banco Financiero y de Ahorros, S.A. (“**BFA**”) to holders of the notes identified in the attached Tender Offer Memorandum (the “**Notes**”) to tender their Notes for purchase by BFA for cash (the “**Offers**”) on the terms and subject to the conditions set out in the Tender Offer Memorandum, including the offer and distribution restrictions set out on pages 10 to 12 (the “*Offer and Distribution Restrictions*”). The Tender Offer Memorandum was sent at your request and by accessing the Tender Offer Memorandum you shall be deemed to have represented to BFA, the Dealer Managers and the Tender Agent that:

- (i) you are a holder or a beneficial owner of Notes;
- (ii) neither you nor any beneficial owner of the Notes nor any other person on whose behalf you are acting, either directly or indirectly, is a U.S. Person or is located or resident in the United States;
- (iii) the electronic mail address that you have given to us and to which the Tender Offer Memorandum has been delivered is not located in the United States;
- (iv) you are otherwise a person to whom it is lawful to send the Tender Offer Memorandum or to make an invitation pursuant to the Offers in accordance with applicable laws, including the Offer and Distribution Restrictions; and
- (v) you consent to delivery of the Tender Offer Memorandum by electronic transmission.

The attached Tender Offer Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of BFA, the Dealer Managers, the Tender Agent or any person who controls, or is a director, officer, employee, agent or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Tender Offer Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Dealer Managers or the Tender Agent.

You are also reminded that the attached Tender Offer Memorandum has been sent to you on the basis that you are a person into whose possession the Tender Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or resident and you may not, nor are you authorised to, deliver the Tender Offer Memorandum to any other person.

Any materials relating to the Offers do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that an Offer be made by a licensed broker or dealer and either Dealer Manager or any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, such Offer shall be deemed to be made by such Dealer Manager or affiliate, as the case may be, on behalf of BFA in such jurisdiction.

The Tender Offer Memorandum may only be submitted to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

**Restrictions:** Nothing in this electronic transmission constitutes an offer to buy or the solicitation of an offer to sell securities in the United States or any other jurisdiction in which such offer or solicitation would be unlawful.

**The distribution of the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Tender Offer Memorandum comes are required by BFA, the Dealer Managers and the Tender Agent to inform themselves about, and to observe, any such restrictions.**

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS), ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (the “United States”), TO ANY U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (a “U.S. Person”)), OR TO ANY PERSON LOCATED OR RESIDENT IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THIS TENDER OFFER MEMORANDUM.**

**TENDER OFFER MEMORANDUM dated 28 November 2011**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION.**

Invitations by

**BANCO FINANCIERO Y DE AHORROS, S.A.**  
(“BFA”)

to holders of the following outstanding subordinated bonds and preferred shares (*participaciones preferentes*)

<i>Series</i>	<i>ISIN</i>	<i>Outstanding Principal Amount</i>
Caja Madrid € 550,000,000 6.125 per cent. Subordinated Bonds due 2012	ES0214950059	€ 550,000,000
Caja Madrid € 250,000,000 Floating Rate Subordinated Bonds due 2014	ES0214950125	€ 87,700,000
Caja de Canarias € 60,000,000 Floating Rate Subordinated Bonds due 2015	ES0214983118	€ 60,000,000
Caja Madrid € 50,000,000 Floating Rate Subordinated Bonds due 2015	ES0214950067	€ 50,000,000
Caja Madrid € 162,300,000 5.116 per cent. Subordinated Bonds due 2015	ES0214950216	€ 162,300,000
Caja Segovia € 20,000,000 Floating Rate Subordinated Bonds due 2016	ES0214959068	€ 20,000,000
Caja Madrid € 750,000,000 Floating Rate Subordinated Bonds due 2016	ES0214950166	€ 750,000,000
Caja Segovia € 45,000,000 Floating Rate Subordinated Bonds due 2017	ES0214959076	€ 45,000,000
Caja Madrid € 500,000,000 Floating Rate Subordinated Bonds due 2018	ES0214950141	€ 500,000,000
Bancaja € 300,000,000 Floating Rate Subordinated Bonds due 2018	ES0214977078	€ 287,500,000
Caja de Canarias € 21,150,000 Floating Rate Subordinated Bonds due 2019	ES0214983142	€ 21,150,000
Caja Rioja € 30,000,000 Floating Rate Subordinated Bonds due 2019	ES0215530074	€ 30,000,000
Caja Madrid € 100,000,000 5.755 per cent. Subordinated Bonds due 2028	ES0214950182	€ 100,000,000
Bancaja € 500,000,000 4.375 per cent. Subordinated (UT2) Bonds – perpetual	ES0214977102	€ 190,800,000

<i>Series</i>	<i>ISIN</i>	<i>Outstanding Principal Amount</i>
Caja de Canarias € 60,000,000 Floating Rate Subordinated (UT2) Bonds – perpetual	ES0214983134	€ 17,200,000
Bancaja Capital, S.A.U. € 290,000,000 Floating Rate Preferred Shares – perpetual (the “ <b>Luxembourg Listed Notes</b> ”)	XS0214965450	€ 66,320,000
Caja Segovia € 15,000,000 Floating Rate Preferred Shares – perpetual	ES0114959028	€ 15,000,000
Caja de Canarias Preferentes, S.A.U. € 50,000,000 Floating Rate Preferred Shares – perpetual	ES0156844047	€ 50,000,000
Caja de Ávila Preferentes, S.A.U. € 35,000,000 Floating Rate Preferred Shares – perpetual	ES0122707021	€ 35,000,000

(each of the series of subordinated bonds and preferred shares referred to above, a “**Series**”, and all outstanding subordinated bonds and preferred shares of all Series, together, the “**Notes**”; and all Notes except for the Luxembourg Listed Notes, the “**AIAF Listed Notes**”)

to tender such Notes for purchase by BFA for cash at prices to be determined pursuant to modified Dutch auctions

THE OFFERS WILL EXPIRE AT 5:00 P.M. (MADRID TIME) ON 2 DECEMBER 2011, UNLESS EXTENDED, RE-OPENED, TERMINATED OR REVOKED AS PROVIDED IN THIS TENDER OFFER MEMORANDUM.

THE DEADLINES SET BY ANY INTERMEDIARY OR CLEARING SYSTEM WILL BE EARLIER THAN THIS DEADLINE.

**THE PURCHASE OF THE NOTES IS SUBJECT TO THE PRIOR AUTHORISATION OF THE BANK OF SPAIN. THE OFFERS WILL BE AUTOMATICALLY REVOKED IN THE EVENT THAT, PRIOR TO THE ANNOUNCEMENT OF OFFER RESULTS IS MADE, BFA DOES NOT RECEIVE SUCH AUTHORISATION**

*Dealer Managers*

**BANKIA**

**BOFA MERRILL LYNCH**

**SOCIÉTÉ GÉNÉRALE**

## THE OFFERS

This Tender Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Offers (as defined below). If any Noteholder is in any doubt as to the action it should take, it is recommended to seek its own financial advice, including in respect of any tax consequences, immediately from its stockbroker, bank manager, solicitor, accountant or other independent financial, tax or legal adviser. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to tender such Notes pursuant to the Offers. The distribution of this document in certain jurisdictions may be restricted by law (see “*Offer and Distribution Restrictions*”). None of Bankia, S.A., Merrill Lynch International, Société Générale (together the “*Dealer Managers*”), Lucid Issuer Services Limited (the “*Tender Agent*”), BFA, or any of their respective directors, employees or affiliates, makes any recommendation as to whether holders of Notes should tender Notes pursuant to the Offers.

BFA separately invites, in each case subject to the offer restrictions referred to in “*Offer and Distribution Restrictions*”, all holders of each Series (all such holders together the “*Noteholders*”) to tender their Notes for purchase by BFA for cash (each such invitation an “*Offer*”, and together the “*Offers*”). The Offers are made on the terms and subject to the conditions set out in this Tender Offer Memorandum.

*Before making a decision whether to tender Notes pursuant to an Offer, Noteholders should carefully consider all of the information in this Tender Offer Memorandum and, in particular, the risk factors described in “Risk Factors and Other Considerations”.*

### **Corporate resolutions pursuant to which the Offers are tendered**

The Offers are made by BFA pursuant to the resolution passed by its Board of Directors at a meeting held on 21 November 2011, in which the board authorised, among other things, to launch an offer to repurchase any or all of the Notes.

### **Pending authorisation from the Bank of Spain**

The purchase of the Notes pursuant to the Offers is subject to the prior authorization of the Bank of Spain which is expected to be received prior to the date on which the Announcement of Offer Results is made. However, there is no assurance that this authorisation will be received by such time.

In the event that, prior to the Announcement of Offer Results is made, the Bank of Spain has not authorised BFA to purchase the Notes, the Offers will be automatically revoked and will be no longer valid or effective and Noteholders cannot require BFA to continue with the same, even if they have already submitted a Tender Instruction to tender their Notes.

### **Purchase Prices – Modified Dutch Auction Procedure**

The amount BFA will pay for Notes of each Series validly tendered and accepted for purchase by BFA pursuant to the relevant Offer will be determined pursuant to a modified Dutch auction procedure, as described in this Tender Offer Memorandum (the “**Modified Dutch Auction Procedure**”).

Under the Modified Dutch Auction Procedure, BFA will determine, in its sole discretion, the aggregate principal amount outstanding of Notes (if any) of each Series it will accept for purchase pursuant to the Offers (each such amount, a “**Series Acceptance Amount**”) and a single purchase price for each Series (expressed as a percentage) at which it will purchase Notes of such Series validly tendered pursuant to the relevant Offer (each such price, a “**Purchase Price**”), taking into account the aggregate principal amount outstanding of Notes of each Series so tendered and the prices at which such Notes are so tendered (or deemed to be tendered as set out below). The Purchase Price for a Series will be the lowest price for such Series that will allow BFA to accept for purchase the relevant Series Acceptance Amount. BFA will not accept for purchase any Notes tendered at prices greater than the Purchase Price for the relevant Series.

BFA proposes to accept for purchase pursuant to the Offers up to € 750,000,000 in aggregate cash amount (the “**Target Cash Amount**”) although BFA reserves the right, in its sole discretion, to spend less than or more than the Target Cash Amount for purchase pursuant to the Offers. BFA will determine the allocation of funds between each Series in its sole discretion, and reserves the right to accept for purchase significantly more or less (or none) of the Notes of any one Series as compared to the other Series.

For the purposes of determining the Series Acceptance Amount, BFA will consider, among other facts and circumstances and at its entire discretion, the impact on the liquidity of any residual Notes that may remain outstanding following conclusion of the Offers.

Each Series Acceptance Amount and Purchase Price will be determined by BFA, in its sole discretion as soon as reasonably practicable on 5 December 2011.

BFA will also pay an Accrued Interest Payment in respect of Notes accepted for purchase pursuant to the Offers.

