

MEMORANDUM AND ARTICLES OF ASSOCIATION: BANCO
DE CREDITO LOCAL DE ESPAÑA, S. A.

CHAPTER I

NAME, OBJECTS, REGISTERED OFFICER AND DURATION OF THE COMPANY

ARTICLE 1 – COMPANY NAME

The company bearing the name BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. is a Spanish company limited by shares [*sociedad anónima*] governed by the *Ley de Sociedades Anónimas* [Spanish Companies Act], by this memorandum and articles of association, by the statutory provisions governing credit institutions by the rest of applicable laws and regulations.

ARTICLE 2 – OBJECTS OF THE COMPANY

The objects of the company are the performance of classes of business, transactions, acts, contracts and services of the banking industry and businesses directly or indirectly connected with it or allowed to the company by law; and, in particular, activities directed at the furtherance, development and financing of municipalities, provinces, islands and devolved regions [*comunidades autónomas*], their companies and corporations, their subsidiaries and investees, and, in general, the bodies and institutions within the public sector and other entities directly or indirectly connected with the public sector or serving its interests.

The objects of the company further comprise the acquisition, holding, enjoyment and disposal of securities, public bids for acquisition and sale of securities, and all classes of holdings in any company or enterprise.

ARTICLE 3 – REGISTERED OFFICE AND BRANCHES

The registered office of the company is situated at Madrid, Plaza de Santa Bárbara, 2. The company may, by a resolution of the board of directors, move its registered office at any time within one and the same municipality.

The board of directors may create, disestablish and move such branch offices, agent offices, delegations and representative offices as it sees fit in Spain and overseas subject to applicable current laws and regulations.

ARTICLE 4 – DURATION AND START OF OPERATIONS

The duration of the company is unlimited. The company's operations start on the day of execution of its incorporation.

CHAPTER II

SHARE CAPITAL, SHARES AND SHAREHOLDERS

ARTICLE 5 – SHARE CAPITAL

Share capital is fixed at ONE HUNDRED AND FIFTY-ONE MILLION, FORTY-TWO THOUSAND, NINE HUNDRED AND EIGHTY-THREE EURO, FORTY-FOUR EUROCENTS (€151,042,983.44), in the form of TWENTY-FIVE MILLION, ONE HUNDRED AND THIRTY-ONE THOUSAND, NINE HUNDRED AND FORTY-FOUR (25,131,944) registered shares, each of a value of SIX EURO, ONCE EUROCENT (€6.01), all being of a single class, numbered from 1 to 25,131,944, both inclusive, and wholly subscribed and paid up.

ARTICLE 6 – INCREASE AND DECREASE OF SHARE CAPITAL

The bank's capital may be increased or decreased, at the proposal of the board of directors, by a resolution of the general meeting, pursuant to the current legislation on companies and related statutory provisions.

The general meeting may delegate to the board of directors the power to designate the day on which a previously passed resolution to increase or decrease share capital is to be given effect, in the amount resolved upon, and to lay down the terms of such increase or decrease in all matters not provided for in the general meeting's resolution, always within the limitation period laid down by law.

The general meeting may further delegate to the board of directors the power to resolve, on one or more occasions, an increase in share capital up to a specified amount, at the time and in such amount as the board may determine, without need of prior reference to the general meeting. Any such increase must be effected within the limitation period laid down by law.

Share capital may be increased by issuance of new shares or by raising the nominal value of existing shares. In either event, the source of the increase in capital may consist of fresh monetary or non-monetary contributions to equity, including the set-off of claims held against the company, or in the conversion of reserves or retained earnings already recognised in equity.

ARTICLE 7 – CO-OWNERSHIP, USUFRUCT AND PLEDGE

Shares are indivisible. Co-owners of a share must appoint a single person to exercise shareholder rights and are jointly and severally liable to the company for any obligations arising from the status of shareholder. The same rule applies to events of common title to rights over the shares.

