

The Kingdom of Spain

U.S.$4,000,000,000
Euro Medium-Term Note Programme

Arranger

SBCWarburg
A DIVISION OF SWISS BANK CORPORATION

Arranger for DM issues

Schweizerischer Bankverein (Deutschland) AG

Dealers

Daiwa Europe Limited

Dresdner Kleinwort Benson
Dresdner Bank Aktiengesellschaft

First Chicago Limited

Lehman Brothers

Merrill Lynch International

SBCWarburg
A DIVISION OF SWISS BANK CORPORATION

This document, the Pricing Supplements (as defined below) and any other supplements hereto (together, the "Offering Circular") contain and, as the case may be, will contain, information regarding the Kingdom of Spain (the "Kingdom") and the Euro Medium-Term Notes (the "Notes") to be issued by the Kingdom under its U.S.$4,000,000,000 Euro Medium-Term Note Programme (the "Programme").

The Kingdom, having made all reasonable enquiries, confirms that this document contains all information which is material in the context of the issue of the Notes, that the information in this document is true and accurate in all material respects, and is not misleading, and that there are no other facts the omission of which makes misleading any statement herein, whether of fact or opinion.

The Kingdom may offer, from time to time, Notes denominated in any currency permitted by law up to an aggregate principal amount outstanding at any time of U.S.$4,000,000,000 (or the equivalent thereof in other currencies as determined by reference to middle market rates of exchange quoted in the London foreign exchange market).

The specific terms of any Notes (including, inter alia, particulars of issue dates, maturity dates, principal amounts, interest rates, discount rates and issue prices as appropriate) to be issued will be set forth in supplements to this document (each a "Pricing Supplement" and together the "Pricing Supplements").

Each Tranche (as defined in the preamble of "Conditions of the Notes") will initially be represented by a temporary global Note which will be deposited with a common depositary Cedel Bank, société anonyme ("Cedel Bank") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system ("Euroclear") on or about the issue date therefor and will be exchangeable for interest in a permanent global Note or for definitive Notes as described in "Form of the Notes" herein.

Application has been made to list up to an aggregate principal amount outstanding at any time of U.S.$4,000,000,000 (or the equivalent thereof in other currencies) of Notes (at fixed, floating or zero coupon rates of interest and denominated in any currency permitted by law) on the Luxembourg Stock Exchange.

This Offering Circular supersedes any previous prospectus or offering circular relating to the Programme.

The Offering Circular has been prepared on the basis of information supplied by the Kingdom and no Dealer makes any representation or warranty, express or implied, as to the accuracy or completeness of the information in the Offering Circular.

No person is authorised to give any information or to make any representations not contained in the Offering Circular and any information or representation not contained therein must not be relied upon as having been authorised by the Kingdom or the Dealers (as described in "Summary of the Programme"). This document does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction or to any person to whom it is unlawful to make such offer in such jurisdiction. The delivery of the Offering Circular at any time does not imply that the information therein is correct as of any time subsequent to its date.

The distribution of the Offering Circular and the offer of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Kingdom to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and sale").

References in this document to the "relevant Dealer" and to the "applicable Pricing Supplement" shall, in relation to any particular Tranche, be construed as references to the Dealer(s) purchasing such Tranche and the Pricing Supplement prepared in connection therewith. References in this document to numbered Conditions are to the relevant Conditions set out in "Conditions of the Notes".

In connection with the issue of any Notes, the Dealer (if any) described as the stabilising Dealer in the applicable Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of such Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this document.

Issuer:	The Kingdom of Spain
Arranger:	Swiss Bank Corporation
Arranger for DM issues:	Schweizerischer Bankverein (Deutschland) AG
Dealers:	Daiwa Europe Limited Dresdner Bank Aktiengesellschaft First Chicago Limited Lehman Brothers International (Europe) Merrill Lynch International Swiss Bank Corporation Additional Dealers may be added to the Programme, either for the duration of the Programme or on an issue by issue basis. In addition, the Kingdom may sell Notes to persons who are not dealers pursuant to a separate agreement between the Kingdom and such persons.
Fiscal Agent:	The Chase Manhattan Bank.
Amount:	Up to U.S.$4,000,000,000 (or its equivalent in other currencies) outstanding at any one time. Under the Dealer Agreement (as defined in "Subscription and Sale") the principal amount of Notes outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
Description:	Continuously offered Medium-Term Note Programme.
Distribution:	Notes may be distributed by way of public, private or syndicated placements.
Form of Notes:	The Notes will be issued in bearer global form and, unless otherwise indicated in the applicable Pricing Supplement, will be exchangeable for security-printed definitive bearer Notes only upon request.
Currencies:	Any currency permitted by law including, but not limited to, U.S. dollars, ECU, Japanese yen, Deutschmarks and pounds sterling.
Maturities:	Any maturity between six months and 30 years, subject to applicable laws and regulations.
Issue Price:	Notes may be issued at par or at a discount to, or premium over, par.
Fixed Rate Notes:	Fixed interest will be payable in arrear on the interest payment dates specified in the applicable Pricing Supplement. Interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days.
Floating Rate Notes:	Floating Rate Notes will bear interest calculated on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the First Tranche of the Notes of the relevant Series); or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Kingdom and the relevant Dealer in the applicable Pricing Supplement. Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes will be payable in arrear on the interest payment dates specified in the applicable Pricing Supplement and will be calculated on the basis of the actual number of days in the Interest Period concerned divided

