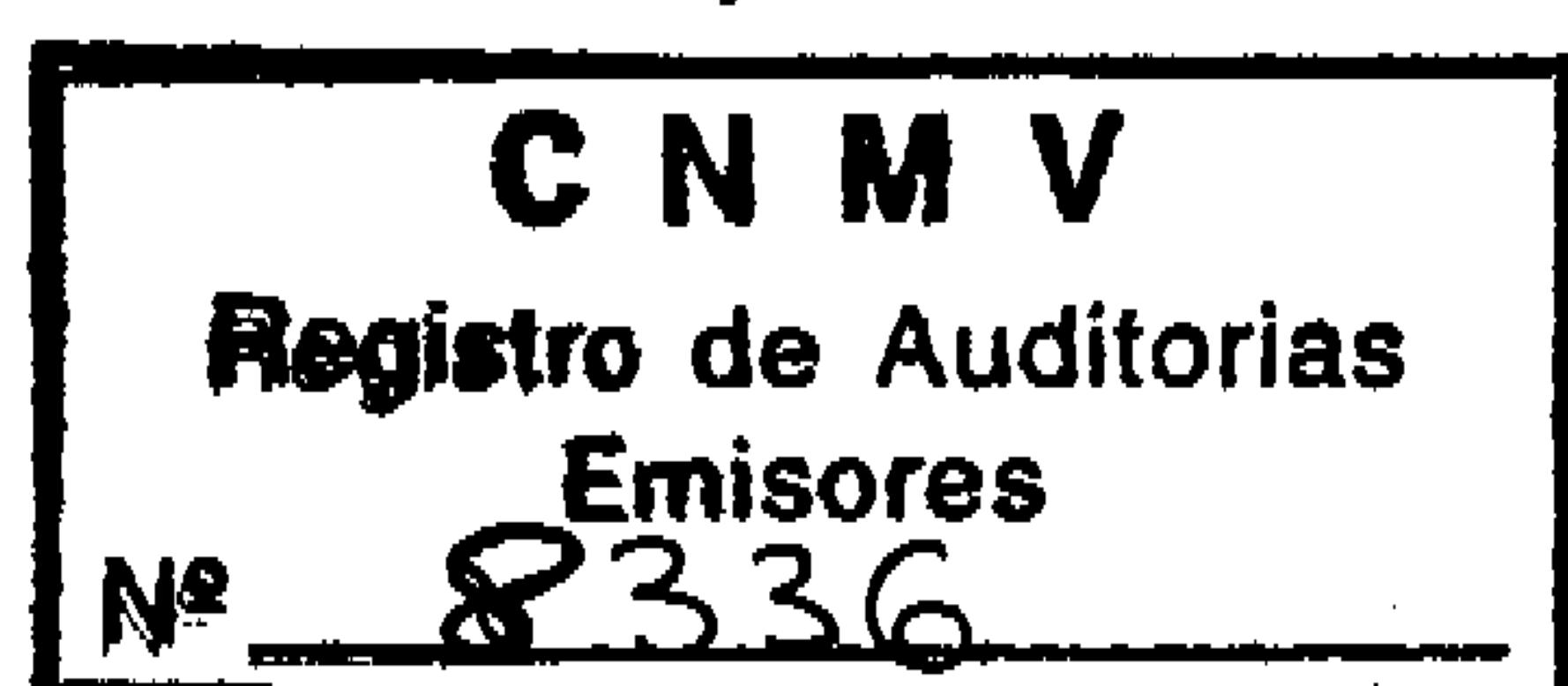


BSCH FINANCE LIMITED

**Financial Statements For The Years
Ended December 31, 2003 and 2002
and Independent Auditors' Report**



**Deloitte
& Touche**

BSCH FINANCE LIMITED

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002:	
Balance Sheets	2
Statements of Income	3
Statements of Changes in Shareholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 18

Chartered Accountants and Management Consultants
2nd Terrace West, Centreville
P. O. Box N-7120
Nassau, Bahamas

Tel: +1 (242) 302-4800
Fax: +1 (242) 322-3101
info@deloitte.com.bs

**Deloitte
& Touche**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BSCH Finance Limited

We have audited the accompanying balance sheets of BSCH Finance Limited (the "Company") as of December 31, 2003 and 2002, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements present fairly, in all material respects, the financial position of BSCH Finance Limited as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Deloitte & Touche

March 31, 2004

**Deloitte
Touche
Tohmatsu**

BSCH FINANCE LIMITED

BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002

(Expressed in thousands of euros, except for per share and share amounts)

