

# **FIRST ISSUE OF PREFERENTIAL PARTICIPATIONS**

## **CAJA DE AHORROS Y MONTE DE PIEDAD OF ZARAGOZA, ARAGÓN AND RIOJA (Ibercaja)**

### **PROSPECTUS**

**2006**

This prospectus comprises a prospectus schedule that has been drawn up in accordance with Community Regulations of Directive 2003/71/EC and has been carried out pursuant to Annex 13 of Regulation 809/2004 of this directive. It has been filed with the official register of the National Securities Market Commission (CNMV) on 7<sup>th</sup> of November 2006 and is complemented by the registration document drawn up in accordance with Annex 11 of the previous regulation and registered with the CNMV on 2 December 2005.

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## I.- RISK FACTORS FOR THE SECURITIES

The main risk factors inherent in the securities issued under the auspices of this prospectus are described below:

### 1. Risk of non-receipt of payment

The distribution of the remuneration of preferential participations will be conditioned to obtaining sufficient profit that may be distributed and the limitations imposed by banking regulations on shareholders' equity. Despite the foregoing, the holders of preferential participations covered in this prospectus will have the right to receive partial remuneration pro rata up to the limit which, in agreement with the calculations arising from the provisions of this prospectus, is determined in agreement with section 4.7.1.1 of the prospectus schedule.

If, for these reasons, all or part of the remuneration corresponding to the holders of these preferential participations is not paid, the right to receive remuneration will be forfeited, but this will not affect payment of future remuneration.

### 2. Risk of issue liquidation

Despite the perpetual nature of the issue, this may be liquidated in any of the following situations:

- Liquidation or dissolution of the Issuer (Ibercaja).
- Reduction of shareholders' equity of the Issuer (Ibercaja) and participatory quotas, if applicable, to zero without liquidation of the bank and with a simultaneous contribution to the endowment fund or a simultaneous issue of participatory quotas.

The liquidation of the issue in this latter case does not necessarily guarantee holders of preferential participations receipt of 100% of the liquidation quota corresponding to them, equivalent to their nominal value, FIFTY THOUSAND (50,000) EUROS per preferential participation plus, where appropriate, an amount equal to the remuneration accrued and not paid corresponding to the accrual period for remuneration in progress and up to the date of payment.

### 3. Market risk

Once the preferential participations that are the object of this issue have been admitted for trading on AIAF, fixed income market, it is possible that they will be traded downwards in relation to the initial issue price; viz., below their nominal value depending on interest rates in force, the market for similar securities, and general economic conditions.

### 4. Credit rating of the issue

The preferential participations that are the object of this prospectus schedule have the following credit ratings assigned by credit risk ratings agencies.

Moody's	S&P
A3	BBB+

These ratings do not constitute a recommendation to buy, sell or hold securities. The credit rating may be reviewed, suspended or withdrawn at any time by the ratings agency.

The credit rating is merely an estimate and does not aim to avoid the need for potential investors to carry out their own analysis of the Issuer or securities that may be purchased.

### 5. Losses of liquidity or representative nature of the preferential participations on the market.

Preferential participations issued under the auspices of this prospectus schedule are new issue securities the distribution of which may not be very broad and for which there is currently no active trading market.

Although the admission for trading of the preferential securities will be requested on AIAF, fixed income market, it is not possible to ensure that there will be active trading on the market. Nor is it possible to ensure the implementation of liquidity of trading markets for each Issuer in particular.

## **II.- PROSPECTUS SCHEDULE**

### **1 Persons liable**

MR PEDRO DOLZ TOMEY, Head of Market Risk Management of the Directorate for Credit Investment and Capital Markets on behalf of and in representation of Caja de Ahorros y Monte de Piedad of Zaragoza, Aragón and Rioja (hereinafter, also Ibercaja, the Issuer or the Issuing Entity), by virtue of the agreement from the Board of Directors on 27 July 2006, assumes full responsibility for information contained in the prospectus schedule.

MR PEDRO DOLZ TOMEY declares that he has behaved with reasonable diligence to guarantee that the information contained in the prospectus schedule is, to the best of his knowledge, in agreement with the facts and he will not incur any liability as a result of any omission that may affect its content.

### **2 Risk factors**

The risk factors associated with the securities admitted for trading are described in the section 1 above RISK FACTORS FOR THE SECURITIES.

### **3 Fundamental information**

#### **3.1 Interest of the physical and legal persons participating in the issue.**

There is no particular interest that is of importance of the physical and legal persons participating in the issue.

#### **4 Information relating to the securities that will be admitted for trading.**

##### **4.1 Total amount of the securities that will be admitted for trading.**

The total nominal amount is ONE HUNDRED AND FIFTY MILLION (150,000,000) EUROS and comprises 3,000 preferential participations with an individual face value of FIFTY THOUSAND (50,000) EUROS.

##### **4.2 Description of the type and class of securities admitted for trading with the ISIN code.**

This prospectus schedule is prepared for the purpose of admission for trading of the Ibercaja preferential participations issue denominated FIRST ISSUE OF PREFERENTIAL PARTICIPATIONS (hereinafter, the Issue or Preferential Participations). The participations have been issued by the Caja de Ahorros y Monte de Piedad of Zaragoza, Aragón and Rioja (hereinafter, the Issuer).