	by 360 (or 365/366) in the case of Notes denominated in sterling) unless otherwise indicated in the applicable Pricing Supplement.
Interest Periods for Floating Rate Notes:	One, two, three, six or 12 months or such other periods as the Kingdom and the relevant Dealer may agree in the applicable Pricing Supplement.
Zero Coupon Notes:	Non-interest bearing Notes will be offered and sold at a discount to their principal amount and will not bear interest other than in relation to interest due after the Maturity Date.
Redemption:	The applicable Pricing Supplement will indicate either that the Notes of the relevant Tranche cannot be redeemed prior to their stated maturity except following an event of default, or that such Notes will be redeemable at the option of the Kingdom and/or at the option of the holder(s) of such Notes upon giving not less than 30 nor more than 60 days' irrevocable notice to the relevant Noteholders or the Kingdom, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be indicated in the applicable Pricing Supplement.
Denominations of Definitive Notes:	Such denominations as may be agreed between the Kingdom and the relevant Dealer, as indicated in the applicable Pricing Supplement, subject to applicable laws and regulations.
Taxation:	All payments in respect of the Notes will be made without withholding or deduction for or on account of Spanish withholding taxes as provided in Condition 6.
Status of the Notes:	The Notes will constitute direct, unconditional and unsecured obligations of the Kingdom ranking equally with all its other unsecured and unsubordinated obligations.
Negative Pledge:	The Notes will contain a negative pledge given by the Kingdom as described in Condition 2.
Cross Default:	A cross default provision, applying to indebtedness of or assumed or guaranteed by the Kingdom, is described in Condition 7.
Rating:	The Programme has been rated AA by Standard & Poor's Ratings Services and Aa2 by Moody's Investors Service.
Listing:	The Programme will be listed on the Luxembourg Stock Exchange. Unlisted Notes may also be issued by the Kingdom. The applicable Pricing Supplement will state whether or not the Notes are to be listed.
Governing Law:	English.

The Programme documentation does not expressly contemplate issues of partly-paid Notes, Notes redeemable in instalments, dual-currency Notes or index or commodity-linked Notes. Any such Notes and any other types of Note may be issued by agreement between the Kingdom and the relevant Dealer subject to the preparation of appropriate supplementary programme documentation including, but not limited to, a separate Pricing Supplement for each issue describing the terms of such Notes.

Certain relevant laws and regulations applicable as at the date of this document to issues in particular currencies are set out in "General information".

Each Tranche will initially be represented by a temporary global Note without Coupons (as defined in Condition 1) which will be delivered to a common depositary for Euroclear and Cedel Bank. Interests in the temporary global Note will be exchanged either for interests in a permanent global Note or, at the option of the Kingdom, for definitive Notes on or after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued. Such exchange will be made only upon delivery of written certification (in the form set out in the temporary global Note) from the beneficial owner of the Notes to be exchanged of non-U.S. beneficial ownership of such Notes.

If an interest payment date for any Notes occurs whilst such Notes are represented by a temporary global Note held on behalf of Euroclear and/or Cedel Bank, the related interest payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received by Euroclear or Cedel Bank from the beneficial owner thereof. No payments of interest will be made on a temporary global Note after the Exchange Date. Payments of principal or interest (if any) on a permanent global Note held on behalf of Euroclear and/or Cedel Bank will be made through Euroclear or Cedel Bank against presentation or surrender, as the case may be, of the permanent global Note without any further requirement for certification. A permanent global Note will be exchangeable, in whole but not in part, for security-printed definitive Notes upon not less than 45 days' written notice from the holder or holders of such interests. Temporary and permanent global Notes and definitive Notes will be issued by the Fiscal Agent acting on behalf of the Kingdom.

The following legend will appear on all Notes and Coupons: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Notes of a Series issued after the date of this document may be accelerated by the holder thereof in certain circumstances described in Condition 7. In the case of an event of default, where such Notes are still represented by a global Note and a holder with Euroclear or Cedel Bank of such Notes so represented and credited to his securities account gives notice that he wishes to accelerate such Notes, unless within a period of 15 days from the giving of such notice payment has been made in full to the relevant holder, the global Note will become void. At the same time, holders with Euroclear and Cedel Bank of such Notes (other than Notes in definitive form) credited to their accounts will become entitled to proceed directly against the Kingdom on the basis of statements of account provided by Euroclear and Cedel Bank under the terms of a deed of covenant (the "Deed of Covenant") dated 29th July, 1993 executed by the Kingdom.

The applicable Pricing Supplement will contain such of the following information as is applicable in respect of the Notes of the relevant Tranche and may contain any additional information agreed between the Kingdom and the relevant Dealer:

(i) the currency in which such Notes are denominated (the "Specified Currency") and the denomination(s) of such Notes (the "Specified Denomination(s)") which shall not be less than any minimum denomination required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Specified Currency or the Kingdom;

(ii) whether such Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or any appropriate combination thereof or such other types of Note as may be agreed between the Issuer and the relevant Dealer;

(iii) the aggregate principal amount of the Notes to be issued (the "Principal Amount") and the price (expressed as a percentage of the Principal Amount) at which such Notes will be issued (the "Issue Price") and the amount payable on redemption of each Note (if known);

(iv) the date on which such Notes will be issued (the "Issue Date");

(v) in the case of Notes which are not Floating Rate Notes, the date on which such Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the "Maturity Date") which shall not fall less than any minimum period or more than any maximum period required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Specified Currency or the Kingdom;

(vi) in the case of Floating Rate Notes, the month and year in which the Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the "Redemption Month") which shall not fall less than any minimum period or more than any maximum period required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Specified Currency or the Kingdom;

(vii) the basis upon which such Notes will bear interest (which may be fixed or floating rate or both or upon a zero coupon basis) (the "Interest Basis");

(viii) in the case of Fixed Rate Notes:

(a) the rate(s) at which the Notes bear interest (the "Fixed Rate(s) of Interest");

(b) the date(s) for payment of interest (the "Fixed Interest Date(s)"); and

(c) any other terms relating to the particular method of calculating interest for such Notes;

(ix) in the case of Floating Rate Notes:

(a) the number of months (or such other periods) between the Issue Date and the first interest payment date and between interest payment dates thereafter (the "Interest Period(s)");

(b) the manner in which the rate of interest (the 'Rate of Interest") is to be determined, including:

(1) the dates on which such Rate of Interest is to be determined (each an "Interest Determination Date");

(2) where the Rate of Interest is to be determined by reference to the ISDA Definitions (as defined in Condition 3(B)) ("ISDA Determination"), the Margin (the "Margin") (which Margin may remain the same throughout the life of the Notes or increase and/or decrease) specifying whether any such Margin is to be added to, or subtracted from, the Reference Rate;