	<b>ISIN Code</b>	<b>Denomination(s) of the Notes</b>	<b>Purchase prices</b>	<b>Target Cash Amount</b>
A € 550,000,000 6.125 per cent. Subordinated Bonds due 2012	ES0214950059	€ 100,000		
A € 250,000,000 Floating Rate Subordinated Bonds due 2014	ES0214950125	€ 100,000		
A € 60,000,000 Floating Rate Subordinated Bonds due 2015	ES0214983118	€ 100,000		
A € 50,000,000 Floating Rate Subordinated Bonds due 2015	ES0214950067	€ 100,000		
A € 162,300,000 5.116 per cent. Subordinated Bonds due 2015	ES0214950216	€ 100,000		
A € 20,000,000 Floating Rate Subordinated Bonds due 2016	ES0214959068	€ 50,000		
A € 750,000,000 Floating Rate Subordinated Bonds due 2016	ES0214950166	€ 50,000		
A € 45,000,000 Floating Rate Subordinated Bonds due 2017	ES0214959076	€ 50,000		
A € 500,000,000 Floating Rate Subordinated Bonds due 2018	ES0214950141	€ 100,000	To be determined pursuant to Modified Dutch Auction Procedures	Subject as set out herein, € 750,000,000, in aggregate cash amount
A € 300,000,000 Floating Rate Subordinated Bonds due 2018	ES0214977078	€ 100,000		
A € 21,150,000 Floating Rate Subordinated Bonds due 2019	ES0214983142	€ 50,000		
A € 30,000,000 Floating Rate Subordinated Bonds due 2019	ES0215530074	€ 50,000		
A € 100,000,000 5.755 per cent. Subordinated Bonds due 2028	ES0214950182	€ 50,000		
A € 500,000,000 4.375 per cent. Subordinated (UT2) Bonds – perpetual	ES0214977102	€ 100,000		
A € 60,000,000 Floating Rate Subordinated (UT2) Bonds – perpetual	ES0214983134	€ 50,000		
A € 290,000,000 Floating Rate Preferred Shares – perpetual	XS0214965450	€ 1,000		
A € 15,000,000 Floating Rate Preferred Shares – perpetual	ES0114959028	€ 50,000		
A € 50,000,000 Floating Rate Preferred Shares – perpetual	ES0156844047	€ 100,000		
A € 35,000,000 Floating Rate Preferred Shares – perpetual	ES0122707021	€ 50,000		

## **Tender Instructions**

In order to participate in, and be eligible to receive the relevant Purchase Price Payment (as defined in “Definitions”) pursuant to the relevant Offer, Noteholders must validly tender their Notes by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Tender Agent by 5:00 p.m. (Madrid time) on 2 December 2011 (the “**Expiration Deadline**”). See “Procedures for Participating in the Offers”.

Tender Instructions in respect to AIAF Listed Notes must be submitted either online via [www.lucid-is.com/bfa](http://www.lucid-is.com/bfa) or by fax to the Tender Agent on +44 207 067 9098, containing the duly executed and completed form of Tender Instruction, included as **Annex 1 - Form of Tender Instruction for AIAF Listed Notes** hereto.

Tender Instructions in respect to Luxembourg Listed Notes must be submitted to the Tender Agent in the form specified in the relevant Clearing System Notice.

*Noteholders are advised to check with any bank, securities broker or other intermediary through which they hold Notes when such intermediary would need to receive instructions from a Noteholder in order for that Noteholder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, an Offer by the deadlines specified in this Tender Offer Memorandum. The deadlines set by any such intermediary or Clearing System for the submission and withdrawal of Tender Instructions (as defined in “Definitions”) will be earlier than the relevant deadlines specified in this Tender Offer Memorandum.*

**Tender Instructions will be irrevocable** except in the limited circumstances described in “Amendment and Termination”.

Tender Instructions shall be submitted specifying a purchase price (expressed as a percentage) for the relevant Notes.

Purchase prices may only be specified in increments of 0.25 per cent. in such Tender Instructions, being the “**Minimum Increment Amount**”. In the event that any Tender Instruction specifies a purchase price that is not the Minimum Increment Amount or an integral increment of 0.25 per cent. above the relevant Minimum Increment Amount, the purchase price so specified shall be rounded up to the nearest such increment of 0.25 per cent., and the Tender Instruction shall be deemed to have specified such rounded figure as the purchase price. In the event that any Tender Instruction does not specify a purchase price, it will be rejected.

For the avoidance of doubt, a non-competitive bid may not be submitted in respect of any of the Offers.

Tender Instructions must be submitted in respect of a minimum principal amount of Notes of the relevant Series of no less than the denomination for such Series. A separate Tender Instruction must be completed by or on behalf of each beneficial owner and in respect of each Series.

## **Scaling**

If the aggregate principal amount outstanding of Notes of a Series validly tendered pursuant to Tender Instructions that specify a purchase price that is less than or equal to the relevant Purchase Price, is greater than the relevant Series Acceptance Amount, BFA intends to accept for purchase (A) first, all such Notes tendered at purchase prices below such Purchase Price in full, and (B) second, all such Notes tendered at such Purchase Price on a pro rata basis such that the aggregate principal amount outstanding of such Notes accepted for purchase is no greater than such Series Acceptance Amount.

See “Further Information and Terms and Conditions - Scaling of Tenders”.

## **Announcements**

BFA will announce its decision of whether to accept valid tenders of Notes pursuant to all or any of the Offers and, if so accepted, each Purchase Price and Series Acceptance Amount, and any Scaling Factor (as defined below) as soon as reasonably practicable on 5 December 2011.

The above announcement and all other announcements in connection with the Offers will be made through (a) the relevant Reuters International Insider Screen, and/or (b) the delivery of notices to Clearstream and Euroclear for communications to Direct Participants, and/or (c) the delivery of notices to Iberclear for

communication to Accountholders, and/or (d) the issue of a press release to a Notifying News Service and, in connection with the Luxembourg Listed Notes, announcements will also be made by publication on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu), and/or (e) through the filing of a regulatory announcement (*hecho relevante*) with the Spanish Market Securities Commission (*Comisión Nacional del Mercado de Valores*, the “CNMV”). They may also be obtained upon request from the Tender Agent.

See “*Further Information and Terms and Conditions – Announcements*”.

#### **Amendment of the time periods and the terms and conditions of the Offers. Withdrawal or revocation of the Offers**

BFA reserves the right to unilaterally amend, extend or reduce any of the time periods established in the Tender Offer Memorandum.

BFA also reserves the right to unilaterally amend at any time on or before the Announcement of Offer Results is made the terms and conditions of the Offers (including the possibility of changing the Expiration Deadline, the date of the Announcement of Offer Results and the Settlement Date). BFA also reserves the right to terminate or revoke any or all Offers on or before the Announcement of Offer Results is made. After the Announcement of Offer Results is made, BFA cannot terminate or revoke any Offer nor make any amendment whatsoever to the terms and conditions of any Offer.

In addition to the foregoing, in the event that, prior to the Announcement of Offer Results is made, the Bank of Spain has not authorised BFA to purchase the Notes, the Offers will be automatically revoked and will be no longer valid or effective.

See “*Amendment and Termination*”.

#### **Completion (*perfección*) of the Sale and Purchase**

The completion (*perfección*) of the sale and purchase of the Notes accepted by BFA to be purchased will take place at the moment when the Announcement of the Offer Results is made, provided that BFA has not terminated or revoked the relevant Offer, or the Offers have not been automatically revoked, or, as appropriate, a valid withdrawal of a Tender Instruction has not been received as established in this Tender Offer Memorandum.

The Tender Instruction will be final and irrevocable from the moment it is submitted, but it will not be effective with regard to the completion (*perfección*) of the sale and purchase until the Announcement of the Offer Results is made, and provided that the Offers have not been terminated or revoked as established in this Tender Offer Memorandum.

#### **Blocking of the Notes**

In relation to the AIAF Listed Notes, the Accountholder (as defined in “*Definitions*”) undertakes to block the Notes in the securities account held directly or indirectly by the holder of the Notes in the Accountholder from the very moment the Accountholder submits the Tender Instruction on behalf of the Noteholder.

In relation to the Luxembourg Listed Notes, the Direct Participant (as defined in “*Definitions*”) undertakes to block the Luxembourg Listed Notes in the securities account held in the relevant Clearing System from the very moment the Tender Instruction is submitted.

When issuing the relevant Tender Instructions to its Accountholder or Direct Participant, the Noteholder authorises it to block the Notes accepted on the terms provided in this Tender Offer Memorandum. The Notes will remain blocked in the relevant Clearing System until the earliest of the following dates: (i) the Settlement Date, (ii) the date on which BFA announces the termination or revocation of the relevant Offer, (iii) the date on which the Offers are automatically revoked as described in “*Amendment and Termination - Automatic Revocation of the Offers*”, or (iv) the date on which a withdrawal of a Tender Instruction is validly submitted on the terms and conditions established in the Tender Offer Memorandum, and provided that the said notice is received by the Tender Agent by the established deadline.

#### **Holders of AIAF Listed Notes not appearing in the registers of Iberclear or of an Accountholder**

Any Noteholder of AIAF Listed Notes that does not appear as a holder of the AIAF Listed Notes in the registers of Iberclear or of an Accountholder, must contact the financial entity or accountholder through which it holds the

AIAF Listed Notes, so that the latter may carry out the steps necessary to accept the relevant Offers on the terms of the Tender Offer Memorandum.

If the Noteholder is a holder thereof through a member of Euroclear and/or Clearstream, it must contact as soon as possible the financial entity or accountholder through which it holds the AIAF Listed Notes and, in any event, sufficiently in advance so that (i) it is possible for all the steps and all the notices necessary to be taken and made between the clearing systems, liaison entities and accountholders and (ii) the Tender Instructions may be received within the tender offer period, by the Accountholder in which the AIAF Listed Notes have been deposited so that the Accountholder may submit the Tender Instruction to the Tender Agent by the Expiration Deadline. In order for the Noteholders and the members of Euroclear and/or Clearstream to submit acceptances, they will follow the procedures and requirements that have been or are in the future established by the relevant clearance and settlement system.

### **General**

The expected Settlement Date for the Offers is 13 December 2011.

BFA may, in its sole discretion, extend, re-open, amend, revoke or terminate any Offer at any time (subject to applicable law and as provided in this Tender Offer Memorandum). Details of any such extension, re-opening, amendment, revocation or termination will be announced as provided in this Tender Offer Memorandum as soon as reasonably practicable after the relevant decision is made. See "*Amendment and Termination*".

For further information on the Offers and the further terms and conditions on which the Offers are made, Noteholders should refer to "*Further Information and Terms and Conditions*".

Questions and requests for assistance in connection with (i) the Offers, may be directed to the Dealer Managers, and (ii) the delivery of Tender Instructions, may be directed to the Tender Agent, the contact details for which are on the last page of this Tender Offer Memorandum.

Simultaneously with the Offers, BFA may invite, on terms and conditions it deems appropriate the holders of floating rate subordinated bonds due on 10 September 2013 issued by Caja Madrid on 10 September 1998 (which principal amount outstanding is, approximately, € 30,410,000) to tender their notes for purchase at a certain purchase price. BFA reserves the right, in its sole discretion, to accept or reject for purchase such tendered notes. Amounts paid, if any, by BFA to repurchase those notes will be taken into account for the purposes of the Target Cash Amount.

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## OFFER AND DISTRIBUTION RESTRICTIONS

*This Tender Offer Memorandum does not constitute an invitation to participate in the Offers in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or for there to be such participation under applicable securities laws. The distribution of this Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Tender Offer Memorandum comes are required by each of BFA, the Dealer Managers and the Tender Agent to inform themselves about, and to observe, any such restrictions.*

### United States

The Offers are not being made, and will not be made, directly or indirectly in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. The Notes may not be tendered in the Offers by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States or to U.S. person as defined in Regulation S under the U.S. Securities Act of 1933, as amended (each a “**U.S. Person**”). Accordingly, copies of this Tender Offer Memorandum and any other documents or materials relating to the Offers are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any U.S. Person or any persons located or resident in the United States. Any purported tender of Notes in an Offer resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of Notes made by a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States will be invalid and will not be accepted.

Each holder of Notes participating in an Offer will represent that it is not a U.S. Person, it is not located in the United States and it is not participating in such Offer from the United States or it is acting on a nondiscretionary basis for a principal that is not a U.S. Person, that is located outside the United States and that is not giving an order to participate in such Offer from the United States. For the purposes of this and the above paragraph, “**United States**” means United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States of America and the District of Columbia.

### Italy

None of the Offers, the Tender Offer Memorandum or any other documents or materials relating to the Offers have been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”).

Therefore, the Offers may only be carried out in the Republic of Italy (“**Italy**”) pursuant to an exemption under article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and article 35-bis, paragraph 4, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Accordingly, the Offers are not addressed to, and neither the Tender Offer Memorandum nor any other documents, materials or information relating, directly or indirectly, to the Tender Offer can be distributed or otherwise made available (either directly or indirectly) to any person in Italy other than to qualified investors (*investitori qualificati*) pursuant to article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, acting on their own account.

### United Kingdom

The communication of this Tender Offer Memorandum and any other documents or materials relating to the Offers is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such document and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to (i) those persons in the United Kingdom, falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended

(the “**Financial Promotion Order**”), (ii) persons falling within Article 43(2) of the Financial Promotion Order, or (iii) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). Any person in the United Kingdom who is not a Relevant Person should not act or rely on this document or materials or any of their content.