	2003	2002
ASSETS		
Cash	€ 16,451	€ 6,083
Accrued interest receivable from Parent	13,348	31,770
Deposits with Parent (Note 3)	<u>2,856,889</u>	<u>4,153,039</u>
TOTAL	€ 2,886,688	€ 4,190,892
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES:		
Other liabilities	€ 12	€ 31
Dividends payable	<u>3,994</u>	<u>-</u>
Total liabilities	4,006	31
SHAREHOLDER'S EQUITY:		
Noncumulative guaranteed preference shares (Note 4)	2,861,394	3,932,568
Common stock - Class A, U.S. \$1 par value; 2 shares authorized, issued and outstanding	1	1
Common stock - Class B, U.S. \$1 par value; 500,000,000 shares authorized, 125,411,000 and 204,537,231 issued and outstanding as of December 31, 2003 and 2002, respectively (Note 7)	97,168	158,474
Contributed surplus	19,260	19,260
(Deficit) retained earnings	<u>(95,141)</u>	<u>80,558</u>
Total shareholder's equity	2,882,682	4,190,861
TOTAL	€ 2,886,688	€ 4,190,892

The accompanying notes to financial statements are an integral part of these balance sheets.

BSCH FINANCE LIMITED

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 *(Expressed in thousands of euros)*

	2003	2002
INTEREST INCOME	€ 242,347	€ 277,660
FOREIGN EXCHANGE GAIN	17,663	28,643
ADMINISTRATIVE EXPENSES	<u>(269)</u>	<u>(250)</u>
NET INCOME FROM OPERATIONS	259,741	306,053
FOREIGN EXCHANGE LOSS FROM TRANSLATION	<u>(177,000)</u>	<u>(558,713)</u>
NET INCOME (LOSS)	<u>€ 82,741</u>	<u>€ (252,660)</u>

The accompanying notes to financial statements are an integral part of these statements.

BSCH FINANCE LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (Expressed in thousands of euros)

	<u>Common Stocks</u>	<u>Amount</u>	<u>Contributed Surplus</u>	<u>Noncumulative Guaranteed Preference Shares</u>	<u>(Deficit) Retained Earnings</u>	<u>Total Shareholders' Equity</u>
Balance at December 31, 2001	276,620,233	€ 214,323	€ 19,260	€ 4,367,505	€ 647,573	€ 5,248,661
Redemption of Preference Shares C, D, and E	-	-	-	(434,937)	(35,095)	(470,032)
Redemptions of Class B common stock	(72,083,000)	(55,848)	-	-	-	(55,848)
Dividends declared	-	-	-	-	(279,260)	(279,260)
Net loss	-	-	-	-	(252,660)	(252,660)
Balance at December 31, 2002	204,537,233	158,475	19,260	3,932,568	80,558	4,190,861
Redemptions of Class B common stock	(79,126,231)	(61,306)	-	-	6,911	(54,395)
Redemption of Preference Shares F, G, H, J and R	-	-	-	(1,071,174)	(34,856)	(1,106,030)
Dividends declared	-	-	-	-	(230,495)	(230,495)
Net income	-	-	-	-	82,741	82,741
Balance at December 31, 2003	<u>125,411,002</u>	<u>€ 97,169</u>	<u>€ 19,260</u>	<u>€ 2,861,394</u>	<u>€ (95,141)</u>	<u>€ 2,882,682</u>

The accompanying notes to financial statements are an integral part of these statements.

BSCH FINANCE LIMITED

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (Expressed in thousands of euros)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	€ 82,741	€ (252,660)
Adjustments to reconcile net income to net cash provided by operating activities:		
Foreign exchange loss from translation	177,000	558,713
Foreign exchange gain	(17,663)	(28,643)
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable from Parent	18,422	19,208
Increase in other liabilities	(19)	18
Net cash provided by operating activities	<u>260,481</u>	<u>296,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in deposits with Parent	(19,396)	(30,514)
Maturities of deposits with Parent	<u>1,229,041</u>	<u>757,147</u>
Net cash from investing activities	<u>1,209,645</u>	<u>726,633</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment upon redemption of Preference Shares, net	(1,106,030)	(470,257)
Dividends paid to preference shareholders	(226,501)	(314,711)
Payments made upon redemptions of Class B common stock	(54,395)	(55,848)
Net cash used in financing activities	<u>(1,386,926)</u>	<u>(840,816)</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>(72,832)</u>	<u>(224,502)</u>
NET (DECREASE) INCREASE IN CASH	10,368	(42,049)
CASH, BEGINNING OF YEAR	<u>6,083</u>	<u>48,132</u>
CASH, END OF YEAR	<u>€ 16,451</u>	<u>€ 6,083</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Dividends declared but not paid by the Company for for the years then ended	<u>€ 3,994</u>	<u>€ -</u>

The accompanying notes to financial statements are an integral part of these statements.

BSCH FINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (Expressed in thousands of euros)

1. GENERAL

BSCH Finance Limited (the "Company") was incorporated under the laws of the Cayman Islands on September 29, 1993.