The preferential participations are atypical perpetual participations recognised in section 7 and the Second Additional Provision of Law 13/1985 of 25 May, on investment quotients, shareholders' equity and the information obligations of financial brokers according to the wording given respectively by Law 44/2002, of 22 November, governing measures to reform the financial system, and Law 19/2003 of 4 July, governing the legal system of capital movements and economic transactions abroad and on specific measures to prevent money laundering; Law 62/2003, of 30 December and Law 23/2005 of 18 November.

The following ISIN (International Securities Identification Number) code has been assigned to the participations: ES0114954003.

### **4.3 Legislation according to which the securities have been created**

The securities are issued in agreement with Spanish legislation that applies to the Issuer or to these securities. In particular, they are issued in agreement with Law 24/1988, of 28 July, governing the securities market and in agreement with those other regulations implemented through this law.

The Issue is made under the auspices of the Second Additional Provision of Law 13/1985 of 25 May, for investment ratios, capital adequacy and information requirements for financial intermediaries, according to the draft given, respectively, of Law 44/2002, of 22 November, on measures to reform the financial system, and by Law 19/2003, of 4 July, on the legal regime governing capital movements and cross-border transactions and on specific measures for the prevention of money laundering, which sets forth the requirements and characteristics of the preferential participations.

This prospectus schedule has been drawn up following the model set out in Annex 13 of Commission Regulation (EC) number 809/2004, of 29 April 2004, regarding the application of Directive 2003/71/EC from the European Parliament and the Council in relation to information contained in the prospectuses as well as the format, incorporation by reference, publication of these prospectuses and advertising.

### **4.4 Representation of the securities**

The securities are represented by means of book entries. The entity responsible for the accounting register is IBERCLEAR, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., with registered offices at C/ Tramontana, 2 bis, Las Rozas, Madrid.

### **4.5 Currency of the issue**

The securities are denominated in euros.

### **4.6 Order of priority of the securities**

Payment of remuneration for preferential participations is conditioned upon the existence of sufficient profit that may be distributed (as this term is described in section 4.7.1.1 of this prospectus schedule) as well as limitations imposed by Spanish regulations on the shareholders' equity of banks. If non-payment occurs due to insufficient profit for distribution, the investor will not receive future remuneration that depends on this distributable profit. If non-payment occurs as a consequence of restrictions imposed through Spanish regulations on the shareholders' equity of banks, the investor will not receive future remuneration whilst these restrictions remain in force.

Despite the content of the previous paragraph, the holders of preferential participations will have the right to receive partial remuneration pro rata up to the limit which, in agreement with the calculations arising from that set out in the two situations covered in subsection I.a) of section 4.7.1.1 of this prospectus schedule, is possible. In this regard, the remuneration corresponding to preferential participations and other preferential participations or equivalent securities issued by the Issuer or by any subsidiary of Ibercaja, that has the same rank as the participations securities that are the object of this prospectus schedule, if they exist, will be declared pro rata bearing in mind the existing proportion between: (a) the total amount available for payment of the remuneration for preferential participations and the remaining participations and equivalent securities if they exist, and (b) the amount that would have been paid for preferential participations and the remainder of the preferential participations and equivalent securities if there were no limitation to payment of the remuneration.

In the case of voluntary or involuntary liquidation or dissolution of the Issuer, holders of preferential participations that are in circulation at the time will have the right to receive a liquidation quota of FIFTY THOUSAND (50,000) EUROS from the assets of the Issuer, which may be distributed between the holders of preferential participations, shareholders, if there are any, and beneficiaries of charity-social work. This sum is payable for each preferential

participation, equivalent to its nominal value plus, where applicable, an amount equal to the remuneration accrued and not paid corresponding to the accrual period of the remuneration in progress and up to the date of payment, in accordance with that set forth in the following section 4.7.1.

Holders of preferential participations will receive these amounts prior to the distribution of the Issuer's assets among the groups mentioned in the previous paragraph but at the same time as the holders of preferential participations that have been issued or, as applicable, which, the Issuer or any subsidiary of Ibercaja may issue, which have the same rank as the securities that are the object of this prospectus schedule.

Elsewhere, preferential participations will be placed in the following order of priority:

- Ahead of the participatory quotas of the Issuer, if these exist, as well as ahead of the charity-social work, but only in the case of liquidation of the Issuer, with regard to the final destination of the surplus that remains once all Ibercaja's obligations have been met.
- *Pari passu* with the preferential participations or equivalent securities which, if applicable, Ibercaja or any Ibercaja subsidiary issues.
- Behind all common and subordinated creditors of the Issuer (excluding any contractual right or any guarantee granted by Ibercaja with the same or lower rank than the preferential participations that are the object of this prospectus schedule).

The holders of these preferential participations, due to the mere fact of their subscription and purchase, hereby, accept the order of priority of claims, to the order of priority of payment of claims and to the method of arranging the payment in case of competition with other creditors in the same class, as set out in this prospectus.

## **4.7 Description of the rights linked to the securities and procedure for exercising these rights.**

Preferential participations grant their holders the economic and political rights described below.

### **4.7.1 Economic rights**

#### **4.7.1.1. Right to receive remuneration**

Holders of preferential participations will have the right to receive non-cumulative predetermined remuneration (non-cumulative preferential remuneration) as described in this section 4.7.

The payment of non-cumulative preferential remuneration is conditioned upon the existence of sufficient profit that may be distributed (as this term is described further on in this section) as well as limitations imposed by Spanish regulations on the shareholders' equity of banks.

This means that when one of the conditions described in the previous paragraph occurs, the holders of preferential participations will not have the right to receive non-cumulative preferential remuneration.