(3) where the Rate of Interest is to be calculated by reference to an electronic screen service ("Screen Rate Determination");

(A) the reference rate (the "Reference Rate") by which the Rate of Interest is to be determined;

(B) the Margin (which Margin may remain the same throughout the life of the Notes or increase and/or decrease) specifying whether any such Margin is to be added to, or subtracted from, the Reference Rate;

(C) the page (the "Relevant Screen Page"), whatever its designation, on which the Reference Rate is for the time being displayed on the Reuter Monitor Money Rates Service or the appropriate Dow Jones Telerate Service; and

(4) where the Rate of Interest is to be calculated otherwise than by reference to (2) or (3) above, details of the basis for determination of the Rate of Interest and any fall-back provisions;

(c) the minimum interest rate, if any, at which such Notes will bear interest (the "Minimum Interest Rate");

(d) the maximum interest rate, if any, at which such Notes will bear interest (the "Maximum Interest Rate"); and

(e) any other terms relating to the particular method of calculating interest for such Notes;

(x) in the case of Zero Coupon Notes:

(a) the amortisation yield in respect of such Notes (the "Amortisation Yield");

(b) the reference price attributed to such Notes on issue which shall have been agreed between the Kingdom and the relevant Dealer (the "Reference Price"); and

(c) any other formula or basis for determining the Amortised Face Amount (as described in Condition 7);

(xi) whether such Notes are to be redeemable at the option of the Issuer and/or the Noteholders and (if so) the date(s) upon which redemption may occur, the redemption price(s) for the Notes, the methods for calculating the same, the minimum amount redeemable (if redeemable in part), the notice to be given and any other terms applicable on redemption;

(xii) the applicable definition of "business day" (for the purposes of Condition 5) if different from that set out in Condition 5;

(xiii) whether or not such Notes are to be listed on a stock exchange;

(xiv) details of the Series (if any) of which the Notes are to be treated as forming a part;

(xv) details of any additional or alternative clearance system approved by the Kingdom, the relevant Dealer, the Fiscal Agent and any stock exchange on which the Notes are to be listed;

(xvi) details of the stabilising Dealer (if any);

(xvii) any other relevant terms of such Notes which are not inconsistent with the provisions of the Fiscal Agency Agreement;

(xviii) whether the temporary global Note is to be exchangeable for a permanent global Note or for definitive Notes;

(xix) the relevant Euroclear and Cedel Bank Common Code and the relevant ISIN;

(xx) the principal amount of each global note if more than one is to be issued for the Series;

(xxi) any special issuance/payment instructions agreed between the Kingdom, the Fiscal Agent and the relevant Dealer; and

(xxii) the name(s) of the relevant Dealer(s).

The following are the Conditions of the Notes which (subject to amendment) will be incorporated by reference into each global Note and will be endorsed upon each definitive Note.

This Note is one of a Series of Euro Medium-Term Notes (the "Notes", which expression shall include (i) in relation to any Notes represented by a global Note, units of the lower Specified Denomination in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange for a permanent global Note and (iii) any global Note) issued by the Kingdom of Spain (the "Kingdom") pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 15th September, 1987 (as supplemented and amended from time to time) and made between the Kingdom, The Chase Manhattan Bank (the "Principal Paying Agent" and "Fiscal Agent") and Chase Manhattan Bank Luxembourg S.A. (the "Paying Agent", which expression, when pluralised, shall include the Principal Paying Agent). All of the Notes from time to time issued by the Kingdom which are for the time being outstanding are hereinafter referred to as the "Notes" and the term "Note" is to be construed accordingly.

All Notes, regardless of their issue date or issue price, which are denominated in the same currency and which have the same Maturity Date or Redemption Month (as the case may be), Interest Basis, interest rate (including a zero rate of interest) and interest payment dates (if any) and the terms of which (save for the first interest payment in respect of any subsequently issued Notes) are identical with, so long as all such terms are identical, constitute a "Series" and the expressions "Notes of the relevant Series" and "holders of Notes of the relevant Series" and related expressions shall be construed accordingly. Notes forming part of a Series and having the same Issue Date will constitute a "Tranche".

The Pricing Supplement for each Tranche of Notes (the "applicable Pricing Supplement") may specify other Conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace these Conditions for the purposes of that Tranche of Notes.

The holders for the time being of the Notes (the "Noteholders") and the holders of the Coupons (as defined below) appertaining to interest-bearing definitive Notes (the "Couponholders") are deemed to have notice of all the provisions of the Fiscal Agency Agreement, which are binding on them. Words and expressions defined in the Fiscal Agency Agreement or defined or set out in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. Copies of the Fiscal Agency Agreement and the Pricing Supplement for each Tranche of Notes listed on issue on a stock exchange are available from the principal office of the Fiscal Agent and the Paying Agents set out at the end of these Conditions. The statements in these Conditions are summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement.

1. FORM, DENOMINATION AND TITLE

The Notes of each Series are in bearer form in the Specified Currency and in Specified Denomination(s) and definitive Notes of each Series will be serially numbered. This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or any appropriate combination thereof depending upon the Interest Basis specified in the applicable Pricing Supplement. It is also any other kind of Note if the applicable Pricing Supplement so indicates. If it is a definitive Note, it is issued with Coupons for the payment of interest ("Coupons") attached, unless it is a Zero Coupon Note in which case references to interest (other than in relation to interest due after the Maturity Date) and Coupons in these Conditions are not applicable.

Subject as set out below, title to the Notes and the Coupons will pass by delivery. The holder of each Coupon, whether or not such Coupon is attached to a Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. The Kingdom, the Fiscal Agent and any Paying Agent may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out below.

For so long as any of the Notes of a Series are represented by a global Note held on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and/or Cedel Bank, société anonyme ("Cedel Bank"), each person who is for the time being shown in the records of Euroclear and/or of Cedel Bank as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Cedel Bank as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall in respect of the giving of any notice in respect of any Events of Default (as defined in Condition 7), be entitled to give the notice in respect of the principal amount of Notes credited to the account of any such person and for such purposes shall be deemed to be a Noteholder.