In the event of usufruct of a share, the status of shareholder rests with the bare owner, but the usufructuary is entitled to any dividend declared by the company during the usufruct. The exercise of the rest of shareholder rights falls to the bare owner.

In the event of a pledge of shares, the exercise of shareholder rights rests with the owner. The pledgee must allow the exercise of such rights by producing the company shares whenever so required for such exercise.

ARTICLE 8 – SHARES: DOCUMENTARY RECORD AND REGISTRATION

A) DOCUMENTARY RECORD:

The shares are registered shares, and will be recorded in a register the original of which will remain in the company's possession.

Certificates representing single or multiple shares must be printed in the form and with the content required by law. Signatures on certificates or register statements may be printed mechanically or using stamps or seals.

B) REGISTER:

All shares documented in the form of certificates will be on record in a register in which will be registered any transfer of shares, with particulars of the name, surname or, if applicable, corporate name, and address of successive holders, and of the creation of any rights in rem and other liens on the shares.

The company will treat as a shareholder only such person as is properly on record in the register of shareholders.

ARTICLE 9 - RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The content, scope, limits and terms and conditions of the rights and obligations of shareholders are governed by this memorandum and articles of association and by current laws and regulations.

ARTICLE 10 – NON-VOTING SHARES

The company may issue non-voting shares within the statutory limits.

A holder of a non-voting share will be entitled to receive a minimum fixed or variable annual dividend as resolved by the general meeting and/or board of directors upon deciding to issue such share. That minimum dividend having been determined, the holder of a non-voting share will be entitled to the same dividend accruing to an ordinary share.

The statutory regime applicable to non-voting shares and the rights attached to them is prescribed in articles 91 and 92 of the consolidated text of the Spanish Companies Act and in any implementing or amending enactments.

All articles of this memorandum and articles of association must be construed and interpreted so as always to remain consistent with the statutory regime applicable to non-voting shares.

ARTICLE 11 – CAPITAL CALLS

Part-paid shares are subject to articles 42 to 46, both inclusive, of the consolidated text of the Spanish Companies Act.

ARTICLE 12 – TRANSFER AND TRANSMISSION

Shares are alienable and transferable by all means permitted in law.

Any transfer or transmission of shares or creation of rights in rem therein must, pursuant to the law, be advised to the company in writing so that such transfer or transmission or creation of rights in rem may be recorded in the appropriate register and become effective as before the company, subject to exhibition of certificates in event of endorsement.

ARTICLE 13 – BOND ISSUANCE

The company may issue bonds, notes and similar securities, whether convertible, exchangeable or otherwise, straight, mortgage-secured, subscribable in cash or in specie, and subject to any other condition, mode or characteristic.

Any delegation of powers by the general meeting to the board of directors in connection with the issuance of bonds must be consistent with legal requirements.

CHAPTER III

GOVERNANCE, MANAGEMENT AND REPRESENTATION OF THE COMPANY

ARTICLE 14 – GOVERNING BODIES

The powers of governance, management, representation and oversight of the company rest with:

- the company in general meeting;
- the board of directors;
- other governing bodies of the company.

THE COMPANY IN GENERAL MEETING

ARTICLE 15 – SOVEREIGN BODY

The company in general meeting, whenever properly constituted, is the sovereign body of the company, and its validly passed resolutions bind all shareholders, including those abstaining or dissenting, non-voting shareholders and those absent, subject to the rights of challenge and expulsion provided in law.

ARTICLE 16 – PLACE AND TIME OF GENERAL MEETINGS

Other than in the event of a universal general meeting, a general meeting must be held in the locality where the company has its registered office at such date and time as are set out in the notice of meeting.

The company in general meeting may resolve to extend such meeting for one or more consecutive days at the proposal of the directors or of shareholders holding at least one-quarter of the share capital present at the meeting, or, in event of force majeure and with the cognizance of those present, to move to premises within the same locality other than those specified in the notice of meeting. Whatever the number of sessions in which a general meeting is held, the meeting is treated as a single session, and a single record of proceedings must be made for all such sessions.