### **Belgium**

Neither this Tender Offer Memorandum nor any other documents or materials relating to the Offers have been submitted to or will be submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*) and, accordingly, the Offers may not be made in Belgium by way of a public offering, as defined in Article 3 of the Belgian Law of 1 April 2007 on public takeover bids or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, each as amended or replaced from time to time. Accordingly, the Offers may not be advertised and the Offers will not be extended, and neither this Tender Offer Memorandum nor any other documents or materials relating to the Offers (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than “qualified investors” in the sense of Article 10 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (as amended from time to time), acting on their own account. Insofar as Belgium is concerned, this Tender Offer Memorandum has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Offers.

Accordingly, the information contained in this Tender Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

### **France**

The Offers are not being made, directly or indirectly, to the public in the Republic of France (“**France**”). Neither this Tender Offer Memorandum nor any other document or material relating to the Offers has been or shall be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, are eligible to participate in the Offers. This Tender Offer Memorandum has not been and will not be submitted for clearance to nor approved by the *Autorité des Marchés Financiers*.

### **Spain**

Neither the Offers nor this Tender Offer Memorandum constitute an offer of securities or the solicitation of an offer of securities to the public in Spain under the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), the Royal Decree 1310/2005, of 4 November 2005 and the Royal Decree 1066/2007, of 27 July 2007. Accordingly, this Tender Offer Memorandum has not been and will not be submitted for approval nor approved by the Spanish Market Securities Commission (*Comisión Nacional del Mercado de Valores*).

### **Portugal**

Neither the Offers nor this Tender Offer Memorandum constitute an offer of securities or the solicitation of an offer of securities to the public in Portugal under the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “**Cód.VM**”). Accordingly, neither this Tender Offer Memorandum, nor any other document or material relating to the Offers have been or will be subject to the approval of, registration with, or notification to, the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*). BFA, the Dealer Managers and the Tender Agent will not distribute or communicate this Tender Offer Memorandum or any other document or material relating to the Offers in Portugal except in circumstances that would not be deemed to be a public offering (*oferta pública*) pursuant to article 109 of the *Cód.VM*.

## **General**

This Tender Offer Memorandum does not constitute an offer to buy or the solicitation of an offer to sell Notes (and tenders of Notes in any Offer will not be accepted from Noteholders) in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require an Offer to be made by a licensed broker or dealer and either Dealer Manager or any of their respective affiliates is such a licensed broker or dealer in any such jurisdiction, such Offer shall be deemed to be made by such Dealer Manager or affiliate, as the case may be, on behalf of BFA in such jurisdiction.

In addition to the representations referred to above in respect of the United States, each Noteholder participating in an Offer will also be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in "*Procedures for Participating in the Offers*". Any tender of Notes for purchase pursuant to the Offers from a Noteholder that is unable to make these representations may be rejected. Each of BFA, the Dealer Managers and the Tender Agent reserve the right, in their absolute discretion, to investigate, in relation to any tender of Notes for purchase pursuant to an Offer, whether any such representation given by a Noteholder is correct and, if such investigation is undertaken and as a result BFA determines (for any reason) that such representation is not correct, such tender may be rejected.

## GENERAL

BFA accepts responsibility for the information contained in this Tender Offer Memorandum. To the best of the knowledge of BFA (having taken all reasonable care to ensure that such is the case), the information contained in this Tender Offer Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Noteholder is solely responsible for making its own independent appraisal of all matters as such Noteholder deems appropriate (including those relating to the relevant Offer) and each Noteholder must make its own decision as to whether to tender any or all of its Notes for purchase pursuant to such Offer. Accordingly, each person receiving this Tender Offer Memorandum acknowledges that such person has not relied upon BFA, the Dealer Managers or the Tender Agent in connection with its decision as to whether to participate in the Offers. If such person is in any doubt about any aspect of the Offers and/or the action it should take, including in respect of any tax consequences, it should consult its professional advisers. None of the Dealer Managers, the Tender Agent or their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding this Tender Offer Memorandum or the Offers, and none of BFA, the Dealer Managers, the Tender Agent or their respective directors, employees or affiliates makes any recommendation as to whether Noteholders should tender Notes in the relevant Offer. The Tender Agent is the agent of BFA and owes no duty to any Noteholder.

None of the Dealer Managers, the Tender Agent and their respective directors, employees or affiliates assumes any responsibility for the accuracy or completeness of the information concerning the Offers or BFA contained in this Tender Offer Memorandum or for any failure by BFA to disclose events that may have occurred and may affect the significance or accuracy of the information in this Tender Offer Memorandum.

Neither the delivery of this Tender Offer Memorandum nor any purchase of Notes shall, under any circumstances, create any implication that the information contained in this Tender Offer Memorandum is current as of any time subsequent to the date of such information, that there has been no change in the information set out in this Tender Offer Memorandum or in the affairs of BFA since the date of this Tender Offer Memorandum or that the information in this Tender Offer Memorandum has remained accurate and complete.

No person has been authorised to give any information or to make any representation about BFA or the Offers other than as contained in this Tender Offer Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by BFA, either Dealer Managers, the Tender Agent or any of their respective agents.

Noteholders who do not participate in the Offers, or whose Notes are not accepted for purchase by BFA, will continue to hold their Notes subject to the terms and conditions of such Notes.

The applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the Offers in, from or otherwise involving the United Kingdom.

Capitalised terms used in this Tender Offer Memorandum have the meaning given in “*Definitions*” and any other definitions of such terms are for ease of reference only and shall not affect their interpretation.

All references in this Tender Offer Memorandum to € or euro refer to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

## EXPECTED TIMETABLE OF EVENTS

The times and dates below are indicative only.

Events	Times and Dates
<b><i>Commencement of the Offers</i></b>	
Offers announced. Tender Offer Memorandum available from the Dealer Managers and the Tender Agent.	28 November 2011
<b><i>Expiration Deadline</i></b>	
Final deadline for receipt of valid Tender Instructions by the Tender Agent in order for Noteholders to be able to participate in the Offers.	5:00 p.m. (Madrid time) 2 December 2011
<b><i>Announcement of Offer Results</i></b>	
Announcement of whether BFA will accept valid tenders of Notes pursuant to all or any of the Offers and, if so accepted, each Purchase Price and Series Acceptance Amount, and any Scaling Factor	As soon as reasonably practicable on 5 December 2011
<b><i>Settlement Date</i></b>	13 December 2011
Expected settlement date for the Offers	

The above times and dates are subject to the right of BFA to extend, re-open, amend, revoke and/or terminate the Offers (subject to applicable law and as provided in this Tender Offer Memorandum). Noteholders are advised to check with any bank, securities broker or other intermediary through which they hold Notes when such intermediary would need to receive instructions from a Noteholder in order for that Noteholder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, an Offer before the deadlines specified in this Tender Offer Memorandum. **The deadlines set by any such intermediary and each Clearing System for the submission of Tender Instructions will be also earlier than the relevant deadlines specified above.** See “*Procedures for Participating in the Offers*”.

Unless established otherwise, any announcement made by BFA in accordance with this Tender Offer Memorandum will be made through (a) the relevant Reuters International Insider Screen, and/or (b) the delivery of notices to Clearstream and Euroclear for communications to Direct Participants, and/or (c) the delivery of notices to Iberclear for communication to Accountholders, and/or (d) the issue of a press release to a Notifying News Service and, in connection with the Luxembourg Listed Notes, announcements will also be made by publication on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu), and/or (e) through the filing of a regulatory announcement (*hecho relevante*) with the CNMV. Copies of all such announcements, press releases and notices can also be obtained from the Tender Agent, the contact details for which are on the last page of this Tender Offer Memorandum. **Significant delays may be experienced where notices are delivered to the Clearing Systems and Noteholders are urged to contact the Tender Agent for the relevant announcements during the course of the Offers.**

## DEFINITIONS

<b>AIAF Listed Notes</b>	Has the meaning given to it on the cover pages of this Tender Offer Memorandum.
<b>AIAF Listed Notes Withdrawal Instruction</b>	The notice withdrawing a Tender Instruction in relation to the relevant AIAF Listed Notes submitted by a Noteholder of AIAF Listed Notes and sent to the Tender Agent by its Accountholder (having previously received instructions from the Noteholder), containing a final withdrawal of the acceptance contained in the relevant Tender Instruction, and the remaining information necessary for the withdrawal to be considered valid by BFA. The Withdrawal Instruction will be sent by the Accountholder either online via <a href="http://www.lucid-is.com/bfa">www.lucid-is.com/bfa</a> or by fax to the Tender Agent on +44 207 067 9098, attaching the Form of AIAF Listed Notes Withdrawal Instruction attached hereto as <b>Annex 2</b> , duly completed.
<b>Accountholder</b>	Each one of the members of Iberclear that appear on the registers thereof as Noteholders in its own name or on behalf of the relevant Noteholder.
<b>Accrued Interest</b>	Interest accrued and unpaid on the relevant Notes from (and including) the immediately preceding interest payment date for such Notes to (but excluding) the Settlement Date.
<b>Accrued Interest Payment</b>	An amount in cash (rounded to the nearest €0.01 with €0.005 rounded upwards) equal to the Accrued Interest on the relevant Notes validly tendered for purchase by a Noteholder and accepted by BFA.
<b>Announcement of Offer Results</b>	The announcement, to be made by BFA as soon as reasonably practicable on 5 December 2011 (subject to the right of BFA to extend, re-open, amend, revoke and/or terminate the Offers or, if applicable, the automatic revocation of the Offers), where BFA will announce whether it will accept valid tenders of Notes pursuant to all or any of the Offers and, if so accepted, each Purchase Price and Series Acceptance Amount, and any Scaling Factor.
<b>BFA</b>	Banco Financiero y de Ahorros, S.A.
<b>Business Day</b>	A day other than a Saturday or a Sunday or a public holiday on which commercial banks are open for business in the city of Madrid (Spain).
<b>CNMV</b>	The Spanish Market Securities Commission ( <i>Comisión Nacional del Mercado de Valores</i> ).
<b>Clearing System Notice</b>	The “ <b>Deadlines and Corporate Events</b> ” or “ <b>Aviso a las Entidades Participantes</b> ”, as the case may be, or similar form of notice to be sent to Direct Participants by Clearstream and Euroclear, or Accountholders by Iberclear (as applicable) on or about the date of this Tender Offer Memorandum informing Direct Participants and Accountholders of the procedures to be followed in order to participate in the Offers.
<b>Clearing System</b>	Euroclear, Clearstream and Iberclear.
<b>Clearstream</b>	Clearstream Banking, <i>société anonyme</i> .
<b>Dealer Managers</b>	Bankia, S.A., Merrill Lynch International and Société Générale.
<b>Direct Participant</b>	Each entity which is shown in the records of Clearstream and Euroclear as a Noteholder of any of the Luxembourg Listed Notes.
<b>Euroclear</b>	Euroclear Bank S.A./N.V.