Notes which are represented by a global Note held on behalf of Euroclear and/or Cedel Bank will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/or Cedel Bank, as the case may be.

Any reference herein to Euroclear and/or Cedel Bank shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system specified in the applicable Pricing Supplement.

2. STATUS AND NEGATIVE PLEDGE

The Notes and the Coupons and all the obligations of the Kingdom under the Notes and the Coupons will be direct, unsecured obligations of the Kingdom and will rank without preference or priority among themselves and at least *pari passu* with all other existing and future unsecured Indebtedness of the Kingdom. "Indebtedness" means all indebtedness of the Kingdom in respect of:

(i) moneys borrowed by the Kingdom; and

(ii) guarantees given by the Kingdom for moneys borrowed by other persons.

The Kingdom undertakes that, so long as any Note or Coupon remains outstanding, it will not create any mortgage, pledge or other charge upon the whole or any part of its present or future revenues, property or assets to secure any present or future Indebtedness without securing the outstanding Notes *pari passu* therewith.

3. INTEREST

(A) Fixed Rate Notes

Each Fixed Rate Note bears interest from and including the date specified in the applicable Pricing Supplement at the rate or rates so specified. Interest will be payable in arrear on the dates specified in the applicable Pricing Supplement ("interest payment dates") in accordance with Condition 5. Interest will cease to accrue on each Fixed Rate Note on the due date for redemption thereof unless, upon due presentation of such Fixed Rate Note, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, upon further presentation thereof, payment in full of the principal of such Fixed Rate Note is made or (if earlier) the seventh day after notice is duly given to the holder of such Fixed Rate Note that upon further presentation thereof being duly made such payment will be made, provided that upon further presentation thereof being duly made such payment is in fact made. Interest will be calculated on the basis of a year of 12 months of 30 days each.

(B) Floating Rate Notes

(i) Accrual of interest

Each Floating Rate Note bears interest from and including the date specified in the applicable Pricing Supplement. Interest will cease to accrue on each Floating Rate Note on the due date for redemption thereof unless, upon due presentation of such Floating Rate Note, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, upon further presentation thereof, payment in full of the principal of such Floating Rate Note is made or (if earlier) the seventh day after notice is duly given to the holder of such Floating Rate Note that, upon further presentation thereof being duly made, such payment will be made, provided that upon further presentation thereof being duly made, such payment is in fact made.

(ii) Interest payment dates and Interest Periods

Interest on each Floating Rate Note will be payable in arrear on the date or dates specified in the applicable Pricing Supplement ("interest payment dates"). The period between the Issue Date and the first interest payment date and each period thereafter between successive interest payment dates is referred to herein as an "Interest Period".

In this Condition 3, "Business Day" means (unless otherwise stated in the applicable Pricing Supplement) a day which is either (1) in relation to interest payable in a Specified Currency other than ECU, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to interest payable in ECU, an ECU Settlement Day (as defined in the 1991 ISDA Definitions, as amended and updated as at the Issue Date of this Note, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")).

(iii) Rate of Interest

The rate of interest from time to time payable in respect of Floating Rate Notes (the "Rate of Interest") shall be determined in the manner specified in the applicable Pricing Supplement.

(a) ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For purposes of this sub-paragraph, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(I) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(II) the Designated Maturity is a period equal to that Interest Period; and

(III) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate ("LIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For purposes of this sub-paragraph, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

(b) Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(I) the quotation; or

(II) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

expressed as a percentage rate per annum, for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Fiscal Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if in the case of (I) above, no such quotation appears, or, in the case of (II) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iv) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such minimum Rate of Interest. If the applicable Pricing Supplement specifies a maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such maximum Rate of Interest.

(v) Determination of Rate of Interest and calculation of Coupon Amount

The Fiscal Agent will, as soon as practicable on or after each Interest Determination Date (being, unless otherwise indicated in the applicable Pricing Supplement, (a) in respect of Floating Rate Notes denominated in any Specified

Currency other than sterling, the second Business Day prior to the commencement of the relevant Interest Period and (b) in respect of Floating Rate Notes denominated in sterling, the first Business Day of the relevant Interest Period), determine the Rate of Interest and calculate the amount of interest (the "Coupon Amount") payable on the Floating Rate Notes for the relevant Interest Period. The Coupon Amount shall be calculated by applying the Rate of Interest to the principal amount of each Specified Denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 (or such other denominator specified in the applicable Pricing Supplement) and rounding the resultant figure to the nearest U.S. cent (or its approximate equivalent in the relevant other Specified Currency), an amount equal to or above half a U.S. cent (or its approximate equivalent in the relevant other Specified Currency) being rounded upwards). The determination of the Rate of Interest and the Coupon Amount shall (in the absence of manifest error) be final and binding on all parties.

(vi) Publication of Rate of Interest and Coupon Amount

The Fiscal Agent will cause the Rate of Interest and the Coupon Amount for each Interest Period and the relevant interest payment date to be notified to the Kingdom and any stock exchange on which the Floating Rate Notes are listed, and will cause the same to be published in accordance with Condition 11, as soon as practicable after their determination. The Coupon Amount and the interest payment date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition shall (in the absence of wilful default, bad faith or manifest error) be binding on the Kingdom, the Fiscal Agent, the Paying Agents and all of the Noteholders and Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Fiscal Agent, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(C) Zero Coupon Notes

Where a Zero Coupon Note becomes due and repayable and is not paid when due, such Note shall thereafter bear interest at a rate per annum equal to the Amortisation Yield shown in the applicable Pricing Supplement. Such interest shall continue to accrue (as well after as before any judgment) up to and including the date on which, upon further presentation thereof, payment in full in respect of such Zero Coupon Note is made or (if earlier) the seventh day after notice is duly given to the holder of such Zero Coupon Note that, upon further presentation thereof being duly made, such payment will be made, provided that upon further presentation thereof being duly made, such payment is in fact made.

4. REDEMPTION AND PURCHASE

(A) Redemption at maturity

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date, or on the interest payment date falling in the Redemption Month, specified in the applicable Pricing Supplement.