ARTICLE 17 – ATTENDANCE AND REPRESENTATION

A) ATTENDANCE:

A general meeting is open to any shareholder holding at least twenty-five shares five days prior to the day on which the meeting is held on record in the appropriate register, provided that such shareholder is current with payment of calls made upon shares and retains ownership of the shares during that period.

A shareholder entitled to attend will, upon request, be furnished with a card made out in his name indicating the number of shares he holds and, as the case may be, the number of shares held by other persons represented by him.

All members of the board of directors must attend general meetings. The general managers of the company and such other persons as the chairman thinks fit must attend general meeting sessions if so determined.

The chairman may authorise attendance by other managers or specialists whose presence is thought expedient, in accordance with article 104, paragraph 3 of the Spanish Companies Act.

B) REPRESENTATION:

A shareholder entitled to presence at a general meeting may appoint as his proxy any director or another shareholder entitled to such presence.

ARTICLE 18 – VOTING RIGHTS

A shareholder is entitled to one vote for every twenty-five shares he holds, except non-voting shares, which are subject to article 10 of this memorandum and articles.

However, a shareholder holding fewer shares than the required number may associate with other shareholders in the same situation so as to pool the requisite shares. One such shareholder must be appointed to exercise the resulting voting rights at a general meeting.

A shareholder who is not current with payment of calls upon shares may not exercise voting rights.

ARTICLE 19 – CLASSES OF GENERAL MEETING

A general meeting may be ordinary or extraordinary.

An ordinary general meeting is a meeting held within the first six months of each company year to consider the performance of the company, approve, as the case may be, the

accounts for the previous year, resolve upon the distribution of the profit or loss, and transact any other business on the agenda.

Any general meeting not satisfying the conditions set out in the foregoing paragraph is an extraordinary general meeting.

ARTICLE 20 – POWERS OF THE COMPANY IN GENERAL MEETING

The powers of the company in general meeting, notwithstanding its power to decide as a sovereign body upon all company affairs, are to:

- A) consider and approve annual accounts and the proposed distribution of profit or loss, and discuss the performance of the company in each company year, and, if applicable, the consolidated accounts and directors' report;
- B) appoint account auditors;
- C) decide upon matters laid before it by the board of directors;
- D) determine the number of directors within the lower and upper bounds stipulated in the articles of association and, having fixed such number, appoint and remove directors and consider and approve their performance;
- E) increase or decrease share capital, and, if thought fit, delegate to the board of directors the authority to designate, within a limitation period in compliance with the Spanish Companies Act, the effective date(s) thereof, the board being able to use such power wholly or in part or abstain from such use in the light of the circumstances of the market, the business itself or of a major company-related or economic event that renders such abstention expedient, and being bound to report on all the foregoing at the first general meeting held after the lapse of the period stipulated for performance, and to authorise the board to increase share capital under article 153 of the Spanish Companies Act;
- F) issue bonds, notes and similar securities, whether straight, mortgage-secured, exchangeable, convertible, fixed- or floating-rate, or subject to any other condition, mode, characteristic or nature; authorise the board of directors to give effect to such issuance within statutory limits; issue convertible bonds, setting the terms and forms of conversion and the requisite increase in capital, and delegate to the board of directors the authority to specify any matters not determined by the general meeting;
- G) delegate to the board of directors the powers of the company in general meeting, within such bounds as the law prescribes, and, in particular, the power to vary the nominal value of the shares into which capital is divided, a new wording being given to article 5 of the memorandum and articles of association;

- H) modify the memorandum and articles of association and affirm or rectify any interpretation thereof by the board of directors;
- I) decide upon any other matter reserved for the company in general meeting under a statutory provision or under these articles of association.