<b>Expiration Deadline</b>	5:00 p.m. (Madrid time) on 2 December 2011 (subject to the right of BFA to extend, re-open, amend, revoke and/or terminate the Offers or, if applicable, the automatic revocation of the Offers).
<b>Iberclear</b>	The Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. with address at Plaza de la Lealtad 1, 28014 Madrid (Spain).
<b>Indirect Participant</b>	A securities broker or dealer, bank, trust company or clearing corporation that clears through or maintains a direct or indirect custodial relationship with a Direct Participant.
<b>Luxembourg Listed Notes</b>	Has the meaning given to it on the cover pages of this Tender Offer Memorandum.
<b>Minimum Increment Amount</b>	0.25 per cent.
<b>Modified Dutch Auction Procedure</b>	The modified Dutch auction procedure that will be used to determine the Purchase Price for each Series, as described in this Tender Offer Memorandum.
<b>Noteholder</b>	Means: <ol style="list-style-type: none"> <li>1. each person who is shown in the records of Iberclear and its participating entities, Clearstream or Euroclear as a Noteholder of any of the Notes; and</li> <li>2. each beneficial owner of the Notes or Noteholder of a proportionate co-ownership or equivalent beneficial interest or right in the Notes holding such Notes, directly or indirectly, in an account in the name of a Direct Participant or Accountholder (as applicable) acting on such beneficial owner's or Noteholder's behalf.</li> </ol>
<b>Notes</b>	Has the meaning given to it on the cover pages of this Tender Offer Memorandum.
<b>Notifying News Service</b>	A recognised financial news service or services (e.g., Reuters/Bloomberg) as selected by BFA.
<b>Offers</b>	The separate invitations by BFA, in each case subject to the offer restrictions referred to in “ <i>Offer and Distribution Restrictions</i> ”, to Noteholders to tender their Notes for purchase by BFA for cash, on the terms and subject to the conditions set out in this Tender Offer Memorandum.
<b>Purchase Price</b>	In respect of each Series, the purchase price (expressed as a percentage) at which BFA will purchase the Notes of such Series validly tendered and accepted for purchase pursuant to the relevant Offer.
<b>Purchase Price Payment</b>	In respect of each Series, the cash amount (rounded to the nearest €0.01 with €0.005 rounded upwards) equal to the product of (i) the nominal value of the Notes and (ii) the relevant Purchase Price (expressed as a percentage); which shall be payable by BFA for each Note of such Series validly tendered and accepted for purchase pursuant to the relevant Offer.
<b>Scaling Factor</b>	In respect of each Series, the factor to be used for any scaling of tenders of Notes of such Series pursuant to the relevant Offer, as described in this Tender Offer Memorandum. See “ <i>Further Information and Terms and Conditions - Scaling of Tenders</i> ”.
<b>Series</b>	Has the meaning given to it on the cover pages of this Tender Offer Memorandum.
<b>Series Acceptance Amount</b>	In respect of each Series, the aggregate principal amount outstanding of Notes (if any) of such Series that BFA wishes to accept for

	purchase.
<b>Settlement Date</b>	13 December 2011 (subject to the right of BFA to extend, re-open, amend, revoke and/or terminate the Offers or, if applicable, the automatic revocation of the Offers), subject to applicable law and as provided in this Tender Offer Memorandum.
<b>Target Cash Amount</b>	€ 750,000,000, being the maximum aggregate cash amount BFA proposes to spend for purchase pursuant to the Offers (although BFA reserves the right, in its sole discretion, to accept less than or more than the Target Cash Amount for purchase).
<b>Tender Agent</b>	Lucid Issuer Services Limited.
<b>Tender Instruction</b>	<p>In relation to Luxembourg Listed Notes, the electronic tender and blocking instruction in the form specified in the relevant Clearing System Notice for submission by Direct Participants to the Tender Agent via the relevant Clearing System and in accordance with the requirements of such Clearing System.</p> <p>In relation to AIAF Listed Notes, the electronic tender and blocking instruction made by a Noteholder of AIAF Listed Notes and sent to the Tender Agent by its Accountholder (having previously received instructions from the Noteholder of AIAF Listed Notes), containing a final and irrevocable declaration by the Noteholder of AIAF Listed Notes accepting the Offer, and the remaining information necessary for the acceptance to be considered valid by BFA. The Tender Instruction will be sent by the Accountholder either online via <a href="http://www.lucid-is.com/bfa">www.lucid-is.com/bfa</a> or by fax to the Tender Agent on +44 207 067 9098, attaching the Form of Tender Instruction for AIAF Listed Notes attached hereto as <b>Annex 1</b>, duly executed and completed.</p> <p>Tender Instructions in relation to the Luxembourg Listed Notes and the AIAF Listed Notes must be submitted by the Expiration Deadline in order for Noteholders to be able to participate in the relevant Offer. All Tender Instructions must specify the purchase price at which the relevant Noteholder tenders its Notes, otherwise such Tender Instruction will be rejected.</p>
<b>Total Consideration</b>	In respect of each Series, the Purchase Price Payment and the Accrued Coupon Payment which shall be payable by BFA for each Note of such Series validly tendered and accepted for purchase pursuant to the relevant Offer.

## FURTHER INFORMATION AND TERMS AND CONDITIONS

### **Rationale for the Offers**

The purpose of the Offers is to purchase certain outstanding debt of BFA and other entities within BFA Group in order to further enhance the quality and the efficiency of the BFA's regulatory capital.

Any decision by BFA Group as to the exercise of early redemption calls of any Notes not repurchased in the Offers will be evaluated based on the economic impact of such early redemption and regulatory requirements.

### **Pending authorisation from the Bank of Spain**

The purchase of the Notes pursuant to the Offers is subject to the prior authorization of the Bank of Spain which is expected to be received prior to the date on which the Announcement of Offer Results is made. However, there is no assurance that this authorisation will be received by such time.

In the event that, prior to the Announcement of Offer Results is made, the Bank of Spain has not authorised BFA to purchase the Notes, the Offers will be automatically revoked and will be no longer valid or effective and Noteholders cannot require BFA to continue with the same, even if they have already submitted a Tender Instruction to tender their Notes.

### **Total Consideration payable to Noteholders**

If BFA decides to accept valid tenders of Notes pursuant to an Offer, the total amount that will be paid to each Noteholder on the Settlement Date for the Notes accepted for purchase from such Noteholder will be an amount (rounded to the nearest €0.01 with €0.005 rounded upwards) equal to the sum of:

- (a) the product of (i) the aggregate principal amount outstanding of the Notes of such Noteholder accepted for purchase pursuant to such Offer and (ii) the relevant Purchase Price; and
- (b) the Accrued Interest Payment on such Notes.

### **Scaling of Tenders**

In the circumstances described in this Tender Offer Memorandum in which Notes of a Series validly tendered pursuant to an Offer are to be accepted on a pro rata basis, each such tender will be scaled by a factor (a "**Scaling Factor**") equal to (i) the relevant Series Acceptance Amount less the aggregate principal amount outstanding of the Notes of such Series that have been validly tendered and accepted for purchase and are not subject to acceptance on a pro rata basis, divided by (ii) the aggregate principal amount outstanding of the Notes of such Series that have been validly tendered and are subject to acceptance on a pro rata basis. Each tender of Notes that is scaled in this manner will be rounded down to the nearest denomination for the relevant Series.

In the event of any such scaling, BFA will only accept tenders of Notes subject to scaling to the extent such scaling will not result in the relevant Noteholder transferring Notes to BFA in an aggregate principal amount outstanding of less than the minimum denomination of the relevant Series.

### **Payment**

Once BFA has announced the final results in accordance with applicable law, BFA's acceptance of Notes that have been validly tendered in accordance with an Offer will be irrevocable. Each valid tender, as so accepted, will constitute binding obligations of the submitting Noteholder and BFA to settle such tender, in the manner described under "*Procedures for Participating in the Offers*". Under no circumstances will interest on the relevant Purchase Price Payment be paid by BFA by reason of any delay in making payment on the Settlement Date. To the extent the Noteholder is not a Direct Participant or an Accountholder (as applicable), payment to such Noteholder will only be made by BFA through the relevant Clearing System to the relevant Direct Participant or Accountholder (as applicable) and the making of such payment by or on behalf of BFA to such Clearing System and by such Clearing System to such Direct Participant or Accountholder (as applicable) will satisfy the respective obligations of BFA and such Clearing System in respect of payment for the Notes validly tendered and accepted for repurchase by BFA.

### **General conditions of the Offers**

BFA expressly reserves the right, in its sole discretion, to delay acceptance of tenders of Notes pursuant to an Offer in order to comply with applicable laws. In all cases, the purchase of Notes for cash pursuant to an Offer will only be made after the submission of a valid Tender Instruction in accordance with the procedures described in “*Procedures for Participating in the Offers*” including the blocking of the Notes tendered in the relevant account in the relevant Clearing System, from the date the relevant Tender Instruction is submitted until the earlier of (i) the Settlement Date, (ii) the date on which BFA announces the termination or revocation of the relevant Offer, (iii) the date on which the Offers are automatically revoked as described in “*Amendment and Termination - Automatic Revocation of the Offers*”, or (iv) the date on which a withdrawal of a Tender Instruction is validly submitted on the terms and conditions established in the Tender Offer Memorandum, and provided that the said notice is received by the Tender Agent by the established deadline. See also “*Risk Factors and Other Considerations*”.

BFA will at all times have the discretion to accept for purchase any Notes tendered in an Offer, the tender of which would otherwise be invalid or, in the sole opinion of BFA, may otherwise be invalid.

BFA is not under any obligation to accept any tender of Notes for purchase pursuant to any Offer. Tenders of Notes for purchase may be rejected in the sole discretion of BFA for any reason and BFA is not under any obligation to Noteholders to furnish any reason or justification for refusing to accept a tender of Notes for purchase. For example, tenders of Notes for purchase may be rejected if the relevant Offer is terminated, if such Offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason.

Noteholders are advised that BFA may, in its sole discretion, accept tenders of Notes pursuant to the relevant Offer on more than one date if such Offer is extended or re-opened.

The failure of any person to receive a copy of this Tender Offer Memorandum or any announcement made or notice issued in connection with the Offers shall not invalidate any aspect of the Offers. No acknowledgement of receipt of any Tender Instruction and/or other documents will be given by BFA or the Tender Agent.

### **Other conditions of the Offers**

All costs incurred by a Noteholder as a result of its participation in the Offers or its acceptance, including the sending of the Tender Instruction or, as appropriate, a withdrawal of a Tender Instruction or the delivery of the relevant Notes on the Settlement Date, will be borne by the relevant Noteholder.

All acceptances of the Offers shall be deemed to have been made on the basis of and subject to the terms and conditions set out in this Tender Offer Memorandum, and will be binding on the Noteholders who accepted the Offer.

### **Announcements**

Unless stated otherwise, announcements in connection with the Offers will be made, as applicable, through (a) the relevant Reuters International Insider Screen, and/or (b) the delivery of notices to Clearstream and Euroclear for communications to Direct Participants, and/or (c) the delivery of notices to Iberclear for communication to Accountholders, and/or (d) the issue of a press release to a Notifying News Service and, in connection with the Luxembourg Listed Notes, announcements will also be made by publication on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu), and/or (e) through the filing of a regulatory announcement (*hecho relevante*) with the CNMV. Copies of all such announcements, press releases and notices can also be obtained from the Tender Agent, the contact details for which are on the last page of this Tender Offer Memorandum. Significant delays may be experienced where notices are published through the Notifying News Services and Noteholders are urged to contact the Tender Agent for the relevant announcements during the course of the Offers. In addition, Noteholders may contact the Dealer Managers for information using the contact details on the last page of this Tender Offer Memorandum.

### **Governing law**

The Offers, any tenders of Notes in the Offers, each Tender Instruction or withdrawal of a Tender Instruction, the Tender Offer Memorandum, and any non-contractual obligations arising out of or in connection with the Offers shall be governed by and construed in accordance with Spanish common law (*legislación común española*). By submitting a Tender Instruction, the relevant Noteholder irrevocably and unconditionally agrees

for the benefit of BFA, the Dealer Managers and the Tender Agent that the courts of the city of Madrid (Spain) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the relevant Offer or such Tender Instruction or withdrawal of a Tender Instruction and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing shall be brought in such courts.

## **RISK FACTORS AND OTHER CONSIDERATIONS**

*Before making a decision whether to tender Notes pursuant to an Offer, Noteholders should carefully consider all of the information in this Tender Offer Memorandum and, in particular, the following factors:*

### **No obligation to accept tenders of Notes for purchase**

BFA is not under any obligation to accept any tender of Notes for purchase pursuant to an Offer. Tenders of Notes for purchase may be rejected in the sole discretion of BFA for any reason and BFA is not under any obligation to Noteholders to furnish any reason or justification for refusing to accept a tender of Notes for purchase. For example, tenders of Notes for purchase may be rejected if the relevant Offer is terminated, if such Offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason.

### **Automatic revocation of the Offers**

In the event that, prior to the Announcement of Offer Results is made, the Bank of Spain has not authorised BFA to purchase the Notes, the Offers will be automatically revoked and will be no longer valid or effective and the Noteholders cannot require BFA to continue with the same, even if they have already submitted a Tender Instruction to tender their Notes.