(B) Redemption at the option of the Kingdom

If so specified in the applicable Pricing Supplement, the Kingdom may, having given the appropriate notice specified in the applicable Pricing Supplement in accordance with Condition 11 to the holders of the Notes of the relevant Series (which notice shall be irrevocable), redeem all or some only of such Notes when outstanding on the dates and at the amounts specified in the applicable Pricing Supplement together, if appropriate, with accrued interest. In the case of a partial redemption of definitive Notes, the Notes to be redeemed will be selected individually by lot (in such place as the Fiscal Agent may approve and in such manner as the Fiscal Agent shall deem to be appropriate and fair) not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be published in accordance with Condition 11 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a global Note, the relevant Notes will be selected in accordance with the rules of Euroclear and/or Cedel Bank.

(C) Redemption at the option of the Noteholders

If so specified in the applicable Pricing Supplement, upon the holder of this Note giving to the Kingdom in accordance with Condition 11 the appropriate notice so specified (which notice shall be irrevocable), the Kingdom will, upon the

expiry of such notice, redeem, subject to and in accordance with the terms specified in the applicable Pricing Supplement, in whole (but not in part) this Note on the date and at the amount specified in the applicable Pricing Supplement together, if appropriate, with accrued interest.

(D) Purchase and cancellation

The Kingdom may at any time purchase Notes in the open market or by tender (available to all Noteholders alike) or otherwise at any price. Notes purchased may be held, resold or cancelled. All Notes redeemed by the Kingdom will (together with all unmatured Coupons surrendered therewith) be cancelled forthwith and may not be resold or reissued.

5. PAYMENTS

Payments of principal and interest (if any) with respect to definitive Notes denominated in a Specified Currency (other than ECU) will be made at the specified office of any Paying Agent outside the United States by a cheque in the Specified Currency drawn on, or by transfer to an account (in the case of a payment in Japanese yen to a non-resident of Japan, a non-resident account) maintained or designated by the payee with, a bank (in the case aforesaid, an authorised foreign exchange bank) in the principal financial centre of the Specified Currency, subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 6. Payments in respect of definitive Notes denominated in ECU will, subject as aforesaid, be made by credit or transfer to an ECU account specified by the payee. If, with respect to definitive Notes denominated in U.S. dollars, such payments at the offices of all Paying Agents outside the United States become illegal or are effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in U.S. dollars, the Kingdom will appoint an office or agent in the United States at which such payments may be made.

References herein to the "Specified Currency" will include any successor currency under applicable law.

The ECU in which Notes are denominated or, if the Notes are Dual Currency Notes payable in ECU, the ECU in which the Notes are payable ("ECU"), is the same as the ECU that is from time to time used as the unit of account of the European Communities (the "EC").

Until the start of Stage Three and in the event that the ECU ceases to be used in the European Monetary System or banks in all member countries of the European Community cease to provide ECU accounts, the Fiscal Agent will make payments of the equivalent amount (determined by the Fiscal Agent) in one of the former component currencies of the ECU, agreed between the Fiscal Agent and the Kingdom, in accordance with the then prevailing market practice.

From the start of Stage Three of European monetary union, all payments in respect of Notes denominated in ECU will be payable in Euro at the rate 1:1. This Condition will not result in payment in a component currency in such circumstances.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as aforesaid) be made in the manner specified above and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Kingdom will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Cedel Bank as the holder of a particular principal amount of Notes must look solely to Euroclear or Cedel Bank, as the case may be, for his share of each payment so made by the Kingdom to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Kingdom in respect of any payments due on that global Note.

Interest will be payable in respect of Notes in definitive form upon presentation and surrender (or endorsement, in the case of part payment) of the appropriate Coupons appertaining thereto. Principal in respect of Notes in definitive form will be payable upon presentation and surrender (or endorsement, in the case of part payment) of such Notes.

Each definitive Fixed Rate Note should be presented for payment together with all unmatured Coupons appertaining thereto failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the aggregate amount of such missing unmatured Coupon which the same of principal so paid bears to the total principal amount due) will be deducted from the principal amount due for

payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon not later than five years from the Relevant Date (as defined in Condition 6) for payment of such principal.

Upon the date on which any Floating Rate Note in definitive form becomes due and repayable, unmatured Coupons (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. Where any such Note is presented for redemption without all unmatured Coupons appertaining thereto, payment shall only be made against the provision of such indemnity as the Kingdom shall require.

If any date for payment of any amount in respect of any Note is not a business day, then the holder thereof shall not be entitled to payment at the place of presentation of the amount due until the next following business day and shall not be entitled to any interest or other sum in respect of any such delay. Unless otherwise specified in the applicable Pricing Supplement, in this Condition 5 "business day" means, in relation to any payment in a Specified Currency other than ECU, any day on which commercial banks and foreign exchange markets are open for business and settle payments in London, in the principal financial centre of the country of the relevant Specified Currency and in the relevant place of presentation and, in the case of a payment in ECU, a day on which commercial banks and foreign exchange markets are open for business and settle payments in the relevant place of presentation and which is an ECU Settlement Day.

6. TAXATION

All payments of principal and interest in respect of the Notes by the Kingdom will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom or any authority in the Kingdom having power to tax, unless such withholding or deduction is required by law. In that event, or if any payment of taxes, duties, assessments or governmental charges of whatever nature is required by any authority of or in the Kingdom to be made in relation to any amount received or receivable in respect of the Notes or any Coupons (including, without limitation, any corporation tax (*Impuesto sobre Sociedades*) or individual income tax (*Impuesto sobre las Rentas de las Personas Fiscas*) and any penalty or charges relating to such tax), the Kingdom will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes and any Coupons after such withholding, deduction or payment shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding, deduction or payment except that no such additional amounts shall be payable in respect of any payment on any Note or Coupon:

(i) to or to a third party on behalf of a holder of the Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Kingdom other than the mere ownership of the Notes or Coupons; or

(ii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on or before the expiry of such period of 30 days.