ARTICLE 21 – NOTICE OF MEETING

The board of directors will convene the general meeting by means of an appropriate notice published in the *Boletín Oficial del Registro Mercantil* [gazette of the registrar of companies] and in one of the daily newspapers of widest circulation in the province where the company has its registered office at least fifteen days prior to the date fixed for the holding of the meeting. The notice of meeting must state the date and place of the meeting, all business to be transacted, and any other particulars which the Spanish Companies Act directs must be specified in such notice.

The notice of meeting may specify the day to which the meeting will stand adjourned if the meeting is inquorate at the originally scheduled date and time. The original and adjourned dates and times must be separated by an interval of at least twenty-four hours.

If a properly convened general meeting fails to be held at the original date and time and no adjourned date is specified in the notice of meeting, the date of an adjourned meeting must be advertised, subject to the same requirements of public notice as the original date, within 15 days from the date of the meeting not held and 8 days in advance of the new meeting date.

The directors may convene an extraordinary general meeting whenever they think fit in the company's interests. The directors must likewise convene an extraordinary general meeting upon requisition by shareholders holding at least five percent of capital, with such requisition setting out the business to be transacted at the meeting. In this event, the meeting must be convened for a day within 30 days from the day on which notarised requisition was made to the directors to convene such meeting.

The directors will draw up the agenda, which must include the business indicated in the requisition.

A general meeting must also be convened when required in pursuance of article 101 of the Spanish Companies Act.

ARTICLE 22 – QUORUM AND MAJORITIES

An ordinary or extraordinary general meeting is properly constituted, whether at the original or at the adjourned date and time set out in the notice of meeting, if the shareholders

present in person or by proxy account for the proportion of capital respectively required for each case by current laws and regulations.

A resolution is carried by one-half of votes present in person or by proxy plus one vote, except in those events in which the law requires a reinforced majority.

ARTICLE 23 – CHAIRMAN AND SECRETARY, MINUTES OF PROCEEDINGS, LIST OF ATTENDEES

The chairman and secretary of the general meeting will be the chairman and secretary of the board of directors, or persons acting in their stead pursuant to the articles of association or, failing this, persons appointed by the company in general meeting itself.

The presiding officers of an ordinary or extraordinary general meeting having been so constituted, a list of attendees will be drawn up, indicating the number of voting shareholders present and specifying how many shareholders are present in person and how many are present by proxy, and the proportions of capital represented by shareholders thus classified.

The list of attendees will appear at the head of the minutes of proceedings or be attached thereto as a schedule, bearing the signature of the secretary and countersignature of the chairman. The list may also be created as a computer file or entered in a computer medium in the manner directed by applicable laws and regulations.

The chairman will then declare whether the general meeting is properly constituted and address any queries or complaints that may arise.

The minutes of proceedings, having been approved pursuant to the Spanish Companies Act, must be signed by the secretary, with the chairman's countersignature.

If the minutes of proceedings are executed as a notarial instrument, the making, content and completion of such instrument is subject to applicable laws and regulations.

ARTICLE 24 - UNIVERSAL GENERAL MEETINGS

A general meeting is properly constituted to transact any business without need of prior notice of meeting if the entirety of share capital is present and those present unanimously agree to hold such meeting.

BOARD OF DIRECTORS

ARTICLE 25 – COMPOSITION, APPOINTMENT AND TERM OF OFFICE

The board of directors is entrusted with the functions of management, control, administration, oversight and representation of the bank.

The board will comprise at least five and not more than twelve directors. The appointment and removal of directors rests with the company in general meeting in the manner prescribed in these articles of association and in current laws and regulations.

Appointments must be made from among persons able and willing to perform their office with the dedication such office requires, and must have regard to the technical and professional competence of such persons.

The term of office of a director will be five years. A director may be re-elected for further five-year terms.

The number of directors, within the upper and lower bounds prescribed in the articles of association, will be determined by the company in general meeting.