### **I. System of receipt of non-cumulative preferential remuneration by holders of preferential participations**

#### **a) Situations of non-receipt**

The right of the investors to receive the non-cumulative preferential remuneration is conditional on the following:

1. That the overall sum of the non-cumulative preferential remunerations proposed for payment by the current issue of preferential participations, from the 1<sup>st</sup> of July of each year to the 30<sup>th</sup> of June of the following year (henceforth, the reference period), together with any remunerations that will be proposed to be paid during that same reference period in respect of any preferential participations issued by Ibercaja or by any of its subsidiaries with the guarantee of Ibercaja, and that are placed, in relation to participation in profits, at the same level as the preferential participations, does not exceed the distributable profit corresponding to the financial year preceding the reference period start date.

Distributable profit from a tax year is understood to be the lesser amount between the net profit of Ibercaja and its consolidated group of banks, defined in Law 13/1985 and its implementing regulations as reflected in accordance with regulations laid down by the Bank of Spain for calculation of the reserved accounts statements referred to in regulations 69 and 70 of Circular 4/2004 from the Bank of Spain. These annual results must be approved at least by the Board of Directors of Ibercaja and verified by its external auditors. When these results are materially separated from those attributed to the group in the public consolidated annual accounts to which reference is made in Circular 4/2004, the amount and the reasons for this difference will be duly addressed in the report that forms part of these accounts.

Subsidiary means any entity in which Ibercaja holds a direct or indirect participation of more than 50% of the shares with a right to vote. Ibercaja has not granted, nor will it grant, guarantees of equal or lower rank than this issue for issues of preferential participations from non-subsidiary entities.

2. Even if the distributable profit is sufficient, in accordance with Spanish banking regulations applicable to banks that do not comply with their shareholders' equity quotients both individually and on a consolidated basis, Ibercaja shall not be obliged to limit its payments with respect to participatory quotas or comparable securities that may have been issued (except payments from the stabilisation fund) or the assignment of provisions to the charity-social work fund (except those made by virtue of that set forth in section 11.5 of Law 13/1985).

In accordance with the provisions mentioned, if Ibercaja had issued participatory quotas or comparable securities and Ibercaja or the consolidated group to which it belongs presents an equity deficit on the legally required minimum, 100% of the annual surplus corresponding to the quotas would go to the shareholders' reserve fund and retribution from the stabilisation fund would require prior authorisation from the Bank of Spain.

In the case where Ibercaja presents a computable shareholders' equity deficit greater than 20% of the minimum required, all entities from the consolidated group must target all their profits or net surpluses to reserves. In this case no non-cumulative preferential remuneration will be distributed to the holders of preferential participations.

If the computable equity deficit is equal to or less than 20%, the proposal for this distribution of the future remunerations will have to be submitted for prior authorisation from the Bank of Spain, which will establish the minimum amount to allocate to reserves in order to return to required levels. This percentage will not be less than 50% of the profits or net surpluses. The Bank of Spain could therefore, in this situation, authorise the distribution of amounts to the charity-social work fund but not to holders of preferential participations.

If the insufficiency of shareholders' equity mentioned above prevents payments for a non-cumulative preferential remuneration either totally or partially, this situation will be communicated to the CNMV and to the AIAF "Fixed Income Market" and published in a nationally distributed newspaper by the Issuer.

#### b) Situations of partial receipt

Despite the provisions set out in subsection I.a) above, the holders of preferential participations will have the right to receive a partial non-cumulative preferential remuneration pro rata up to the limit which, in agreement with the calculations arising from that set out in the two situations covered in the aforementioned subsection is possible, in agreement with that described in subsection III.(iii) below.

#### c) Situations of full receipt

When holders of preferential participations have the right to receive remuneration due to the non-occurrence of situations in subsection I.a) the Issuer will be obliged to pay the non-cumulative preferential remuneration.

## **II. Non-cumulative character of the non-cumulative preferential remuneration**

If any of the situations set out in subsection I.a) above occurs, the Issuer will not pay the non-cumulative preferential remuneration with respect to a specific date of payment. The holders of preferential participations will forfeit their right to receive it and the Issuer will not



have the obligation to pay either the non-cumulative preferential remuneration corresponding to this period or interest on this even when the Issuer complies with its obligations to pay non-cumulative preferential remuneration corresponding to the preferential participations on subsequent dates of payment.

### **III. General provisions**

(i) Non-payment of non-cumulative preferential remuneration by the Issuer will be notified to the CNMV by the Issuer as a relevant fact.

(ii) The obligation to pay non-cumulative preferential remuneration by the Issuer will be understood as satisfied when the Issuer pays it and to the extent to which it does so.

(iii) In the situation of partial payment described in subsection I. b) above, the non-cumulative preferential remuneration corresponding to preferential participations and other preferential participations or equivalent securities issued by the Issuer or any subsidiary of Ibercaja that has a guarantee granted by the Issuer, in such a way that these preferential participations have the same rank as the preferential participations that are the object of this prospectus schedule, if they exist. They will be declared on a pro rata basis bearing in mind the proportion existing between: (a) the total amount available for the payment of remuneration for preferential participations and the remainder of the preferential participations and comparable securities if they exist and (b) the amount that would have been paid for preferential participations and the remaining preferential participations and compatible securities had there not been a limitation to the payment of non-cumulative preferential remuneration.

Consequently, the amount that will be received by holders of preferential participations for non-cumulative preferential remuneration will be based on this situation, on the total amount of preferential participations and comparable securities in circulation at the time of payment and the remuneration they could have a right to receive based on these other preferential participations and comparable securities.