As used herein, the "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount of the money payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such money having been so received, notice to that effect shall have been given to the Noteholders.

References to principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

7. EVENTS OF DEFAULT

If any of the following events (each an "Event of Default") shall occur and be continuing, any Noteholder may, by written notice given to the Kingdom at the specified office of the Fiscal Agent, declare such Note due and payable and such Note accordingly shall become immediately repayable at, except as provided below in relation to Zero Coupon Notes and except as specified in the applicable Pricing Supplement, its principal amount together with accrued interest:

(i) if there is default for more than 10 days in the payment of any principal or for more than 30 days in the payment of any interest due and payable on or in respect of the Notes or Coupons or any of them; or

(ii) if the Kingdom shall fail duly to perform or observe any other term, undertaking or agreement contained in the Notes and (except in any case where the failure is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days after the date on which

written notice of such failure, requiring the Kingdom to remedy the same, shall first have been given to the Kingdom at the specified office of the fiscal Agent by any Noteholder; or

(iii) if the Kingdom defaults in the due and punctual payment of the principal of, or premium or prepayment charge (if any) or interest on, any indebtedness of or assumed or guaranteed by the Kingdom when and as the same shall become due and payable and such default continues for more than the period of grace, if any, applicable thereto and the time for payment of such interest, principal, premium or prepayment charge has not been effectively extended, or if any indebtedness of or assumed by the Kingdom becomes repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder or any guarantee or indemnity given by the Kingdom shall not be honoured when due; or

(iv) the Kingdom is unable to, or admits its inability to, pay any indebtedness in respect of moneys borrowed as it falls due, or shall declare a moratorium on or any readjustment of any of such indebtedness; or

(v) any consent, permission, authorisation, agreement, confirmation or exemption of any governmental authority required for the performance of the Kingdom's obligations under the Notes is revoked, modified or becomes ineffective.

The amount payable in respect of any Zero Coupon Note upon redemption or repayment of such Note pursuant to this Condition shall be the Amortised Face Amount (calculated as provided below) of such Note. Subject to the provisions of the next paragraph and unless otherwise specified in the applicable Pricing Supplement, the Amortised Face Amount of any Zero Coupon Note shall be the sum of (i) the Reference Price stated in the applicable Pricing Supplement and (ii) the aggregate amortisation of the difference between the Reference Price and the principal amount of the Note form the Issue Date to the date on which the Note becomes due and repayable at a rate per annum (expressed as a percentage) equal to the Amortisation Yield stated in the applicable Pricing Supplement compounded annually. Where such calculation is to be made for a period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

If the amount payable in respect of any Zero Coupon Note upon redemption or repayment of such Note pursuant to this Condition is not paid when due, the amount due and repayable in respect of such Note shall be the Amortised Face Amount of such Note calculated pursuant to the preceding paragraph, except that that paragraph shall have effect as though the reference therein to the date on which the Note becomes due and repayable were replaced by a reference to the date (the "Reference Date") which is the earlier of (A) the date on which all sums due in respect of the Note up to that day are received by or on behalf of the holder thereof and (B) the date on which the Fiscal Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. The calculation of the Amortised Face Amount in accordance with this paragraph will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the principal amount of such Note together with any interest which may accrue in accordance with Condition 3(C).

8. PRESCRIPTION

Each Note and Coupon appertaining thereto (if any) will be void unless presented for payment within a period of five years from the Relevant Date (as defined in Condition 6) in respect thereof.

9. FISCAL AGENT AND PAYING AGENTS

The Kingdom reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, provided that there will at all times be a Fiscal Agent. The Kingdom, with the approval of the Fiscal Agent, may vary or terminate the appointment of any Paying Agent or appoint additional or other Paying Agents provided that, so long as any Notes are listed on the Luxembourg Stock Exchange, the Kingdom will at all times maintain a Paying Agent in Luxembourg. Any variation, termination, appointment or removal shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor less than 30 days' prior notice thereof shall have been given to the Noteholders.

In acting under the Fiscal Agency Agreement, the Fiscal Agent and the Paying Agents shall be acting solely as agents of the Kingdom and shall not assume any obligations toward or relationship of agency or trust for or with the Noteholders or Couponholders, except that any funds received by the Fiscal Agent for the payment of the principal of or interest on the Notes shall be held by it in trust for the persons entitled thereto until the expiration of the relevant period of prescription.

10. REPLACEMENT OF NOTES AND COUPONS

If a Note or Coupon is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Fiscal Agent for the time being upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Kingdom and/or the Fiscal Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Noteholders will be valid if published in a leading London daily newspaper (which is expected to be the *Financial Times*) or such other leading newspaper with circulation in Europe as the Fiscal Agent may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange, in one daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if any such newspaper shall cease to be published or timely publication therein shall not be practicable, in such other newspaper as the Fiscal Agent shall deem necessary to give fair and reasonable notice to the Noteholders and Couponholders. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance herewith.

In relation to the Notes in global form, there may, so long as all such Notes are held in their entirety on behalf of Euroclear and Cedel Bank, be substituted, for publication in a London daily newspaper as aforesaid, the delivery of the relevant notice to Euroclear and Cedel Bank for communication by them to the holders of the relevant Notes. Any such notice shall be deemed to have been given to the holders of the relevant Notes on the seventh day after the day on which the said notice was given to Euroclear and Cedel Bank.

Notices to be given by any holder of Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent. Whilst any of the Notes are represented by a global Note held on behalf of Euroclear and/or Cedel Bank such notice may be given by a holder of any of the Notes so represented to the Fiscal Agent via Euroclear and/or Cedel Bank, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Cedel Bank may approve for this purpose.

12. MEETINGS OF NOTEHOLDERS AND MODIFICATION

(A) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of the holders of the Notes (which term, in this Condition, means Notes of a single Series or more than one Series or all the Notes, as appropriate) to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Fiscal Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Conditions, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

(B) Modification

The Fiscal Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Fiscal Agency Agreement which is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified by the Kingdom to the Noteholders as soon as practicable thereafter in accordance with Condition 11.