If during the term of office of directors there occurs a vacancy, the chairman will propose to the board, pursuant to the Spanish Companies Act, a person to fill such vacancy from among persons who, in his or her view, are capable of provisionally covering the vacancy.

ARTICLE 36 – CHAIRMAN. OTHER OFFICES

The board of directors must appoint a chairman, and may appoint a vice chairman, from among its number.

The board of directors may, furthermore, subject to the requirements under the Spanish Companies Act, appoint one of its number as chief executive officer, with such powers as are thought fit and are delegable under these articles of association and statutory provisions. If the chairman is absent or indisposed or his or her office falls vacant, he or she will be replaced, unless the board decides otherwise, by the vice chairman, if any, or, failing this, by the longest-serving director present.

The board will appoint a secretary, who, unless also a director, will be entitled to speak but not to vote. The board must, at the proposal of the chairman, appoint a legal advisor. Such appointee need not be the secretary to the board.

If the secretary is absent or unable to perform his or her functions, the legal advisor or the deputy secretary, if any, or, as appropriate, the youngest director other than the chairman will act in his or her stead.

ARTICLE 27 – MEETINGS OF THE BOARD OF DIRECTORS

The board of directors must meet at least once in every quarter and, on the chairman's motion, whenever thought fit for the proper running of the bank's affairs. Moreover, the board will meet upon requisition by one-half of current directors plus one director.

The board of directors will be convened by the chairman, or, failing this, such person as pursuant to the articles of association acts in his or her stead.

ARTICLE 28 – INTERNAL RULES AND QUORUM OF THE BOARD OF DIRECTORS. ATTENDANCE BY OTHER PERSONS

The board of directors is properly constituted if one-half of directors plus one director are present in person or by proxy.

A director may appoint another director as a proxy at a board meeting. A proxy must be appointed by a letter addressed to the chairman or the secretary. Such appointment is effective for a specified meeting only. One and the same director may hold more than one appointment as proxy.

The chairman of the board will moderate deliberations. A final resolution, except where the law requires a special quorum, is carried by a majority of directors present in person or by proxy.

Voting in writing and in the absence of a meeting is permissible only if all directors agree to such procedure.

The deliberations and resolutions of the board must be noted in a book of minutes, to be signed by the chairman and the secretary. Certifications will be issued by the secretary, under the chairman's countersignature.

ARTICLE 29 - POWERS

The board of directors represents the company in court proceedings and elsewhere, and is vested in full powers of management and administration of all matters concerning the objects of the company and its property and affairs, without limitation or reservation whatever, being authorised to enter into and execute all classes of acts and contracts as administrator and as

owner, whether civil or mercantile, whatever the nature of the property concerned and the persons or entities affected.

A) The board of directors, under the terms of these articles of association, has the power to perform all acts of ownership, administration and encumbrance and such powers as the law or the memorandum and articles of association do not expressly reserve to the company in general meeting, such that its powers are to be understood to include, by way of mere illustration and without limitation, the faculties to:

1. draw up the annual accounts, directors' report and proposed distribution of profit or loss, pursuant to article 171 of the consolidated text of the Spanish Companies Act, which documents the board must lay before the company in general meeting for adoption;

give effect to the resolutions of the company in general meeting;

2. observe and ensure observance of the memorandum and articles of association and resolve upon the interpretation and application thereof;

3. set out the rules of procedure of the board itself and of other commissions or committees in any matters not contemplated in the articles of association;

4. perform, in accordance with the memorandum and articles of association, all classes of transaction within the objects of the company, executing and subscribing all classes of notarized and non-notarized instruments;

5. appoint and remove all staff, representatives, agents and attorneys, setting the appropriate terms and conditions, powers, pay and remuneration;