(iv) If, due to distributable profit or limitations arising from regulations on shareholders' equity belonging to banks, the non-cumulative preferential remuneration is not paid to holders of preferential participations, the Issuer will not distribute any amount to the holders of participatory quotas, if there are any (except allocations charged to the stabilisation fund).

#### **4.7.1.2. Right to receive the redemption price**

In the cases of redemption considered in section 4.9 of this prospectus, the holders of preferential participations will have the right to receive a redemption price for each security that will consist of an amount equal to their nominal value, viz., FIFTY THOUSAND (50,000) EUROS plus, if applicable, an amount equal to the non-cumulative preferential remuneration accrued from the last date of payment up to the date established for redemption, in accordance with that set forth in this section.

#### **4.7.1.3. Right to receive liquidation quotas**

##### **1. Dissolution or liquidation of the Issuer**

In the cases of: (i) the voluntary or involuntary dissolution or liquidation of the Issuer or (ii) reduction of their shareholders' equity and participatory quotas, if applicable, to zero, without liquidation of the Issuer and with a simultaneous contribution to the endowment fund or a simultaneous issue of participatory quotas, the holders of preferential participations in circulation at this time will have the right to receive a liquidation quota that will be equivalent to the nominal value of the preferential participations plus, where applicable, an amount equal to the remuneration accrued and not satisfied, corresponding to the current accrual period for the remuneration and until the payment date, subject to the limitations set out in section 4.7.1.1, which will be determined in the following way.

To determine the liquidation quota the sum of the following liquidation quotas will be calculated :

- (a) Those corresponding to all preferential participations or comparable securities that the Issuer may issue directly, including the preferential participations that are the object of this prospectus schedule.
- (b) Those corresponding to preferential participations or comparable securities issued by subsidiaries of the Issuer that have a guarantee granted by the Issuer in such a way that these securities are comparable in order of priority with the preferential participations object of this prospectus schedule.

The liquidation quotas that are paid to holders of the securities mentioned will not exceed the liquidation quotas that would have been paid with assets of the Issuer if they had all been issued by the Issuer and placed in the following order of priority:

- (a) Ahead of the participatory quotas of the Issuer, if these were issued and ahead of the charity-social work of Ibercaja with regard to the target of the remainder that may remain once all the obligations of Ibercaja have been met, but only in the case of liquidation of the Issuer.
- (b) At the same level as the preferential participations or comparable securities that Ibercaja, or any of its subsidiaries guaranteed by Ibercaja, may issue, if applicable.
- (c) Behind all Ibercaja's obligations.

All this after having fully paid all Ibercaja creditors including holders of junior debt and excluding beneficiaries of any guarantee or any other contractual right that is placed in order of priority at the same level as the preferential participations that are the object of this prospectus schedule, pursuant to Spanish legislation.

It is hereby placed on record that to date, since no participatory quotas have been issued by Ibercaja, preferential participations that are the object of this prospectus schedule will occupy, in agreement with the previous paragraph, the last place in terms of priority of credits in the case that Ibercaja's equity is reduced to zero, without receivership of Ibercaja and with a simultaneous contribution to the endowment fund or a simultaneous issue of participatory quotas.

## **2. Pro rata payments**

If, when distribution occurs due to liquidation, liquidation quotas to pay are not made totally effective due to the limitations described in subsection 1 above, these amounts will be paid pro rata in proportion to the amounts that would have been paid had these limitations not existed.

Once the liquidation quota to which the holders of preferential participations have a right has been made effective in agreement with the foregoing subsections, they will not have any other rights to claim against the Issuer.

### **4.7.1.4. Right of preferential subscription**

The holders of the preferential participations do not have the right to preferential subscription of new issues of preferential participations that the Issuer, or any of its subsidiaries, may make in the future.

### **4.7.2 Political rights**

The holders of preferential participations object of this prospectus schedule do not have the right to receive notification, attend or vote at any of Ibercaja's General Assemblies, nor will they enjoy any present and/or future political rights over Ibercaja except that which is specifically recognised in the regulation of the syndicate of participants whose content is detailed in section 4.11 hereunder.

### **4.7.2 Other rights that the securities confer**

#### **4.7.2.1 Changes to the Terms and Conditions of the preferential participations**

Any change to the terms and conditions of the preferential participations must be approved by the General Assembly of the Participants, duly called by the Commissioner for this purpose. The agreement for approving the changes must be adopted in the form and with the requirements set out in article 6 and subsequent articles of the Regulations of the syndicate of participants.

Nevertheless, the redemption made in accordance with the method set out in section 4.9 of this prospectus does not require the prior authorization of the holders of the preferential participations.

#### 4.7.2.3. Additional issues of the preferential participations

a) Provided that the Issuer knows about the payment preferential participations issued by the Issuer, the latter may freely, with no need to obtain the consent of the holders of the preferential participations, (i) carry out any action necessary to issue additional preferential participations or authorize, create or issue one or more issues with the same range as the preferential participations as regards the participation in the Issuer's profits and assets, with no limit on quantity, whenever these additional preferential participations fulfil the Spanish standards for own resources that are in force at the time of their issue or (ii) carry out any action necessary to guarantee any issue of preferential participations on behalf of any subsidiary.

b) On the other hand, where the Issuer has not paid the last remunerations of the preferential participants in circulation, the prior consent of the holders of the Issuer's preferential participations will be required in order to carry out the stated actions. This consent must be granted via an agreement approved in the participants' General Assembly, in compliance with the method and requirements indicated in the regulations of the syndicate of participants.

c) Neither the Issuer nor any of its subsidiaries may issue or guarantee the issue of securities, equivalent securities or other instruments, similar in rank to these preferential participations, either directly or through a guarantee, which are ahead of the preferential participations, except where the terms and conditions of the preferential participations change so that they have the equivalent rank as this new issue of participations.