13. FURTHER ISSUES

The Kingdom is at liberty from time to time without the consent of the holders of the Notes of a Series to create and issue further notes ranking equally in all respects (or in all respects save for the date for, and amount of, the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the Notes of such Series.

14. GOVERNING LAW AND JURISDICTION

The Notes will be governed by, and construed in accordance with, English law.

For the benefit of the Noteholders, the Kingdom irrevocably agrees that the courts of England are to have jurisdiction to hear and determine any suit, action or proceeding (together "Proceedings") and to settle any disputes which may arise out of or in connection with the Notes and that accordingly any Proceedings so arising may be brought in such courts. The Kingdom irrevocably waives any objection which it may now or in the future have to the laying of the venue of any Proceedings in such courts and any claim that such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon the Kingdom and may be enforced in the courts of any other jurisdiction. Nothing contained in the Fiscal Agency Agreement shall limit the right of the Noteholders to take Proceedings in any other court of competent jurisdiction; nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Kingdom agrees that the process by which any Proceedings in England are begun may be served on the Kingdom by being delivered to the Consul General of the Kingdom in London.

Without prejudice to the provisions of Article 44 of the Spanish General Budgetary Law 1091/88 (restated text of September 23) and subject as provided below, the Kingdom consents generally in respect of any Proceeding to the giving of any relief or the issue of any process in connection with such Proceeding including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceeding.

Without prejudice to the provisions of Article 44 of the Spanish General Budgetary Law 1091/88 (restated text of September 23) and subject as provided below, to the extent that the Kingdom may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to the Kingdom or its assets such immunity (whether or not claimed), the Kingdom irrevocably agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

Neither of the preceding two paragraphs shall be taken to mean that the Kingdom waives any immunity from enforcement against, or execution or attachment of, any property or assets of the Kingdom which, under the Vienna Convention on Diplomatic Relations signed in 1961 or the Vienna Convention on Consular Relations signed in 1963, would be considered "inviolable" property of a "sending state" or be construed as an agreement by the Kingdom and any Noteholder or Couponholder to any extension of or limitation on the lawful applicability of the said Article 44.

USE OF PROCEEDS

The net proceeds of the issue of any Notes will be applied in repayment of existing indebtedness of the Kingdom or for financing general budgetary expenditure.

Spain consists of 17 autonomous communities, comprising a total of 50 administrative provinces, 47 of which are located on the Iberian Peninsula, 2 in the Canary Islands and 1 in the Balearic Islands. The North African cities of Ceuta and Melilla are also part of the Spanish territory. Spain covers approximately 505,000 square kilometres (197,266 square miles) and is the second largest country in western Europe, after France. Spain has 56 cities and towns of more than 100,000 inhabitants.

In 1995, Spain's estimated population was 39.2 million. The International Bank for Reconstruction and Development (the "World Bank") has estimated that Spain's population will grow from 1985 until the year 2000 at an annual rate of 0.6 per cent.

Spain is a democracy, structured as a parliamentary monarchy. The constitution, ratified by a national referendum on 6th December, 1978, constitutes the supreme law, providing for the existence of political parties, universal suffrage and the free election of parliamentary representatives. Legislative power is vested in a bicameral parliament (*Las Cortes*), composed of the congress of deputies ("Congress"), with 350 congressmen, and the senate, with 208 senators. Members of parliament serve four-year terms. Although both chambers may initiate legislation, the Congress has final approval of all legislation. Elections are held generally every four years, although the Spanish government (the "Government") may call an election at an earlier date. The constitution recognises the right of regional autonomy, subject to certain limitations. Spain's 17 autonomous communities have legislative powers over such areas as law enforcement, education and cultural affairs, medical services, social welfare programmes, city planning and housing, public works, railroads, highways and ports.

The King's functions include the sanctioning of laws, the convening and dissolving of parliament, calling referenda, proposing a prime minister for parliamentary approval and exercising supreme command of the armed forces.

The Government is formed by the ministers and the prime minister. The prime minister must be proposed by the King and approved by the parliament and, after being approved by the parliament, is formally appointed by the King. The prime minister chooses his ministers and is free to remove or change them at any time. A majority of congressmen may force the resignation of the prime minister.

The judicial system is comprised of a hierarchical system of courts, whose independence is guaranteed by the constitution. The highest body of judicial power is the supreme court, with jurisdiction over all Spain, except with respect to matters reserved for the constitutional court. The supreme court is competent to deal with appeals resulting from decisions of the council of ministers and certain criminal cases.

Spain's political system includes three main parties: a socialist party, a conservative party and a left party. There are other smaller parties both with and without parliamentary representation and a few strong regional parties with large representation in certain autonomous communities such as the Democratic Convergence of Catalonia Party in coalition with Convergence and Union in the Autonomous Community of Catalonia, the Basque Nationalist Party in the Basque Autonomous Community and the Canary Coalition in the Canarian Autonomous Community. These parties, mainly conservative in their economic views, have a significant representation under the current distribution of seats in the Spanish Parliament.

The Popular Party won the General Election of March 1996 and since then has formed the Government in Spain with support in Parliament from the Catalonian, Basque and Canarian regionalist parties.

Spain became a member of the EEC on 1st January, 1986 pursuant to the Treaty of Accession and was fully integrated into the EEC on 1st January, 1993. Spain is also a member of numerous major international organisations, including the United Nations and its specialised agencies, the World Bank, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, the Organisation for Economic Cooperation and Development, European Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the European Investment Fund, the International Finance Corporation, the International Development Association, the Council of Europe, the European Company for the Financing of Railroad Rolling Stock, the International Labour Organisation, the International Atomic Energy Agency, the International Civil Aviation Organisation, the Universal Postal Union, the World Health Organisation, the International Telecommunications Union, the World Meteorological Organisation and the Intergovernmental Maritime Consultative Organisation. Spain is also a party to the General Agreement on Tariffs and Trade and became a member of the North Atlantic Treaty Organisation in May 1992, re-affirming its membership by popular referendum in March 1986. Since the Madrid Summit in December 1995, Spain has been keen to enter into the third phase of European Monetary Union ("EMU").