6. enter into, consent to and execute all classes of contracts, acts and legal relations necessary or expedient for the furtherance of the company's affairs, under such clauses and conditions as the board may in each event think fit, including settlements, compromises and arbitration proceedings and bids and awards in tenders and auctions;

enter into loans, credit transactions and other financial transactions, subject to the powers of the company in general meeting;

decide upon the use, placement and investment of the company's funds;

7. dispose of, alienate, acquire, pre-empt and exchange, simply or conditionally, all classes of movable and immovable property, rights in rem and in personam, subject to the exceptions and constraints stipulated in these articles of association;

create, accept, modify, acquire and dispose of, subrogate, defer and cancel, wholly or in part, all classes of rights in rem or in personam, such as hypothecs, pledges, prohibitions, conditions, limitations and sureties, guarantees and security of any nature, including in favour of third parties;

create, modify and withdraw deposits and bonds of any kind and with any establishment or body;

8. create, modify, transform, merge, split and wind up companies, associations, economic interest groupings and non-profit corporations, having obtained appropriate government licences, contributing movable or immovable property, adopting memoranda and articles of association, subscribing shares or members' funds, and appointing, accepting and performing offices; enter into, carry on and, as the case may be, cooperate in enterprises and business dealings;
9. administer, in the broadest terms, movable and immovable property; enter into, modify and terminate leases and other grants of use and enjoyment; file declarations of new building works, of erection of buildings and of plantation, of the surveying and marking of boundaries, and of combinations, partitions, material divisions and other modifications of registered units of property; apply for registration of formerly unrecognised surface area and for resumption of registered chain of title; institute proceedings for recognition of ownership and other matters concerning property registers and companies registers; execute notarial records and other notarial instruments; formulate, accept and reply to notarized notices and requisitions;
10. open, dispose of, cancel and settle, on behalf of the company, all kinds of accounts with any bank or public or private entity, whether domestic or foreign;
11. draw, accept, endorse, discount, negotiate, guarantee, collect, pay and refer to drawer bills of exchange and all classes of commercial drafts and paper, on behalf and in favour of the company;
12. make payments and collect any amounts owed to the company in any respect and as against any person or entity, signing receipts in full and other documents;
13. subscribe, purchase, sell, exchange, pledge, transfer for any purpose and, as the case may be, encumber, government debt securities of the central government, devolved regions [*comunidades autónomas*], local government bodies and other domestic or foreign bodies, state securities, shares, bonds or any other securities representing the capital of domestic or foreign public or private institutions;

14. resolve the distribution to shareholders of interim dividends before the end of the respective financial year, in accordance with current laws and regulations;
15. decide upon the manner in which calls on shares are to be made;
16. appear for and represent the company before any public or private body in the broadest sense, institutions, entities, enterprises or private individuals, instituting, pursuing and terminating any applications, proceedings, appeals or motions;
17. appear before authorities, courts, tribunals, magistracies and offices or departments of any degree or jurisdiction; exercise all classes of rights, actions, defences and appeals in any proceedings, procedure or case, as claimant, defendant, private prosecutor, applicant, complainant, co-adjutant or interested party; appoint counsel and solicitors of the courts, with general and special powers for court proceedings; represent the company out of court; settle, compromise, agree, and adopt necessary or expedient settlements and agreements; testify in court proceedings and respond to questions under oath; deal with the company's affairs and refer them to arbitrators and mediators for amicable settlement;
18. make, accept and reply to notarized notices and requisitions; appear before centres and bodies of the European Economic Community, the national government and its constitutional bodies, and devolved regions, provinces and municipalities, and, as appropriate, any entity under public international law, with authority to institute, pursue and terminate all classes of judicial or non-judicial proceedings and proceedings of any nature;
19. appoint, subject to the appropriate quorum, the members of any committee created or to be created for the purpose; set out the powers vested in such committee and fix remuneration of any kind and the per diems of the various committees and of the board of directors, by delegation from the company in general meeting; each such item of remuneration must be independent from and not conflict with the consequences of any other paid activity compatible with any such person's office, on the basis of the functions, activities and duties entrusted to him or her within the board or within any company;
20. apply for declarations of insolvency; apply for inclusion in the body of creditors in respect of temporary receiverships and insolvencies; contest credit claims; be a party to agreements in respect of temporary receiverships and insolvencies, voting in favour of or against proposals and consequently adhering to or declining to adhere to quittances, grace periods and other agreed terms; challenge an adopted agreement and accept movable and immovable property in payment of claims against debtors; and, in general, perform any necessary acts in connection with temporary receiverships and insolvencies;