### 4.8 Nominal interest rate and provisions relating to interest to be paid

#### ➤ Nominal interest rate and description of interest

From the date of disbursement, viz., 24 of October 2006 (included) and for the rest of the life of the issue, up to the date of redemption, if applicable (excluded), the securities will accrue a variable non-cumulative preferential remuneration that will be paid quarterly in arrears, the same as that resulting from applying the annual nominal interest rate resulting from adding a differential of 113 basic points (1.13%) to the 3-month EURIBOR, to the nominal value of the preferential participations. This non-cumulative preferential remuneration will be calculated based on actual/360 days.

In the case where the Issuer, once the first early date of redemption has arrived, which is ten years after the payment date, does not exercise their early redemption right, the variable annual nominal interest rate of the issue will be increased from this date hereinafter by 100 basic points (1.00%) in such a way that from then on the differential that will be added to the reference 3-month EURIBOR is 213 basic points (2.13%).

No rounding up will be carried out during determination of the annual nominal interest rate.

The Issuer will communicate the interest rates applicable in each one of the periods of accrual (remuneration period) before initiation of the same by means of an announcement in the AIAF, Fixed Income Market Listings in which the issue is listed.

#### ➤ Method for calculating the interest

The gross unitary amount corresponding to the coupon of each preferential participation will be calculated in agreement with the following formula:

$$C = N \times i \times \frac{d}{360}$$

Where:

C: Gross unitary amount of each quarterly coupon in euros.

N: Nominal unitary amount per preferential participation (50,000 euros).

i: Annual interest rate (3-month EURIBOR plus differential of the issue in force) expressed as a percentage.

d: Number of days effectively elapsed between the date of initiation of the interest accrual period and the date of payment of the corresponding coupons. This number of days will be calculated in accordance with the provisions set forth in the Period of Interest subsection and bearing in mind the convention of business days that is applicable.

➤ EURIBOR will be understood as:

The reference rate of the Euro Monetary Market resulting from application of the convention in force at any given time under sponsorship of the EBF (*European Union Banking Federation*) and *Financial Market Association* (ACI) and currently published on the EURIBOR01 screen of Reuters or any screen that replaces this, at approximately 11:00 *Central European Time* on the morning of the second business day prior to the day of initiation of each interest period for financial products with issue of deposits two (2) working days following the rate setting day according to the TARGET (*Trans European Automated Real-time Gross Settlement Express Transfer System*) calendar for Euro deposits for a period of time equal to the interest period (3 months).

In the absence of rates according to that indicated in the previous paragraph, it will be the arithmetic average of the interbank interest rates offered to the reference entities in the Interbank market of the Euro zone at approximately 11:00 hours on the morning of the second working day immediately prior to the start of the interest period for deposits of equal amounts or very similar to the amount of this issue of preferential participations and in a time equal to the interest period, in accordance with that stipulated below in the section titled Replacement Interest Rates.

In the absence of rates according to those indicated in the two previous paragraphs, it will be the reference Euribor of the immediately preceding interest period.

➤ Remuneration periods:

For the purposes of calculating accrued interest in each remuneration period, the time between the date of issue and the date of redemption of the preferential participations, if applicable, will be considered, divided into successive remuneration periods or interest periods, the duration of which will be adjusted in accordance with the following rules.

1.- The first interest period will begin on the date of issue. A new interest period will begin on the date of completion of each interest period. For the purposes of interest accrual, the first day and not the last day will be calculated in each interest period.

2.- The interest period will have a duration of three (3) months.

3.- The date of initiation and completion of interest periods will take place on the 24 of the months of January, April, July and October of each year, except in the case of the following point 4.

4.- The first interest period will start from the date of disbursement (24 of October 2006) up to 24 of January 2007, the date on which the following interest period will begin with the duration of another three (3) months and thereafter successively up until redemption, if applicable, of the issue. The 3-month Euribor set on 20 of October 2006 with the value date 24 of October 2006 was 3.521%.

The applicable interest rate in the first Interest Period is 4.651% (the sum of the 3-month Euribor, 3.521%, and the 1.13% margin).

Despite the provisions set forth in subsections 2 and 3 above, for calculation of the interest period, if the last day of any interest period is not a business day, the maturity of this interest period will fall to the first business day immediately following this. The excess or defect in duration that may occur in a specific period of time as a consequence of the above will be deducted or added respectively to the period that immediately follows.

5.- Redemption of the issue, if applicable, will take place on an interest period completion date (and under no circumstances before the tenth anniversary of the date of issue, except in the situations mentioned in section 4.9.2).

➤ Replacement interest rates:

In the case where the EURIBOR does not exist or is not published in the way determined in the subsection immediately above, a replacement variable annual nominal interest rate will

be applied to the preferential participations (the replacement interest rate) in the form established in the following paragraphs, which will be determined by means of the addition of the following components:

- The arithmetic average of all interbank interest rates offered to reference entities on the interbank market in the Euro zone at approximately 11:00 on the morning of the second business day immediately prior to the beginning of the interest rate for deposits of an amount equal or almost equal to the amount of this issue of preferential participations and for a period of time equal to that of the interest period, and
- The differential applicable to the corresponding interest period.