Pursuant to an agreement dated 15th September, 1987 (the "Principal Dealer Agreement") as supplemented by a supplemental agreement dated 29th July, 1993 and a first supplemental dealer agreement dated 3rd March, 1997 between the Kingdom and the Dealers, the Notes are being offered for sale by the Kingdom on a continuing basis and in tranches to the Dealers. The Kingdom shall have no obligation to sell Notes to any Dealer and each Dealer shall have no obligation to purchase Notes from the Kingdom. The Kingdom may pay each Dealer a commission in consideration of its agreeing to purchase Notes of such amount as the Kingdom and the Dealer may agree.

United States

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer, sell or deliver any Notes within the United States or to U.S. persons except as permitted by the Programme Agreement.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Indexed Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Kingdom and the relevant Dealer or Dealers shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

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

Germany

In connection with the initial placement of any Notes in Germany, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer and sell Notes (i) unless otherwise provided in the relevant subscription agreement or Pricing Supplement in the case of an issue made on a syndicated basis, only for an aggregate purchase price per purchaser of at least DM 80,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

General

Each Dealer will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Kingdom nor any other Dealer shall have responsibility therefor.

1. AUTHORISATION

The creation and issue of the Notes, the terms and conditions of which are set forth herein, has been duly authorised by the Kingdom pursuant to a Resolution of the Council of Ministers dated 31st July, 1987, an Order of the Ministry of Economy and Finance dated 30th March, 1990 and a Resolution of the General Director of the Treasury and Finance Policy dated 14th January, 1993. Amendments to the Programme have been duly authorised by a Resolution of the Dirección General del Tesoro y Politica Financiera dated 25th November, 1996.

2. LISTING

Application has been made to list the Notes on the Luxembourg Stock Exchange. So long as the Notes are listed on the Luxembourg Stock Exchange, the Kingdom will maintain a Paying Agent in Luxembourg. In addition, information regarding the terms of each Tranche of Notes listed on the Luxembourg Stock Exchange contained in the applicable Pricing Supplement may be obtained at the offices of the Paying Agents and from Kredietbank S.A. Luxembourgeoise, Luxembourg.

3. UNDERTAKING

The Kingdom undertakes that, in connection with the listing of the Notes on the Luxembourg Stock Exchange, it will, so long as any Notes remain outstanding and listed on that stock exchange, in the event of any material adverse change in the status or condition of the Kingdom which is not reflected in the Offering Circular, prepare an amendment or supplement to the Offering Circular or publish a new Offering Circular for use in connection with any subsequent offering and listing by the Kingdom of Notes. In any event, the Kingdom undertakes to publish a new Offering Circular not later than two years from the date of this document if any offering of Notes is to be made after two years from the date of this document.

4. AVAILABILITY OF DOCUMENTS

The following documents may be examined at the principal London office of the Fiscal Agent, currently The Chase Manhattan Bank, 125 London Wall, London EC2Y 5AJ and at the specified office of the other Paying Agent, currently Chase Manhattan Bank Luxembourg S.A. at 5 rue Plaetis, Luxembourg:

(i) the Fiscal Agency Agreement dated 15th September, 1987 as amended and supplemented by the Supplemental Agreement dated 29th July, 1993;

(ii) the Dealer Agreement dated 15th September, 1987 as amended and supplemented by the Supplemental Agreement dated 29th July, 1993 and the First Supplemental Dealer Agreement dated 3rd March, 1997; and

(iii) the Deed of Covenant dated 15th September, 1987 (with respect to Notes issued prior to the date of the Prospectus dated 29th July, 1993) and the Deed of Covenant dated 29th July, 1993 (with respect to Notes issued after the date of that document).

5. LITIGATION

The Kingdom is not involved in any litigation or governmental proceedings which might result in a material adverse change in the Kingdom's condition (financial or otherwise) or which might impair the ability of the Kingdom to perform its obligations under the Notes, the Dealer Agreement or the Fiscal Agency Agreement.

6. CLEARANCE

It is intended that the Notes should be accepted for clearing through Euroclear and Cedel Bank; the appropriate common code and ISIN for each Tranche will be set forth in the applicable Pricing Supplement.

7. TAXATION

By virtue of Article 17 of Law 18/91 of 6th June on Personal Income Tax and Article 46 paragraph (b) of Law 43/95 of 27th December, 1995 on Corporate Tax, interest paid on the Notes to non-residents of Spain as well as capital gains made by them on a sale of Notes will be treated as not obtained in Spain and, accordingly, will not be subject to Spanish taxation, whether by withholding or otherwise.

8. APPLICABLE LAWS

ECU

Under Article 109G of the Treaty establishing the European Communities, as amended by the Treaty on European Union (the "Treaty"), the currency composition of the ECU may not be changed. The Treaty contemplates that European monetary union will occur in three stages, the second of which began on 1st January, 1994 with the entry into force of the Treaty on European Union. The Treaty provides that, at the start of the third stage of European monetary union, the value of the ECU as against the currencies of the member states participating in the third stage will be irrevocably fixed, and the ECU will become a currency in its own right. In contemplation of that third stage, the European Council meeting in Madrid on 16th December, 1995 decided that the name of that currency will be the Euro and that, in accordance with the Treaty, substitution of the Euro for the ECU will be at the rate of one Euro for one ECU. From the start of the third stage of European monetary union, all payments in respect of any Notes denominated or payable in ECU will be payable in Euro at the rate then established in accordance with the Treaty.

Sterling

There is a minimum denomination of £100,000, a minimum of one year from the date of issue and a maximum maturity of five years from the date of issue.

Deutschmarks

In relation to issues of Deutschmark denominated Notes through individual Dealers, those Dealers must be credit institutions domiciled in Germany. In addition, only such credit institutions may lead manage syndicated issues of Deutschmark denominated Notes.

ISSUER

The Kingdom of Spain
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Ministerio de Economia y Hacienda
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THE ARRANGER

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ARRANGER FOR DM ISSUES

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DEALERS

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Chief of the Legal Department
of the Directorate of the Treasury
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To the Dealers

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END OF DOCUMENT