21. represent the company before centres, entities and bodies of all kinds, be they international or of the European Economic Community, the national government and its constitutional bodies, or devolved regions, provinces or municipalities, and, as appropriate, any entity under public international law; in general, to represent the company before any public or private, domestic or foreign body, and, in particular, before the Spanish ministry of economy and finance [*Ministerio de Economía y Hacienda*], and any of its departments, services, centres and bodies; receive any draft or other amount receivable by the company for any reason; satisfy taxes and other imposts; sign declarations and motions and institute and pursue all classes of applications and complaints through all procedural steps; and execute acquittances and sign receipts;
 22. fix administration expenses of any nature and stipulate or agree upon any ancillary benefits thought necessary or expedient;
 23. resolve, after the required procedural steps, upon the establishment or disestablishment of offices of any kind and in any place, appointing persons to manage such offices and, as the case may be, the bank's correspondents;
 24. delegate such powers as it thinks fit to persons, whether directors or otherwise, and bodies, commissions or committees created under the articles of association or that may be created in future, without prejudice to any powers granted to general managers or any other person.
- B) The chairman of the board has powers to:
- a) represent the company and its board of directors for all classes of act, and use the common seal of the company;
 - b) chair the general meeting, moderate its discussions and deliberations, determining the order of shareholders' turns to speak, fixing the duration of each turn to speak and seeing to it that debate is conducted in good order;
 - c) endeavour to ensure the performance of the resolutions of the board of directors and of committees and commissions of the board;
 - d) give effect to the resolutions of the board of directors and of any committees and commissions.

BOARD COMMITTEES

ARTICLE 29A – AUDIT COMMITTEE

The board of directors may, for the better performance of its functions, create such committees as it deems necessary to assist the board in affairs relating to the matters falling within the board's scope of concern.

For the oversight of financial statements and for the exercise of control functions the board of directors will have an audit committee endowed with the powers and means required for the exercise of this fundamental role in the life of the company.

The audit committee must comprise a majority of non-executive directors, and at least three and not more than five directors, appointed by the board, being persons with the dedication, ability and experience required to perform their duties. The board will appoint one of their number as chairman of the committee, who must be replaced every four years and who will be re-eligible after one year from his or her departure from office. The committee will have a secretary, which office will fall to the secretary to the board of directors, who, if not him or herself a director, will be entitled to speak but not to vote when sitting on the audit committee.

The audit committee will have at least the power to:

- a) through its chairman, to brief the general meeting on the issues there raised by shareholder as to matters within the scope of concern of the committee;
- b) propose to the board of directors, for submission to the general meeting, the appointment of the account auditor referred to in article 204 of the Spanish Companies Act, and, if applicable, the terms of his engagement under contract, the scope of his professional mandate and the revocation or renewal of such appointment;
- c) oversee internal audit units;
- d) appraise the financial reporting process and internal control systems;
- e) manage relations with the account auditor in order to receive information on issues that might endanger his independence and any other matters relating to the accounts audit process, and receive information and maintain with the account auditor the communications prescribed by the laws and regulations on account auditing and by technical auditing standards;

The audit committee will meet whenever convened by a resolution of the committee itself and in the discretion of its chairman, and at least once annually. The committee may require the account auditor to attend.