No roundup will be carried out for determination of the replacement interest rate.

The following will be reference entities for these purposes:

- Banco Santander Central Hispano (London).
- J. P. Morgan Chase & Co. (London).
- Barclays Bank (London).

The mechanism for the setting of the replacement interest rate will be the following

- The applicable interbank interest rates with which the arithmetic average, which serves as the basis for the determination of the replacement interest rates applicable to the interest period and amount involved, will be obtained from the reference entities no later than the morning of the second business day prior to the date of initiation of the corresponding interest period.
- In the case where a reference entity does not indicate this interest rate or in the case where deposits have been offered to reference entities on the Euro zone interbank market at the period equivalent to the interest rate in question, the arithmetic average at which they quote will be found as long as at least two quotations are provided. Moreover, if only one reference entity supplies a quotation on the date indicated, this will be applied. In all cases, if no reference entity provides quotations, the one taken as a reference in the interest period immediately prior to this will be used as EURIBOR.
- Any of the reference entities will cease to hold this status when they stop carrying out the required notifications in accordance with that set out in the previous point with regard to two or more interest periods.
- Should any of the reference entities merge, be absorbed or absorb another credit entity, they will be replaced for the purposes set out in these sections by the new resulting entity. If on the other hand the spin-off of any of the reference entities occurs, one of the spin-off entities will be chosen.
- The replacement interest rates will be applied whilst the circumstances that motivate them remain in force and the standard annual nominal interest rate is applied once again as indicated above as soon as the Euro zone monetary market quotes the Euribor rate as indicated. As of this moment the application of the standard annual nominal interest rate will be re-established up until completion of the corresponding interest period.

➤ **Business day:**

Business day is understood to be any day of the week in which transactions may be carried out in agreement with the TARGET (*Trans-European Automated Real-Time Gross Settlement Express Transfer System*) calendar. Saturdays, Sundays and public holidays set as such by the official calendar for Madrid are excluded.

#### **4.8.1 Valid period in which interest and reimbursement of principal can be claimed**

In accordance with applicable general regulations, a maximum period of five (5) years is set for the claim of non-cumulative preferential remuneration and principal, starting from the date on

which, in agreement with that established in this prospectus schedule, the effective payment of this should have been made.

## **4.9 Redemption price and provisions relating to maturity of the securities**

### **4.9.1 Redemption price**

Each preferential participation that is the object of this prospectus schedule grants its holder, in the situation of total redemption, the right to receive a redemption price that will consist of its nominal value plus an amount equal to non-cumulative preferential remuneration accrued up to the date established for redemption and not paid (redemption price).

### **4.9.2 Redemption date and conditions**

Preferential participations are issued for an indefinite period of time. However, they may be fully redeemed at the wish of the Issuer (and not at the request of investors) following prior authorisation from the Bank of Spain, on any date of payment of non-cumulative preferential remuneration once the period of ten (10) years has elapsed from the date of disbursement.

In the case where the Issuer does not exercise their right to early redemption, once the first early redemption date has arrived, which is ten years after the disbursement, the variable annual nominal interest rate of the issue will be increased from this date hereinafter by 100 basic points (1.00%) in such a way that from then on the differential that will be added to the reference 3-month EURIBOR will be 213 basic points (2.13%).

Should the preferential participations stop being calculated as basic equity as of and including the date of issue, in accordance with the regulation applicable to Spanish financial institutions, as a consequence of a change in Spanish legislation or official application or interpretation of these laws, as well as in the case of a change in tax legislation, by which the Issuer has no right to consider as a deductible cost any remuneration that it must pay, or if the value of that deduction for the Issuer is substantially reduced, preferential participations may be redeemed early in their entirety but not partially at the choice of the Issuer and following prior authorisation from the Bank of Spain, on any date of payment (date of early redemption), through payment of the redemption price per preferential participation. The holders of preferential participations will be notified in agreement with that set out in this subsection 4.9.2 and this notification will be irrevocable.

The redemption decision must be irrevocably notified by the Issuer to holders of preferential participations between 30 and 60 calendar days in advance with respect to the date highlighted for redemption.

This notification will be made to the CNMV and via the publication of the corresponding announcement in the AIAF, fixed income market listings, as well as via a widely read national newspaper.

The Issuer, acting in turn as an agent for payments of the issue, will distribute the redemption price to holders of preferential participations that appear in the accounting registers of IBERCLEAR and its participating entities.

The redemption made in the manner established in this subsection 4.9.2 will not require prior authorisation of the holders of preferential participations.

Once redemption has been notified to holders of preferential participations, in the manner set out in the third paragraph of this subsection 4.9.2 and the corresponding funds have been deposited, all the rights of holders of preferential participations to be redeemed will cease to exist except the right to receive the redemption price. Such preferential participations shall cease to be in circulation.

Redemption may be carried out through buyback of the preferential participations by the Issuer for their redemption. If the Issuer, following prior authorisation from the Bank of Spain, decides to repurchase the preferential participations in order to redeem them immediately in accordance with that established in section 4.9.3 hereunder, it must offer all holders the possibility of selling these securities under the same conditions.



The holder of the preferential participations must under no circumstances have the option to redeem the issue in advance. Similarly, there is no partial redemption option for the issue, on behalf of either the holder of the preferential participations or the Issuer.