### **Responsibility for complying with the procedures of the Offers**

Noteholders are responsible for complying with all of the procedures for tendering Notes pursuant to an Offer. None of BFA, the Dealer Managers or the Tender Agent assumes any responsibility for informing any Noteholder of defects or irregularities with respect to such Noteholder's participation in any Offer, and they will therefore not be deemed liable for not having made any such notification.

### **Completion, termination and amendment**

Until BFA announces whether it has decided to accept valid tenders of Notes pursuant to all or any of the Offers, no assurance can be given that the Offers will be completed and the Notes whose Tender Instruction has been validly received in accordance with the terms and conditions of the Tender Offer Memorandum will be purchased by BFA. In addition, subject to applicable law and as provided in this Tender Offer Memorandum, BFA may, in its sole discretion, extend, re-open, amend or terminate any Offer at any time before such announcement and may, in its sole discretion, waive any of the conditions to any Offer either before or after such announcement.

### **Tender Instructions irrevocable**

Tenders Instructions will be irrevocable except in the limited circumstances described in "*Amendment and Termination*".

### **Tender Instructions must specify a purchase price**

Any Tender Instruction must specify the purchase price at which the relevant Noteholder tenders its Notes, otherwise it will be rejected.

### **Compliance with offer and distribution restrictions**

Noteholders are referred to the offer and distribution restrictions in "*Offer and Distribution Restrictions*" and the agreements, acknowledgements, representations, warranties and undertakings in "*Procedures for Participating in the Offers*", which Noteholders will be deemed to make on submission of a Tender Instruction. Noncompliance with these could result in, among other things, the unwinding of trades and/or heavy penalties.

### **Responsibility to consult advisers**

Noteholders should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating in an Offer.

None of the Dealer Managers, the Tender Agent, BFA, nor any director, officer, employee, agent or affiliate of, any such person makes any recommendation whether Noteholders should tender Notes in the Offer.

**Restrictions on transfer of Notes**

When considering whether to participate in an Offer, Noteholders should take into account that restrictions on the transfer of Notes by Noteholders will apply from the time of submission of Tender Instructions. A Noteholder will, on submitting a Tender Instruction, agree that its Notes will be blocked in the relevant account in the relevant Clearing System until the earlier of (i) the Settlement Date, (ii) the date on which BFA announces the termination or revocation of the relevant Offer, (iii) the date on which the Offers are automatically revoked as described in “*Amendment and Termination - Automatic Revocation of the Offers*”, or (iv) the date on which a withdrawal of a Tender Instruction is validly submitted on the terms and conditions established in the Tender Offer Memorandum, and provided that the said notice is received by the Tender Agent by the established deadline.

**Uncertainty as to the Trading Market for Notes not Purchased**

To the extent any tendered Notes are accepted by BFA for purchase pursuant to the Offer, the trading markets for the Notes that remain outstanding may be significantly more limited. Such remaining Notes may command a lower market price than would a comparable issue of debt securities with greater market liquidity. A reduced market value may also make the trading price of such Notes more volatile. As a result, the market price for Notes that remain outstanding after completion of the Offer may be adversely affected by the Offer. None of BFA, the Dealer Managers, the Tender Agent, nor any affiliate of, any such person has any duty to make a market in the Notes not tendered and purchased in any Offer that remain outstanding.

**Other Purchases or Redemption of Notes**

Whether or not the Offers are completed, BFA and its affiliates may, to the extent permitted by applicable law, continue to acquire, from time to time during or after the Offers, Notes other than pursuant to the Offers, including through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as they may determine, which may be more or less than the prices to be paid pursuant to the Offers and could be for cash or other consideration or otherwise on terms more or less favourable than those contemplated in the Offers.

## TAX CONSEQUENCES

The following is a summary of certain Spanish tax implications that may be relevant to Noteholders who tender Notes pursuant to the Offers. This summary does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of Noteholders, some of which may be subject to special rules.

Accordingly, Noteholders are advised to consult their own tax advisors as to the applicable tax consequences, including those under the tax laws of the country of which they are tax resident, of tendering Notes pursuant to the Offers.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as of the date of this Tender Offer Memorandum, and on administrative interpretations thereof. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retrospective effect.

**Noteholders are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them or to the transfer of their Notes and the receipt, pursuant to the Offers, of the Total Consideration, if applicable. Noteholders are liable for their own taxes and have no recourse to BFA, the Dealer Managers or the Tender Agent with respect to taxes arising in connection with the Offers.**

### Spanish Tax Considerations

#### (i) Spanish tax resident investors

##### (a) *Individuals*

Spanish tax resident individual Noteholders who tender their Notes pursuant to the Offers may obtain a taxable income subject to the Spanish Individual Income Tax (IIT) on the positive difference, if any, between the transfer price of the tendered Notes (i.e. the Total Consideration) and their acquisition or subscription price. The ancillary costs and expenses which are inherent to the acquisition (or, if applicable, to the transfer) of the Notes will also be included in the acquisition value (or deducted from the transfer value, as the case may be), provided that they are duly evidenced.

Income, if any, obtained from the transfer of the Notes under the Offers must be included in the Noteholder's IIT savings taxable base, which will be taxed at a flat rate of 19% on the first €6,000 and 21% for any amount in excess of €6,000.

Exceptionally, negative income derived from the transfer of the Notes under the Offers, in the event that a Noteholder had acquired other homogeneous securities within the two months prior or subsequent to such transfer, shall be included in his or her IIT taxable base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Spanish tax resident individual Noteholders will be exempt from Spanish withholding tax on account of IIT on any positive income derived from the transfer of the Notes to BFA under the Offer, provided that the Notes are financial assets with an explicit yield registered in book-entry forms and listed on a Spanish official secondary market (i.e. AIAF). This notwithstanding, under a specific anti-abuse provision, a 19% withholding tax shall be applied on the part of the Total Consideration that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-days period prior to the moment in which such interest is due. In this case, the obligation to withhold tax will fall on the financial entity (i.e. the Accountholder) acting on behalf of the transferor of the Notes (i.e. the Noteholder). In any event, this withholding will be creditable against the Noteholder's final IIT liability corresponding to the relevant tax year.

If the Notes are not listed on a Spanish official secondary market, Spanish withholding tax on account of IIT may be applied on the positive difference between the Total Consideration of the

Notes (i.e. the aggregate amount of the Purchase Price Payment and the Accrued Interest Payment) and their acquisition or subscription price. In this regard, Noteholders will have to evidence to the Spanish financial entity, if any, acting on their behalf the acquisition cost of the tendered Notes in the form set out in the Spanish tax laws. Otherwise, the financial entity acting on behalf of the Noteholder may refuse to intervene in the transaction or apply the 19% withholding tax on the Total Consideration received by the Noteholder as a result of tendering its Notes, i.e. the aggregate amount of the Purchase Price Payment and the Accrued Interest Payment. Finally, expenses related to the acquisition or transfer of the Notes will not be taken into account when calculating the withholding tax base.

(b) *Legal Entities*

Income derived from the tender of the Notes under the Offers by Spanish Corporate Income Tax (CIT) taxpayers (or by non-Spanish tax resident Noteholders acting, with respect to the Notes, through a permanent establishment in Spain) will be subject to CIT (at the current general flat tax rate of 30% for 2011) in accordance with the rules for this tax.

However, no withholding on account of CIT will be imposed on such income provided that the Notes are listed either on AIAF and represented in book-entry forms or in an OECD secondary market, and provided further that the relevant CIT taxpayer provides evidence of its status to the Spanish financial entity, if any, that intervenes the transaction on its behalf.

(ii) Non-Spanish tax resident investors

Under Spanish tax law, income obtained from the transfer of the Notes pursuant to the Offers by individuals or entities who are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain, will be exempt from the Spanish Non-Resident Income Tax and, therefore, from Spanish withholding tax. In order to apply the exemption, the relevant non-Spanish tax resident Noteholder may have to provide documentary evidence of its tax residency outside Spain to the Spanish financial entity, if any, that intervenes the transaction on behalf of such Noteholder.

For the avoidance of doubt and except as described above, no beneficial owner information, whether in the form of an annex or a certification, will be required to be collected nor provided to BFA or the Tender Agent in respect of Noteholders who tender their Notes under the Offers.

## PROCEDURES FOR PARTICIPATING IN THE OFFERS

*Noteholders who need assistance with respect to the procedures for participating in the Offers should contact the bank, broker or other clearing system participant through which they hold the Notes or they may contact the Tender Agent, the contact details for which are on the last page of this Tender Offer Memorandum.*

BFA will only accept tendered Notes for purchase pursuant to the Offers which are made by way of the submission of valid Tender Instructions in accordance with the procedures set out in this section “*Procedures for Participating in the Offers*”.

A Noteholder wishing to tender Notes may tender Notes of one or more Series but may not submit more than one Tender Instruction per Series.

Tender Instructions must be submitted in respect of a minimum principal amount of Notes of the relevant Series of no less than the minimum denomination for such Series.

The tender offer period will commence on 28 November 2011, and will expire on the Expiration Deadline, unless the period for accepting the Offers is extended, reopened or terminated, in each case, as provided in this Tender Offer Memorandum.

## PART I: AIAF LISTED NOTES

### Summary of Action to be Taken

To tender AIAF Listed Notes for purchase pursuant to the Offers where such Notes are deposited with an Accountholder, a Noteholder should instruct such Accountholder to send its Tender Instructions to the Tender Agent in the name and on behalf of the relevant Noteholder. If the Noteholder of the AIAF Listed Notes is an Accountholder, it must send its Tender Instruction in respect of its AIAF Listed Notes in its own name.

### Tender Instructions

All Tender Instructions must be received by the Tender Agent on or before the Expiration Deadline. The Tender Instruction must be submitted to the Tender Agent by the Accountholder, in the name and on behalf of the relevant Noteholder of AIAF Listed Notes (or in its own name if the Accountholder is a Noteholder), containing the acceptance of the sale on the terms of the Tender Offer Memorandum as well as the remaining information necessary for the acceptance to be considered valid by BFA. The notice will be made either online via [www.lucid-is.com/bfa](http://www.lucid-is.com/bfa) or by fax to the Tender Agent on +44 207 067 9098, containing the duly executed and completed form of Tender Instruction, included as **Annex 1 - Form of Tender Instruction for AIAF Listed Notes** hereto.

BFA may not accept Tender Instructions from the Accountholders received at a date and time later than the Expiration Deadline, or if they fail to meet any of the requirements or instructions required of those Tender Instructions in this Tender Offer Memorandum, with no liability in this respect and without prejudice to any eventual liability of an Accountholder that has not correctly fulfilled the instruction from the Noteholders who submitted their instructions to that Accountholder on time.

Each Tender Instruction must state the following:

- (a) The number of AIAF Listed Notes of a specific Series that the Noteholder accepts to sell under the relevant Offer, together with the total nominal value they represent.
- (b) The purchase price (specified in increments of 0.25 per cent.) that the Noteholder offers.
- (c) The number of the securities account that the Accountholder has opened in Iberclear, into which the relevant Total Consideration will be paid.
- (d) Confirmation by the Accountholder that the AIAF Listed Notes addressed in the Tender Instruction are deposited with that entity in an account opened in the name of the accepting Noteholder or, as appropriate, in the name of the financial entity or Accountholder through which the Noteholder holds those AIAF Listed Notes, and that in accordance with the records of the Accountholder, such AIAF Listed Notes are free of all liens, charges or restrictions to their transfer to BFA. If the Accountholder is the holder of AIAF Listed

Notes, it must confirm that the AIAF Listed Notes under the Tender Instruction are deposited in the entity's own account with Iberclear and that those AIAF Listed Notes are free of liens, charges or restrictions to their transfer to BFA.

- (e) Confirmation by the Accountholder that, following the instructions received from the Noteholder, it has blocked the Notes in the securities account that the Noteholder has opened in that entity and that they will remain blocked until the earliest of the following dates: (i) the Settlement Date, (ii) the date on which BFA publicly announces that it exercises its right to terminate or revoke such Offer, (iii) the date on which the Offers are automatically revoked as described in "*Amendment and Termination - Automatic Revocation of the Offers*", or (iv) the date on which the Accountholder submits an AIAF Listed Notes Withdrawal Instruction on the terms and conditions established in the Tender Offer Memorandum in "*Amendment and Termination*".