The audit committee is properly constituted if at least one half of members are present in person or by proxy. The committee will adopt resolutions by a majority of attendees in person or by proxy. The chairman will have a casting vote. A committee member may appoint another member as a proxy. No committee member may represent more than one member other than

him or herself. The resolutions of the audit committee must be noted in a book of minutes, to be signed by the chairman and the secretary.

The audit committee, through its chairman, will report to the board of directors. The audit committee may seek external advice.

The board of directors may implement, extend and complete the rules on the composition and functioning of the audit committee in all matters not specified in these articles of association, in compliance with these articles of association and with the law.

CHAPTER IV

ECONOMIC REGIME

ARTICLE 30 – DURATION OF BUSINESS YEAR

The business year will match the calendar year and thus end on 31 December each year.

ARTICLE 31 - DOCUMENTS

The annual accounts and other accounting documents to be laid before the company in general meeting for adoption must be drawn up in accordance with the scheme set out in current statutory provisions applicable to banks.

ARTICLE 32 – APPLICATION AND DISTRIBUTION OF PROFIT OR LOSS

The company in general meeting will resolve upon the application and distribution of profit or loss in such manner and subject to the terms prescribed at the given time by current laws and regulations.

From the proceeds of the business year will be deducted, to obtain net earnings, all general expenses, interest, bonuses and taxes, and any amounts that are to be allocated to provisions and depreciation and amortization.

Such deductions having been made, the resulting net earnings will be distributed in the following manner and order of priority:

1. allocation to reserves and provisions as required by current laws and regulations, and, as the case may be, to the minimum dividend referred to in article 10 of these articles of association;

2. the remainder to be distributed as resolved at the given time by the company in general meeting, in compliance with current laws and regulations.

ARTICLE 33 – PAYMENT OF DIVIDENDS

Dividends will be legitimately paid to such person as appears as the holder of shares in the appropriate register.

It falls to the general meeting, and, as appropriate, to the board of directors, under article 216 of the Spanish Companies Act, to resolve upon the distribution of dividends and to determine the time and terms of payment.

In the absence of any express determination, dividends will be payable at the company's domicile from the day following the day of the resolution.

ARTICLE 34 - REMUNERATION

1. A director may receive in each business year such per diems and allowances as the company in general meeting may resolve.
2. The remuneration provided in the foregoing paragraph in respect of membership of the board of directors will encompass and not conflict with the rest of occupational or employment pay accruing to a director for any other executive or advisory role he or she may perform for the company other than the collegiate oversight and decision-making attendant upon his or her office of director, such functions being subject to the legal regime applicable to them. Such remuneration may comprise the delivery of shares or share options or remuneration tied to the value of shares, subject to the statutory requirements in effect at the given time.
3. The amount of the remuneration referred to in the foregoing paragraphs will be fixed annually by the company in general meeting and distributed by the board of directors. Such amounts may differ for different directors.

CHAPTER V

WINDING-UP AND LIQUIDATION

ARTICLE 35 – APPLICABLE LAWS AND REGULATIONS

The company will be wound up in any of the dissolving events contemplated in law and when so resolved by the company in general meeting.

The winding-up of the company having been resolve, the company in general meeting will appoint the liquidators of the company. The liquidators, further to the powers conferred on them by current laws and regulations, will have such other powers as the general meeting may resolve to grant them, setting the rules by which the company's assets are to be divided, the settlement accounts approved and such accounts finally settled.

After a resolution to wind up the company, there will open a liquidation phase, during which the company's legal personality will subsist but the powers of representation of the directors and other agents to enter into fresh contracts and assume fresh obligations will cease. The liquidators will take on the functions set out in article 272 of the Spanish Companies Act.

The liquidators may not divide the company's assets among shareholders without first satisfying all creditors or depositing the amount of their claims.

The payment must be assured of any claim accrued and not fallen due.

The assets resulting after satisfying all claims against the company will be divided among shareholders in proportion to the nominal value of shares, in pursuance of article 277 of the Spanish Companies Act.