#### **4.9.3 Acquisition by entities of the Ibercaja Group for redemption**

For the purpose of complying with Spanish regulations on credit entity shareholders' equity that are in force on the date of registration of this prospectus, neither the Issuer nor any of its subsidiaries subject to its control may buy the preferential participations until the period of ten (10) years has elapsed from the date of disbursement and as of this date only with the prior authorisation from the Bank of Spain. Without prejudice to the above, in the event of any modification to applicable Spanish legislation, preferential participations that are in circulation may be purchased at any time by means of the mechanisms applicable in accordance with legislation in force at the time of purchase. All holders will be offered the possibility of selling the securities under the same conditions. Preferential participations acquired in this way will be immediately redeemed.

#### **4.10 Indication of yield of the investor and calculation method**

The effective yield of preferential participations for investors will be based on the maturity of the issue, if applicable, and evolution of the aforementioned reference rate. Should the hypotheses set out below be satisfied, this annual effective yield will be 4.80%.

For calculation of this effective yield the following hypotheses have been established:

- The subscription price payable by participants is 100%.
- The interest rate corresponding to the first period is taken as a hypothesis and it is considered that this is maintained constant during all interest periods from the date of disbursement (included) up to the date of redemption (excluded). The 3-month EURIBOR set on 20 October 2006 with value date 24 October 2006 was 3.521% as indicated in section 4.8 above. This interest rate plus a margin of 1.13% results in 4.651% which is the interest rate applicable from 24 October 2006 up to 24 January 2007.
- It is assumed that redemption of the issue occurs on the date of payment of non-cumulative preferential remuneration that coincides with the tenth anniversary of the issue (24 October 2016) at a redemption price that is equal to the face value.

The internal rate of return for the participant under the previous hypotheses has been calculated with the following formula:

$$P_0 = \sum_{j=1}^n \frac{F_j}{(1+r)^{\left(\frac{d}{365}\right)}}$$

Where:

$P_0$  = Subscription price of the issue payable by participants (100% of the face value).

$F_j$  = Flow of gross charges and payments whilst the issue is in force.

$r$  = Effective annual profitability or IRR (Internal Rate of Return) expressed as a percentage.

$d$  = Number of days effectively elapsed between the date of initiation of the issue and the date of payment of each  $F_j$ .

Investors should bear in mind the power of the Issuer to proceed with total redemption of the preferential participations that are the object of this issue once the period of ten (10) years has elapsed from the date of disbursement, following prior authorisation from the Bank of Spain, as referred to in section 4.9 above.

#### **4.11 Representation of the holders of securities**

The holders of preferential participations will be represented by the syndicate of participants.

The syndicate of participants is made up of all those acquiring securities as the book entries are carried out.

The syndicate will be governed by the regulations of the syndicate of participants, the content of which as follows:

A syndicate, whose purpose is to defend the interests and rights of the holders of preferential participations issued by the la Caja de Ahorros y Monte de Piedad of Zaragoza, Aragón and Rioja (Ibercaja), in accordance with current legislation, is established under the name Syndicate of Participants of the First Issue of Preferential Participations of Ibercaja.

Article 1.- The syndicate will remain in force for the term of the loan and once this has been cancelled, if applicable, up until the obligations that Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón and Rioja (Ibercaja) has with the holders of the securities have been met.

Article 2.- The registered office of the syndicate is set at Plaza Basilio Paraíso, 2, Zaragoza.

Article 3.- The assembly of participants will agree upon the appointment of a secretary for the purpose of certifying its resolutions.

Article 4.- The commissioner will be the chairman of the syndicate of participants and, apart from the terms of reference attributed by the General Assembly of Participants, he/she will be responsible for legal representation of the syndicate and may exercise the corresponding actions and those considered appropriate for the general and individual defence of holders of the securities. In all cases, the commissioner will be the body responsible for governing relations between the issuing entity and the syndicate and as such may attend the deliberations of the general assembly of the Issuer entity with a voice but without a vote, inform this entity of the resolutions of the syndicate and request the reports which, in his/her opinion or the opinion of the Assembly of Participants, are of interest.

Article 5.- The General Assembly of Participants, duly convened by the chairman of by the Board of Directors of the issuing entity, is empowered to agree that which is necessary for the best defence of the legitimate interests of the participants; dismiss and appoint a commissioner or chairman and secretary; exercise, where necessary, the corresponding legal actions and approve expenses incurred through the defence of common interests.

Article 6.- Agreements of the assembly will be taken at first call by absolute majority, with obligatory attendance of the participants that represent two-thirds of the securities of the issue in circulation, and at second call by absolute majority of the attendees; in any case, the agreements adopted with the majorities indicated will bind all participants including non-attendees and dissidents.

Article 7.- Section 4, Chapter 10 of the current Public Limited Companies Act shall apply with regard to the call to meeting, terms of reference and resolutions of the syndicate.

Article 8.- The following shall apply to anything not set out in this regulation:

- Law 211/1964 of 24 December, governing the issue of securities by collective companies, limited partnerships or limited liability companies and by associations or other bodies corporate.

Mr Francisco Serrano Gill de Albornoz has been appointed provisional commissioner of this syndicate and has accepted the position.

#### **4.12 Resolutions, authorisations and approvals by virtue of which the securities are issued**

This issue is carried out in agreement with the resolution of the Board of Directors of Ibercaja adopted at the session held on 27 July 2006 and the resolution of the General Assembly held on 30 March 2006.

#### **4.13 Date of issue**

The date of issue of the preferential participations was 24 of October 2006, which coincided with the date of disbursement.