For this purpose, each Accountholder will request from the holders of the AIAF Listed Notes the relevant instructions and communications authorising the Accountholder to block the relevant AIAF Listed Notes. If an Accountholder holds the Notes in its own name and on its own behalf, the Accountholder will have to confirm that it has instructed Iberclear to proceed with the blocking of the AIAF Listed Notes under the terms and conditions provided hereto.

- (f) Confirmation by the Accountholder that the representations and warranties of the Noteholder that accepts the Offer included in the "*Procedures for Participating in the Offers- Part I: AIAF Listed Notes*" of the Tender Offer Memorandum are correct.

When the Accountholder submits a Tender Instruction on behalf of the Noteholder of AIAF Listed Notes (or, as the case may be, in its own name and on its own behalf), it will be understood that the Noteholder is aware of and accepts the Tender Offer Memorandum and that it represents and warrants to BFA, the Dealer Managers and the Tender Agent the following at such time, the Expiration Deadline and the time of settlement on the Settlement Date:

- (i) That the Noteholder is the full owner of the AIAF Listed Notes that it accepts to sell in the context of the Offers (or, in the event the holder of the AIAF Listed Notes holds formal title to the Notes, that it has full entitlement to transfer ownership over them) and that the said AIAF Listed Notes are free of all liens, charges or restrictions to their transferability;
- (ii) That the Noteholder has the full entitlement to accept the Offers and to transfer the tendered AIAF Listed Notes and, for such purposes, has obtained all applicable authorisations and met all applicable requirements;
- (iii) That it has received the Tender Offer Memorandum, and has reviewed and accepts the offer restrictions, terms, conditions, risk factors and other considerations of the relevant Offer, all as described in this Tender Offer Memorandum, and has undertaken an appropriate analysis of the implications of such Offer without reliance on BFA, either the Dealer Managers or the Tender Agent;
- (iv) It waives, represents, warrants and agrees that it shall not bring any claim or action against any of the Dealer Managers, the Tender Agent, or any of their respective directors, employees or affiliates, for any loss or damage it may suffer, directly or indirectly, as a consequence or in connection with the performance and execution of the Offers (including, without limitation, the purchase of Notes by BFA pursuant to the Offers or the subsequent cancellation of Notes) or the automatic revocation of the Offers;
- (v) That the Noteholder has accepted to sell, in the context of the Offers and subject to the terms of this Tender Offer Memorandum, the AIAF Listed Notes set out in the Tender Instruction, and for such purposes, it has given the Accountholder irrevocable instructions to submit, in its name and on its behalf, the Tender Instruction and that, when giving those instructions, it has authorised the Accountholder to block the AIAF Listed Notes in respect of which acceptance has been made on the terms of this Tender Offer Memorandum;
- (vi) That on the Settlement Date the Noteholder will transfer to BFA, on the terms of this Tender Offer Memorandum, and through the Accountholder, full title to the AIAF Listed Notes in respect of which it submitted the Tender Instruction, and that the Notes are free from all liens, charges and encumbrances;

- (vii) That the AIAF Listed Notes are at the time of acceptance, and will continue to be until the Settlement Date, held by the Accountholder in the name and on behalf of the Noteholder or, as appropriate, will be held in the entity's own account with Iberclear;
- (viii) That the Noteholder agrees with all the terms of the Offers contained in this Tender Offer Memorandum, and, in particular, irrevocably and unconditionally agrees that the courts of the city of Madrid (Spain) shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Offers, the Tender Instructions, the AIAF Listed Notes Withdrawal Instructions and the Tender Offer Memorandum;
- (ix) It agrees to ratify and confirm each and every act or thing that may be done or effected by BFA, any of its directors or any person nominated by BFA in the proper exercise of his or her powers and/or authority hereunder;
- (x) It agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by BFA to be desirable, in each case to complete the transfer of the relevant AIAF Listed Notes to BFA or its nominee against payment to it of the relevant Total Consideration for such AIAF Listed Notes and/or to perfect any of the authorities expressed to be given hereunder;
- (xi) It has observed the laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the relevant Offer or which will or may result in BFA, the Dealer Managers, the Tender Agent, or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offers;
- (xii) All authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity;
- (xiii) No information has been provided to it by BFA, or the Dealer Managers or the Tender Agent, or any of their respective directors or employees, with regard to the tax consequences for Noteholders arising from the purchase of AIAF Listed Notes by BFA pursuant to the Offers and the receipt by the Noteholder of the Total Consideration, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in an Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against BFA, the Dealer Managers or the Tender Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments;
- (xiv) Each Noteholder is not submitting more than one Tender Instruction in relation to the same holding of AIAF Listed Notes which it purports to hold.
- (xv) It is not a person to whom it is unlawful to make an invitation pursuant to the Offers under applicable securities laws and it has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Tender Instruction in respect of the AIAF Listed Notes it is tendering for purchase) complied with all laws and regulations applicable to it for the purposes of its participation in the relevant Offer;
- (xvi) Either (a) (i) it is the beneficial owner of the AIAF Listed Notes being tendered in the relevant Offer and (ii) it is not a U.S. Person, it is located and resident outside the United States and it is participating in such Offer from outside the United States or (b) (i) it is acting on behalf of the beneficial owner of the AIAF Listed Notes being tendered in the relevant Offer on a non-discretionary basis and has been duly authorised to so act and (ii) such beneficial owner has confirmed to it that it is not a U.S. Person, it is located and resident outside the United States and it is participating in such Offer from outside the United States;
- (xvii) It is not located or resident in Italy, or, if it is located or resident in Italy, it is a qualified investor, within the meaning of Article 34-ter of CONSOB Regulation no. 11971/1999;

- (xviii) It is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43 of the Financial Promotion Order, or to whom this Tender Offer Memorandum and any other documents or materials relating to the Offers may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (xix) It is not located or resident in Belgium or, if is a qualified investor, in the sense of Article 10 of the Belgium Law of 16 June 2006 on the public offer or placement instruments and the admission to trading of placement instruments on regulated markets acting in its own account;
- (xx) It is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investor (*investisseur qualifié*), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*);
- (xxi) It is not located or resident in Portugal or, if it is located or resident in Portugal, it is a qualified investor, in the sense of Article 30 of the *Código dos Valores Mobiliários*;
- (xxii) That the acceptance of the relevant Offer will not result in a breach of any relevant laws or regulations in the jurisdiction in which the Noteholder is resident or from which such Noteholder is submitting the Tender Instruction or instructs the submission of the acceptance of the relevant Offer;
- (xxiii) The terms and conditions of the relevant Offer shall be deemed to be incorporated in, and form a part of, the Tender Instruction which shall be read and construed accordingly, and that the information given by or on behalf of such Noteholder in the Tender Instruction is true and will be true in all respects at the time of the purchase of the Notes tendered on the Settlement Date; and
- (xxiv) It accepts that BFA is under no obligation to accept tenders of AIAF Listed Notes for purchase pursuant to the Offers, and accordingly such tender may be accepted or rejected by BFA in its sole discretion and for any reason.

## **General**

### ***Separate Tender Instructions***

A separate Tender Instruction must be completed on behalf of each beneficial owner and in respect of each Series.

### ***Irrevocability***

The submission of a valid Tender Instruction in accordance with the procedures set out in this section "*Procedures for Participating in the Offers - Part I: AIAF Listed Notes*" will be irrevocable (except in the limited circumstances described in "*Amendment and Termination - Revocation Rights*").

### ***Irregularities***

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Tender Instruction will be determined by BFA in its sole discretion, which determination shall be final and binding.

BFA reserves the absolute right to reject any and all Tender Instructions or revocation instructions not in proper form or for which any corresponding agreement by BFA to accept would, in the opinion of BFA and its legal advisers, be unlawful. BFA also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Tender Instructions or AIAF Listed Notes Withdrawal Instructions. BFA also reserves the absolute right to waive any such defect, irregularity or delay in respect of a particular tender of AIAF Listed Notes, whether or not BFA elects to waive similar defects, irregularities or any delay in respect of other AIAF Listed Notes.

Any defect, irregularity or delay must be cured within such time as BFA determines, unless waived by it. Tender Instructions will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of BFA, the Dealer Managers or the Tender Agent shall be under any duty to give notice

to a Noteholder of any defects, irregularities or delays in any Tender Instruction or revocation instruction nor shall any of them incur any liability for failure to give such notice.

#### ***Transfer of AIAF Listed Notes***

On the Settlement Date, the Accountholders through which the relevant Noteholders of AIAF Listed Notes have submitted the Tender Instructions will transfer the relevant AIAF Listed Notes in respect of which the relevant Offer has been accepted, against payment of the Total Considerations, to the securities account of Bankia, S.A. at Iberclear (the “**Bankia Iberclear Account**”).

Details of the Bankia Iberclear Account will be communicated to the relevant Accountholders by BFA via the Tender Agent on the day before the Settlement Date, at the latest.

#### ***Holders of Noteholder of AIAF Listed Notes not appearing in the registers of Iberclear or of an Accountholder***

Any Noteholder of AIAF Listed Notes that does not appear as a holder of the AIAF Listed Notes in the registers of Iberclear or of an Accountholder must contact the financial entity or Accountholder through which it holds the AIAF Listed Notes, so that the latter may carry out the steps necessary to accept the relevant Offers on the terms of the Tender Offer Memorandum.

If the Noteholder of AIAF Listed Notes is a holder thereof through a member of Euroclear and/or Clearstream, it must contact as soon as possible the financial entity or accountholder through which it holds the AIAF Listed Notes and, in any event, sufficiently in advance so that (i) it is possible for all the steps and all the notices necessary to be taken and made between the clearing systems, liaison entities and accountholders and (ii) the Tender Instructions may be received within the tender offer period, by the Accountholder in which the AIAF Listed Notes have been deposited so that the Accountholder may submit the Tender Instruction to the Tender Agent by the Expiration Deadline. In order for the Noteholders of AIAF Listed Notes and the members of Euroclear and/or Clearstream to submit acceptances, they will follow the procedures and requirements that have been or are in the future established by the relevant clearance and settlement system.

#### ***Submission of AIAF Listed Notes Withdrawal Instructions***

The Tender Instructions in relation to the tender of AIAF Listed Notes will be revoked by submitting a AIAF Listed Notes Withdrawal Instruction that will contain a final withdrawal of the acceptance contained in the relevant Tender Instruction, and the remaining information necessary for the withdrawal to be considered valid by BFA (see **Annex 2 - Form of AIAF Listed Notes Withdrawal Instruction**). The Tender Agent must receive the AIAF Listed Notes Withdrawal Instruction within the deadline established in the relevant notice and following the same procedure established for the acceptance of the Offers.

BFA will conclude that, when an AIAF Listed Notes Withdrawal Instruction has not been submitted by a Noteholder or received by the Tender Agent by the established deadline in the relevant announcement, that Noteholder has accepted the Offers on the new terms and conditions, despite it being less favourable for the Noteholders.

#### ***Governing Law***

The Offers, the Tender Offer Memorandum, each Tender Instruction or AIAF Listed Notes Withdrawal Instruction and any purchase of Notes pursuant to the Offers, and any non-contractual obligations arising out of or in connection with the Offers, shall be governed by and construed in accordance with Spanish common law (*legislación común española*). By submitting a Tender Instruction, the relevant Noteholder irrevocably and unconditionally agrees for the benefit of BFA, the Dealer Managers and the Tender Agent that the courts of the city of Madrid (Spain) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the relevant Offer or such Tender Instruction or AIAF Listed Notes Withdrawal Instruction and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing shall be brought in such courts.

## PART II: LUXEMBOURG LISTED NOTES

### Summary of Action to be Taken

To tender Luxembourg Listed Notes pursuant to the Offers, a Noteholder should deliver, or arrange to have delivered on its behalf, via Clearstream or Euroclear, as applicable, and in accordance with the requirements of such Clearing System, a valid Tender Instruction that is received by the Tender Agent by the Expiration Deadline.