The common stock of the Company is wholly-owned by Banco Santander Central Hispano S.A., (the "Parent"), a Spanish banking institution. The Company is managed under the direction of the Board of Directors, which consisted of the following persons as of December 31, 2003:

Gonzalo de las Heras, Chairman
José González de Castejón, Director
Daniel Keane, Director
Pablo Rodriguez Muller, Corporate Secretary

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America ("U.S."). The following is a summary of the significant accounting policies:

- a. *Cash* - Cash consists of demand deposits with the Parent. For the purposes of the statement of cash flows, foreign currency cash flows are reported using the exchange rates in effect at the time of the cash flows.
- b. *Functional currency* - Account balances denominated in a currency other than the Company's functional currency are translated into the functional currency in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation".

Asset and liability accounts denominated in currencies other than euros are translated into euros at the rate of exchange prevailing at year-end. Preference shares, common stock, contributed capital, and retained earnings accounts are translated at the historical rate of exchange, or the exchange rate prevailing on the contribution date.

The following exchange rates were used to translate the assets and liabilities in foreign currencies as of December 31, 2003 and 2002:

<u>Currency</u>	<u>Exchange Rate</u>	
	<u>2003</u>	<u>2002</u>
United States of America Dollar (USD or \$)	0.7918 EUR/USD	0.9536 EUR/USD

- c. *Use of estimates in the preparation of the financial statements* - The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- d. *Recognition of income and expenses* - All significant revenue and expense items are recorded using the accrual basis of accounting. Interest income is recognized as earned, based upon the principal amount outstanding.
- e. *Issuance costs* - The preference shares are callable solely at the option of the Company. The issuance costs related to the issuance of the preference shares are recorded as a reduction in the noncumulative guaranteed preference shares amount recorded in the accompanying balance sheets. At the time a preferred stock issuance is called, any issuance costs associated with the issuance are recorded by the Company as a reduction of retained earnings.
- f. *Income taxes* - No income tax is levied on companies incorporated in the Cayman Islands and, therefore, no income tax provision is reflected in the accompanying financial statements.
- g. *Fair value of financial instruments* - SFAS No. 107, "Disclosure about Fair Value of Financial Instruments", requires entities to disclose the fair value of financial instruments for which it is practicable to estimate the fair value. Cash, deposits with Parent, accrued interest receivable from Parent, other liabilities and dividends payable are reflected in the accompanying financial statements at cost, which approximates fair value.
- h. *Comprehensive income* - SFAS No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components in a full set of financial statements. The objective of SFAS No. 130 is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events in a period other than transactions with owners. As no differences exist between the Company's net income and comprehensive income, this statement does not have an effect on the Company's financial statements.

3. DEPOSITS WITH PARENT

At December 31, 2003 and 2002, the Company placed the following deposits with the Parent:

<u>Interest Rate</u>	<u>Currency</u>	<u>Local Currency</u>	December 31,		
			<u>2003</u>	<u>2002</u>	<u>(in thousands)</u>
6.25%	EUR	4,857	€ 4,857	€ 4,857	4,857
5.19%	EUR	19,467		-	19,467
6.25%	EUR	250,793		250,793	250,793
6.15%	EUR	6,250		6,250	6,250
4.59%	EUR	28,322		-	28,322
6.20%	EUR	600,000		600,000	600,000
5.87%	EUR	326,029		326,029	326,029
6.15%	EUR	243,750		243,750	243,750
5.86%	EUR	982,500		982,500	982,500
Total EUR			<u>2,414,179</u>	<u>2,461,968</u>	
6.94%	USD	18,350		-	17,498
6.77%	USD	9,204		-	8,776
5.37%	USD	23,000		18,210	21,932
6.40%	USD	29,618		23,450	28,243
7.19%	USD	3,000		2,375	2,860
8.13%	USD	96,850		-	92,352
9.21%	USD	290,550		230,048	277,056
8.13%	USD	242,125		-	230,881
8.13%	USD	11,025		-	10,513
8.13%	USD	193,700		-	184,705
7.79%	USD	169,488		-	161,616
7.79%	USD	5,512		-	5,257
7.35%	USD	193,700		-	184,705
7.35%	USD	6,300		-	6,007
7.19%	USD	147,000		116,390	140,174
8.13%	USD	6,300		-	6,007
9.91%	USD	286,228		-	272,935
5.85%	USD	6,630		5,248	6,322
4.15%	USD	2,850		2,257	2,718
5.34%	USD	32,000		25,336	30,514
3.40%	USD	24,500		19,396	-
Total USD			<u>442,710</u>	<u>1,691,071</u>	
Total deposits with Parent			<u>€ 2,856,889</u>	<u>€ 4,153,039</u>	