#### **4.14 Restrictions on the free transferability of the participations**

There are no restrictions on the free transferable nature of the preferential participations. Transfer of the right of each investor over the preferential participations shall be carried out through the relevant accounting transfer in the registers of IBERCLEAR and its participating entities.

### **5 Admission agreements for listing and trading**

#### **5.1 Admission requests for listing**

By virtue of the agreement adopted by the Issuer on 27 July 2006, it is foreseen that the preferential participation object of the prospectus schedule will be listed on AIAF, fixed income market. For this purpose, the Issuer will request that the preferential participations be admitted for official listing on this market. The requirements and conditions demanded for admission, permanence and exclusion of listing in accordance with current legislation and the requirements of that institution, with which the Issuer undertakes to comply, are hereby placed on record.

In relation to admission for trading on AIAF, fixed income market, the Issuer undertakes to carry out the corresponding proceedings with the greatest possible diligence in order for admission for trading of the preferential participations to occur no later than one (1) month from the date of disbursement. In the case where it is not possible to obtain admission for listing of the preferential participations on AIAF fixed income market within the period highlighted above, the Issuer will make this public by expressing the reasons that make this impossible by means of an announcement published in at least one national newspaper and the corresponding communication to the CNMV, without prejudice to possible contractual liability of the Issuer.

The Issuer has designated IBERCLEAR as the entity responsible for the accounting register of the preferential participations and this issue of preferential participations has been registered with them.

## 5.2 Agent for payments and depositing entities

The financial service of the coupons and principal, if applicable, of the Issuer will be dealt with by Ibercaja, with registered offices at Plaza Basilio Paraíso, 2, 50008, Zaragoza, which has the capacity to carry out these functions.

## 6 Expenses for admission for listing

Concept	Amount
Registration of the prospectus for admission for trading on the stock exchange with the CNMV	€4,500.00
Supervision by the CNMV of the process for admission for trading on AIAF	€4,500.00
Admission rate for listing on AIAF	€7,500.00
Inclusion of the issue on the IBERCLEAR accounting register	€500.00
<b>TOTAL</b>	<b>€17,000.00</b>

## 7 Additional information

### 7.1 Consultants for the issue

Not applicable.

### 7.2 Information from the prospectus schedule reviewed by the auditors

Not applicable.

### 7.3 Other information provided by third parties

Not applicable.

### 7.4 Term of validity of the information provided by third parties

Not applicable.

### 7.5 Ratings

The securities included in this prospectus schedule have the following ratings assigned by credit risk rating agencies:

	Rating
Moody's	A3
Standard & Poor's	BBB+

Similarly, the Issuer presents the following credit ratings:

	Short term	Long term	Date of last update
Moody's	B1	A1	16 June 2006
Standard & Poor's	A1	A+	26 April 2006

These credit ratings do not constitute a recommendation to buy, sell or subscribe the securities issued by the entity. The credit rating may be revised, suspended or withdrawn at any time by the ratings agency.

As a reference for the subscriber, the different ratings scales for long-term debt used by the credit rating agencies Moody's and Standard & Poor's are described below:

Standard & Poor's	Moody's	Meaning
AAA	Aaa	Enormously high capacity for payment of interest and return of principal.
AA	Aa	Very significant capacity to pay interest and return principal.
A	A	Significant capacity to pay interest and return the principal. The protection factors are considered appropriate but may be susceptible of worsening in the future.
BBB	Baa	The protection of payments of interest and principal may be moderate, the capacity for payment is considered appropriate. Adverse business conditions may lead to inappropriate capacity to meet payment of interest and principal.
BB	Ba	Speculative degree. The future cannot be considered to be assured. Protection of the payment of interest and principal is very moderate.
B	B	Guarantee of payments of interest or principal may be small. Highly vulnerable to adverse business conditions.
CCC	Caa	Vulnerability identified upon breach. Continuity of the payments dependent on favourable financial, economic and business conditions.
CC	Ca	Highly speculative
C	C	Current or imminent breach
DDD, DD, D		Speculative securities. Their value may not exceed the value of reimbursement in case of liquidation or reorganisation of the sector.

Moody's applies numerical modifiers 1, 2 and 3 to each generic category of rating from Aa up to B. Modifier 1 indicates that the security is situated in the upper band of each generic rating category; modifier 2 indicates a middle band and modifier 3 indicates the lower band of each generic category.

Standard & Poor's applies a positive (+) or negative (-) sign to categories AA to CCC that indicates the relative position within each category.

The credit ratings mentioned are merely an estimate and potential investors should carry out their own analysis of the issuing entity or the securities to be acquired.

## 7.6 Update of prospectuses

### 7.6.1 Update of information from the registry documentation approved and registered by the CNMV in December 2005.

The annual financial statements of the Issuer corresponding to 2005 may be consulted both on the CNMV web page ([www.cnmv.es](http://www.cnmv.es)) and the Issuer's web page ([www.ibercaja.es](http://www.ibercaja.es)). These financial statements are incorporated into the prospectus from the thirteenth issue of Ibercaja subordinated bonds registered with the CNMV on 23 March 2006.

A declaration is hereby given that the information contained in these financial statements does not represent a significant change with respect to the financial situation or transactions of the issuing entity described in the aforementioned registration document.

Also, the intermediate financial statements up to June 2006 are available to consult on the CNMV web page ([www.cnmv.es](http://www.cnmv.es)).

Each page of this prospectus is authorized and it is signed in Zaragoza on 2 November 2006

Signed on behalf of the issuer:

Mr. Pedro Dolz Tomey  
Head of Market Risk Management