*Noteholders of Luxembourg Listed Notes are advised to check with any bank, securities broker or other intermediary through which they hold Luxembourg Listed Notes whether such intermediary needs to receive instructions from a Noteholder before the deadlines specified in this Tender Offer Memorandum in order for that Noteholder to be able to participate in, or (in the limited circumstances in which revocation is permitted) withdraw their instruction to participate in, the Offers. **The deadlines set by each of Clearstream and Euroclear for the submission and withdrawal of Tender Instructions will be earlier than the relevant deadlines specified in this Tender Offer Memorandum.***

Noteholders of Luxembourg Listed Notes who do not have access to an account in either of Clearstream or Euroclear (either directly or through a Direct Participant or other intermediary), or who do not deposit the Luxembourg Listed Notes which they wish to tender with a Direct Participant in either Clearstream or Euroclear, will not be able to submit a Tender Instruction to the Tender Agent and will not be eligible to participate in the Offers.

**Noteholders of Luxembourg Listed Notes should read the sections of this Tender Offer Memorandum under the chapter entitled “Tax Consequences – Spanish Tax Considerations”.**

### Tender Instructions

The tender of Luxembourg Listed Notes by a Noteholder will be deemed to have occurred upon receipt by the Tender Agent through either Clearstream or Euroclear of a valid Tender Instruction submitted in accordance with the requirements of such Clearing System and for which relevant beneficial owner information has been submitted in accordance with the procedures of the relevant Clearing System. The transmission or entry of such Tender Instruction by or through either Clearstream or Euroclear will be acknowledged by, or visible on the internal systems of, such Clearing System in accordance with the standard practices of such Clearing System and will result in the “blocking” (as such term is generally employed in the securities custody industry) of the Luxembourg Listed Notes in the Noteholder's account with the relevant Clearing System so that no transfers may be effected in relation to such Luxembourg Listed Notes.

Holders must take the appropriate steps through the relevant Clearing System so that no transfers may be effected in relation to such blocked Luxembourg Listed Notes at any time after the date of submission of such Tender Instruction until such Luxembourg Listed Notes are no longer blocked, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such Luxembourg Listed Notes in the relevant Clearing System, each Direct Participant will be deemed to direct the Clearstream or Euroclear, as applicable, to provide details concerning such Direct Participant's identity and account information to the Tender Agent (and for the Tender Agent to provide such details to BFA and the Dealer Manager, and their legal advisers).

**Only Direct Participants may submit Tender Instructions. Each Noteholder of Luxembourg Listed Notes that is not a Direct Participant must arrange for the Direct Participant through which such Noteholder holds its Luxembourg Listed Notes to submit a valid Tender Instruction on its behalf to Clearstream or Euroclear, as applicable, before the deadlines specified by the relevant Clearing System.**

It is a term of the Offers that Tender Instructions are irrevocable except in the limited circumstances described in “*Amendment and Termination - Revocation Rights*”. In such circumstances, Tender Instructions may be withdrawn by a Noteholder, or the relevant Direct Participant on its behalf, by submitting a withdrawal instruction to the Tender Agent (that is received by the relevant deadline), through the facilities of Clearstream or Euroclear, as applicable. To be valid, such instruction must reference the original Tender Instruction, the amount of Luxembourg Listed Notes to which the original Tender Instruction related, the principal amount of Luxembourg Listed Notes for which the Tender Instruction is requested to be withdrawn or revoked, the

securities account to which such Luxembourg Listed Notes are credited and any other information required by the Tender Agent or Clearstream or Euroclear, as applicable.

By submitting a valid Tender Instruction through Clearstream or Euroclear in accordance with the standard procedures of such Clearing System, a Noteholder of Luxembourg Listed Notes and any Direct Participant submitting such Tender Instruction on such Noteholder's behalf shall be deemed to agree, and acknowledge, represent, warrant and undertake, to BFA, the Tender Agent and the Dealer Managers the following at such time, the Expiration Deadline and the time of settlement on the Settlement Date (if a Noteholder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Noteholder or Direct Participant should contact the Tender Agent immediately):

- (a) it is the full owner of the Luxembourg Listed Notes that it accepts to sell in the context of the Offers (or, in the event the Noteholder of the Luxembourg Listed Notes holds formal title to such Luxembourg Listed Notes, that it has full entitlement to transfer ownership over them) and that said Luxembourg Listed Notes are free of all liens, charges or restrictions to their transferability;
- (b) that the Noteholder has the full entitlement to accept the Offers and to transfer the tendered Luxembourg Listed Notes and, for such purposes, has obtained all applicable authorisations and met all applicable requirements;
- (c) it has received the Tender Offer Memorandum, and has reviewed and accepts the offer restrictions, terms, conditions, risk factors, and other considerations of the relevant Offer, all as described in this Tender Offer Memorandum, and has undertaken an appropriate analysis of the implications of such Offer without reliance on BFA, the Dealer Managers or the Tender Agent;
- (d) it waives, represents, warrants and agrees that it shall not bring any claim or action against any of the Dealer Managers, the Tender Agent, or any of their respective directors, employees or affiliates, for any loss or damage it may suffer, directly or indirectly, as a consequence or in connection with the performance and execution of the Offers (including, without limitation, the purchase of Notes by BFA pursuant to the Offers or the subsequent cancellation of Notes) or the automatic revocation of the Offers;
- (e) by blocking the Luxembourg Listed Notes in the relevant Clearing System, it will be deemed to consent, in the case of a Direct Participant, to have such Clearing System provide details concerning its identity and account information to the Tender Agent (and for the Tender Agent to provide such details to BFA and the Dealer Manager, and their respective legal advisers);
- (f) upon the terms and subject to the conditions of the Offers, it tenders in the Offer the Luxembourg Listed Notes of the aggregate principal amount blocked in its account in the relevant Clearing System and, subject to and effective upon such tender by BFA, it renounces all right, title and interest in and to all such Luxembourg Listed Notes tendered by or at the direction of BFA and waives and releases any rights or claims it may have against BFA with respect to any such Luxembourg Listed Notes and the relevant Offer;
- (g) that the Noteholder agrees with all the terms of the Offers contained in this Tender Offer Memorandum, and, in particular, irrevocably and unconditionally agrees that the courts of the city of Madrid (Spain) shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Offers, the Tender Instructions, the withdrawal of a Tender Instructions and the Tender Offer Memorandum;
- (h) it agrees to ratify and confirm each and every act or thing that may be done or effected by BFA, any of their respective directors or any person nominated by BFA in the proper exercise of his or her powers and/or authority hereunder;
- (i) it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by BFA to be desirable, in each case to complete the transfer of the Luxembourg Listed Notes to BFA or its nominee and/or to perfect any of the authorities expressed to be given hereunder;
- (j) it has observed the laws of all relevant jurisdictions obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the relevant Offer or which will or may result in BFA, the Dealer Managers, the Tender Agent, or any other person

- acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offers;
- (k) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity;
  - (l) no information has been provided to it by BFA, or the Dealer Managers or the Tender Agent, or any of their respective directors or employees, with regard to the tax consequences for Noteholders arising from the purchase of Luxembourg Listed Notes by BFA pursuant to the Offers and the receipt by the Noteholder of the Total Consideration, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in an Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against BFA, the Dealer Managers or the Tender Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments;
  - (m) each Noteholder is not submitting more than one Tender Instruction in relation to the same holding of Luxembourg Listed Notes which it purports to hold.;
  - (n) it is not a person to whom it is unlawful to make an invitation pursuant to the Offers under applicable securities laws and it has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Tender Instruction in respect of the Luxembourg Listed Notes it is tendering for purchase) complied with all laws and regulations applicable to it for the purposes of its participation in the relevant Offer;
  - (o) either (a) (i) it is the beneficial owner of the Luxembourg Listed Notes being tendered in the relevant Offer and (ii) it is not a U.S. Person, it is located and resident outside the United States and it is participating in such Offer from outside the United States or (b) (i) it is acting on behalf of the beneficial owner of the Luxembourg Listed Notes being tendered in the relevant Offer on a non-discretionary basis and has been duly authorised to so act and (ii) such beneficial owner has confirmed to it that it is not a U.S. Person, it is located and resident outside the United States and it is participating in such Offer from outside the United States;
  - (p) it is not located or resident in Italy, or, if it is located or resident in Italy, it is a qualified investor, within the meaning of Article 34-ter of CONSOB Regulation no. 11971/1999;
  - (q) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43 of the Financial Promotion Order, or to whom this Tender Offer Memorandum and any other documents or materials relating to the Offers may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
  - (r) it is not located or resident in Belgium or, if is a qualified investor, in the sense of Article 10 of the Belgium Law of 16 June 2006 on the public offer or placement instruments and the admission to trading of placement instruments on regulated markets acting in its own account;
  - (s) it is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investor (*investisseur qualifié*), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*);
  - (t) it is not located or resident in Portugal or, if it is located or resident in Portugal, it is a qualified investor, in the sense of Article 30 of the *Código dos Valores Mobiliários*;
  - (u) that the acceptance of the relevant Offer will not result in a breach of any relevant laws or regulations in the jurisdiction in which the Noteholder is resident or from which such Noteholder is submitting the Tender Instruction or instructs the submission of the acceptance of the relevant Offer;

- (v) it has full power and authority to tender and transfer the Luxembourg Listed Notes tendered and, if such Luxembourg Listed Notes are accepted for purchase by BFA, such Luxembourg Listed Notes will be transferred to, or to the order of, BFA with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached to such Luxembourg Listed Notes, and it will, upon request, execute and deliver any additional documents and/or do such other things deemed by BFA to be necessary or desirable to complete the transfer and cancellation of such Luxembourg Listed Notes or to evidence such power and authority;
- (w) it holds and will hold, until the time of settlement on the Settlement Date, the Luxembourg Listed Notes blocked in the relevant Clearing System and, in accordance with the requirements of, and by the deadline required by, such Clearing System, it has submitted, or has caused to be submitted, a Tender Instruction to such Clearing System to authorise the blocking of the Luxembourg Listed Notes tendered with effect on and from the date of such submission so that, at any time pending the transfer of such Luxembourg Listed Notes on the Settlement Date to BFA, or to its agent on its behalf, no transfers of such Existing Luxembourg Listed Notes may be effected unless such blocking instructions are properly withdrawn in accordance with the terms of the Offers;
- (x) the terms and conditions of the Offers shall be deemed to be incorporated in, and form a part of, the Tender Instruction which shall be read and construed accordingly, and that the information given by or on behalf of such Noteholder of Luxembourg Listed Notes in the Tender Instruction is true and will be true in all respects at the time of the settlement on the Settlement Date; and
- (y) it accepts BFA is under no obligation to accept tendered Luxembourg Listed Notes pursuant to the Offers, and accordingly such offers may be accepted or rejected by BFA in its sole discretion and for any reason.

The receipt of a Tender Instruction by the relevant Clearing System will constitute instructions to debit the securities account of the relevant Direct Participant on the Settlement Date in respect of all of the Luxembourg Listed Notes that the relevant Noteholder has tendered, upon receipt by such Clearing System of an instruction from the Tender Agent for such Luxembourg Listed Notes to be transferred to the specified account of Bankia, S.A. or its agent on its behalf and against payment by BFA of the Total Consideration, subject to the automatic withdrawal of those instructions on the date of any termination of the relevant Offer (including where such Luxembourg Listed Notes are not accepted for purchase by BFA) or on the valid withdrawal of such Tender Instruction, in the limited circumstances in which such withdrawal is permitted as described in “*Amendment and Termination*”, and subject to acceptance of the relevant Offer by BFA and all other conditions of such Offer.

## **General**

### ***Tender Instructions***

A separate Tender Instruction must be completed on behalf of each beneficial owner and in respect of each Series.

### ***Irrevocability***

The submission of a valid Tender Instruction in accordance with the procedures set out in this section “*Procedures for Participating in the Tender Offer*” will be irrevocable (except in the limited circumstances described in “*Amendment and Termination*”).

### ***Irregularities***

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Tender Instruction will be determined by BFA in its sole discretion, which determination shall be final and binding.

BFA reserves the absolute right to reject any and all Tender Instructions or revocation instructions not in proper form or for which any corresponding agreement by BFA to accept would, in the opinion of BFA and its legal advisers, be unlawful. BFA also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Tender Instructions or revocation instructions. BFA also reserves the absolute right to waive any such defect, irregularity or delay in respect of particular tenders of Luxembourg Listed Notes, whether or not BFA elects to waive similar defects, irregularities or any delay in respect of any other tenders of Luxembourg Listed Notes. Any defect, irregularity or delay must be cured within such time as BFA determines,

unless waived by it. Tender Instructions will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of BFA, the Dealer Managers or the Tender Agent shall be under any duty to give notice to a Noteholder of Luxembourg Listed Notes of any defects, irregularities or delays in any Tender Instruction or revocation instruction, nor shall any of them incur any liability for failure to give such notice.

***Governing Law***

The Offers, the Tender Offer Memorandum, each Tender Instruction or withdrawal of Tender Instructions and any purchase of Notes pursuant to the Offers, and any non-contractual obligations arising out of or in connection with the Offers, shall be governed by and construed in accordance with Spanish common law (*legislación común española*). By submitting a Tender Instruction, the relevant Noteholder irrevocably and unconditionally agrees for the benefit of BFA, the Dealer Managers and the Tender Agent that the courts of the city of Madrid (Spain) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the relevant Offer or such Tender Instruction or revocation of such Tender Instruction and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing shall be brought in such courts.

## AMENDMENT AND TERMINATION

### Amendment and Termination

BFA reserves the right to unilaterally amend, extend or reduce any of the time periods established in the Tender Offer Memorandum.

In respect to any or all Offers, BFA also reserves the right to unilaterally, at any time on or before the Announcement of Offer Results is made (unless the Offers are automatically revoked as described in “*Amendment and Termination - Automatic Revocation of the Offers*”):

- (a) extend the Expiration Deadline for, or re-open, such Offer (in which case all references in this Tender Offer Memorandum to “Expiration Deadline” shall for the purposes of such Offer, unless the context otherwise requires, be to the latest time and date to which such Expiration Deadline has been so extended or such Offer re-opened);
- (b) otherwise extend, re-open or amend such Offer in any respect (including, but not limited to, any increase, decrease, extension, re-opening or amendment, as applicable, in relation to the applicable Expiration Deadline, Settlement Date, Minimum Increment Amount and/or Purchase Price); or
- (c) terminate or revoke such Offer, including with respect to an Offer which Tender Instructions have been submitted before the time of such termination or revocation.

BFA will announce the withdrawal or revocation of an Offer or any material change to the time periods, or to the terms and conditions of any of the Offers. BFA will ensure an announcement is made in respect of any such extension, re-opening, amendment, revocation or termination as soon as is reasonably practicable after the relevant decision is made as described under “*Further Information and Terms and Conditions- Announcements*” above. The amendment, extension, withdrawal or revocation will be understood to have been made on the date on which the said announcement is published in any of the Notifying News Services. All the announcements, notices and information related to the Offers may be obtained from the Tender Agent, the particulars of which are included on the final page of this Tender Offer Memorandum.

Amendments to the terms and conditions of the Offers, and even its withdrawal or revocation, may be carried out before or after a Tender Instruction has been submitted by an Accountholder to the Tender Agent. Insofar as the Tender Instructions are final and irrevocable from the moment they are submitted, the Noteholders will continue to be bound by their Tender Instruction regardless of whether the change made by BFA takes place after that Tender Instruction has been submitted.

A decision of BFA to spend less than or more than the Target Cash Amount for purchase pursuant to the Offers shall not be deemed an amendment of the Tender Offer Memorandum and/or the Offers and does not need to be announced by BFA.

### Automatic Revocation of the Offers

In the event that, prior to the Announcement of Offer Results is made, the Bank of Spain has not authorised BFA to purchase the Notes, the Offers will be automatically revoked and will be no longer valid or effective and the Noteholders cannot require BFA to continue with the same, even if they have already submitted a Tender Instruction to tender their Notes.

### Revocation Rights

If BFA amends an Offer in any other way (including by way of the making of any announcement, or the issue of any supplement or other form of update to this Tender Offer Memorandum, in which any material development is disclosed) that, in the opinion of BFA (in consultation with the Dealer Managers), is materially prejudicial to Noteholders that have already submitted Tender Instructions for such Offer before the announcement of such amendment (which announcement shall include a statement that in the opinion of BFA such amendment is materially prejudicial to such Noteholders), then such Tender Instructions may be withdrawn at any time from the date and time of the announcement of such amendment until 5:00 p.m. (Madrid time) on the second Business Day following the announcement of such amendment.

For the avoidance of doubt, a decision by BFA to accept less than or more than the Target Cash Amount for purchase pursuant to the Offers shall not be considered materially prejudicial to Noteholders that have submitted Tender Instructions.

Noteholders wishing to exercise any right of revocation as set out above should do so in accordance with the procedures set out in “*Procedures for Participating in the Tender Offers – Part I: AIAF Listed Notes - General - Submission of AIAF Listed Notes Withdrawal Instructions*” (in the case of Noteholders of AIAF Listed Notes), and “*Procedures for Participating in the Tender Offers – Part II: Luxembourg Listed Notes – Tender Instructions*” (in the case of Noteholders of Luxembourg Listed Notes). Beneficial owners of Notes that are held through an intermediary are advised to check with such entity when it needs to receive instructions to withdraw a Tender Instruction in order to meet the above deadline. For the avoidance of doubt, any Noteholder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Tender Instruction will remain effective.

## **DEALER MANAGERS AND TENDER AGENT**

BFA has retained Bankia, S.A., Merrill Lynch International and Société Générale to act as Dealer Managers for the Offers and Lucid Issuer Services Limited to act as Tender Agent. BFA has entered into a Dealer Manager Agreement with the Dealer Managers which contains certain provisions regarding payment of fees, expense reimbursement and indemnity arrangements relating to the Offers.

For the purposes of the settlement of the Offers on the Settlement Date, the Accrued Interest Payment for each Noteholder in respect of the Notes validly tendered for purchase by such Noteholder and accepted by BFA will be calculated by BFA. Such calculation will, absent manifest error, be conclusive and binding on the Noteholders.

The Dealer Managers and their respective affiliates may contact Noteholders regarding the Offers and may request brokerage houses, custodians, nominees, fiduciaries and others to forward this Tender Offer Memorandum and related materials to Noteholders.

The Dealer Managers and their respective affiliates have provided and continue to provide certain investment banking services to BFA for which they have received and will receive compensation that is customary for services of such nature.

None of the Dealer Managers, the Tender Agent or any of their respective directors, employees or affiliates assume any responsibility for the accuracy or completeness of the information concerning the Offers, BFA, any of its affiliates or the Notes contained in this Tender Offer Memorandum or for any failure by BFA to disclose events that may have occurred and may affect the significance or accuracy of such information.

Each Dealer Manager may (i) submit Tender Instructions for its own account and (ii) submit Tender Instructions (subject to the offer restrictions set out in “*Offer and Distribution Restrictions*”) on behalf of Noteholders.

None of the Dealer Managers, the Tender Agent, BFA or any of their respective directors, employees or affiliates make any representation or recommendation whatsoever regarding the Offers, or any recommendation as to whether Noteholders should tender Notes in the Offers.

The Tender Agent is the agent of BFA and owes no duty to any Noteholder.

**ANNEX 1.- FORM OF TENDER INSTRUCTION FOR AIAF LISTED NOTES**

**Ref: Tender Offer to purchase AIAF Listed Notes**

**(ISIN: [●])**

In relation to the Offer to purchase [*details of the relevant Series*] tendered by BFA, the Accountholder referred to below, acting for and on behalf of [*name of the Noteholder*] (or as the case may be, in its own name and on its own behalf), accepts, in accordance with the Tender Offer Memorandum, the sale of the Notes referred to below to BFA.

The Accountholder, in its own name and on its own behalf represents: (i) that the Notes addressed in this Tender Instruction will be deposited [(a) with it, in an account open in the name of [*name of the Noteholder*] / [*name of the financial entity or accountholder through which the Noteholder holds them*] in the name of [*name of the Noteholder*] / (b) in its own account in Iberclear]; (ii) that it [has blocked the Notes addressed in this Tender Instruction in the terms of the Tender Offer Memorandum / has instructed Iberclear to block the Notes in the terms and conditions of the Tender Offer Memorandum]; (iii) that on the Settlement Date the Notes in respect of which a Tender Instruction has been accepted, will be transferred to the Bankia Iberclear Account, on the terms of the Tender Offer Memorandum; and (iv) that it confirms each and every one of the representations and warranties expressed in section “*Procedures for Participating in the Offers - Part I: AIAF Listed Notes*” of the Tender Offer Memorandum.

Date	
Accountholder	
Noteholder NIF/CIF	
Purchase price to be offered <sup>1</sup>	
Number of AIAF Listed Notes in respect of which Tender Instruction is submitted	
Total nominal value of the AIAF Listed Notes to be tendered	
Number of the Iberclear securities account of the Accountholder	

All the capitalised terms used and not expressly defined in this notice have the meaning given to them in the Tender Offer Memorandum.

Contact name:

Telephone number:

Email:

Fax:

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<sup>1</sup> Purchase prices may only be expressed in increments of 0.25 per cent., being the Minimum Increment Amount 0.25 per cent. Any Tender Instruction submitted without specifying any purchase price will be rejected.

## ANNEX 2.- FORM OF AIAF LISTED NOTES WITHDRAWAL INSTRUCTION

### Ref: Tender Offer to purchase AIAF Listed Notes

(ISIN: [●])

In relation to the Offer to purchase [*details of the relevant Series*] tendered by BFA, the Iberclear member referred to below notified, in the name and on behalf of [*name of the Noteholder*] (or as the case may be, in its own name and on its own behalf), the acceptance of the Offer on [●] [●] 2011 at [●] by means of the attached [[●] /fax].

On [●] [●] 2011 BFA announced the modification of the terms and conditions of this Offer and has considered those modifications to be materially prejudicial to the Noteholders.

In accordance with the Tender Offer Memorandum, the Iberclear member referred to below, on behalf of [*name of the Noteholder*] (or as the case may be, in its own name and on its own behalf), wishes to withdraw the acceptance of the Offer in respect of the number of Notes indicated below.

Date	
Accountholder	
Noteholder NIF/CIF	
Number of AIAF Listed Notes in respect of which Tender Instruction is withdrawn	
Total nominal value of the AIAF Listed Notes that it finally tender	
Number of Iberclear securities account of the Accountholder	

All the capitalised terms used and not expressly defined in this notice have the meaning given to them in the Tender Offer Memorandum

Contact name:

Telephone:

Email:

Fax:

**THE OFFEROR**

**Banco Financiero y de Ahorros, S.A.**

Pºde la Castellana, 189  
28046 Madrid  
Spain  
Tel: +34 91 423 9292  
Fax: +34 91 423 5155  
Attention: Álvaro Jover  
Email: [ajover@bankia.com](mailto:ajover@bankia.com)

**DEALER MANAGERS**

**Bankia, S.A.**

Pºde la Castellana, 189  
28046 Madrid  
Spain  
Tel: +34 91 423 13 82  
Attn: Syndicate: Joaquin Poblet /  
DCM: Ricardo Benede  
Email: [jpoblet@bankia.com](mailto:jpoblet@bankia.com) /  
[rbenede@bankia.com](mailto:rbenede@bankia.com)

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Attn: Liability Management Group –  
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Attn: Cyril Chatelain  
Email:  
[liability.management@sgcib.com](mailto:liability.management@sgcib.com)

**TENDER AGENT**

**Lucid Issuer Services Limited**

Leroy House  
436 Essex Road  
London N1 3QP  
United Kingdom  
For information by telephone: +44 20 7704 0880  
Fax: + 44 20 7067 90 98  
Attention: David Shilson, Sunjeeve Patel  
Email: [bfa@lucid-is.com](mailto:bfa@lucid-is.com)

**LEGAL ADVISERS**

To the Dealer Managers as to Spanish Law

**Uría Menéndez Abogados, S.L.P.**

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