4. PREFERENCE SHARES AND ISSUANCE COSTS

Noncumulative preference shares guaranteed by the Parent consists of the following as of December 31, 2003 and 2002, (in thousands, except for share and per share amounts):

	2003	2002
Series F - 14,000,000 shares authorized, issued and outstanding, 8.125%, net of \$11,185 in costs	€ -	€ 271,721
Series G - 8,000,000 shares authorized, issued and outstanding, 8.125%, net of \$6,418 in costs	-	167,166
Registered 40,000,000 shares for issuance		
Series H - 8,050,000 shares authorized, 7,000,000 issued and outstanding, 7.79%, net of \$5,611 in costs	-	149,107
Series J - 9,200,000 shares authorized, 8,000,000 issued and outstanding, 7.35%, net of \$6,405 in costs	-	175,486
Series Q - 12,000,000 shares authorized, issued and outstanding, 8.63%, net of \$9,615 in costs	333,040	333,040
Series R - 11,803,200 shares authorized, issued and outstanding, 9.40%, net of \$8,920 in costs	-	307,694
Registered 6,000,000 shares for issuance		
Series K - 6,000,000 shares authorized, issued and outstanding, 7.19%, net of \$3,036 in costs	133,397	133,397
Noncumulative Guaranteed Preference Shares, DEM \$25 par value; 20,000,000 shares authorized		
Registered 20,000,000 shares for issuance		
Series L - 20,000,000 shares authorized, issued and outstanding, 6.25%, net of DEM 10,166 in costs	250,344	250,344
Noncumulative Guaranteed Preference Shares, EUR \$25 par value; 600,000,000 shares authorized		
Registered 10,000,000 shares for issuance		
Series M - 10,000,000 shares authorized, issued and outstanding, 6.15%, net of EUR 6,329 in costs	245,154	245,154
Registered 24,000,000 shares for issuance		
Series N - 24,000,000 shares authorized, issued and outstanding, 6.2%, net of EUR 12,156 in costs	<hr/> 591,165	<hr/> 591,165
Balance carried forward	1,553,100	2,624,274

(Continued)

	2003	2002
Balance brought forward	1,553,100	2,624,274
EUR 25 par value, 300,000,000 shares authorized		
Registered 300,000,000 shares for issuance		
Series O - 40,000,000 shares authorized, issued and outstanding, 5.5%, net of EUR 17,649 in costs	982,351	982,351
Series P - 13,273,429 shares authorized, issued and outstanding, 5.5%, net of EUR 5,911 in costs	<u>325,943</u>	<u>325,943</u>
Noncumulative Guaranteed Preference Shares	<u>€ 2,861,394</u>	<u>€ 3,932,568</u>

(Concluded)

The following is a summary of the Company's issuances:

Pursuant to the 1996 F-3, in January and February 1997, the Company authorized the issuance of up to 10,000,000 and 4,000,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 14,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series F (the "Series F Preference Shares"), in exchange for \$350,000 cash, reduced by an underwriting discount of \$11,025. In connection with the issuance of preference shares, the Company incurred \$160 of issuance costs. The dividends payable on the Series F Preference Shares are fixed at an annual rate equal to 8.125% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 1997, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$338,975 representing the net proceeds from the sale of the Series F Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 8.125%, payable quarterly.

Pursuant to the 1996 F-3, in May 1997, the Company authorized the issuance of up to 8,000,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 8,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series G (the "Series G Preference Shares"), in exchange for \$200,000 cash, reduced by an underwriting discount of \$6,300. In connection with the issuance of preference shares, the Company incurred \$118 of issuance costs. The dividends payable on the Series G Preference Shares are fixed at an annual rate equal to 8.125% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1997, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$193,700 representing the net proceeds from the sale of the Series G Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 8.125%, payable quarterly.

The Board of Directors of the Company authorized the filing, with the SEC, of a Registration Statement on Form F-3 (the "1997 F-3") for the issuance of up to 40,000,000, \$25 par value, preference shares. Pursuant to the 1997 F-3, in June 1997, the Company authorized the issuance of up to 8,050,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 7,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series H (the "Series H Preference Shares"), in exchange for \$175,000 cash, reduced by an underwriting discount of \$5,512. In connection with the issuance of preference shares, the Company incurred \$99 of issuance costs. The dividends payable on the Series H Preference Shares are fixed at a general rate equal to 7.79% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1997, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$169,488 representing the net proceeds from the sale of the Series H Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 7.79%, payable quarterly.

Pursuant to the 1997 F-3, in December 1997, the Company authorized the issuance of up to 9,200,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 8,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series J (the "Series J Preference Shares"), in exchange for \$200,000 cash, reduced by an underwriting discount of \$6,300. In connection with the issuance of preference shares, the Company incurred \$105 of issuance costs. The dividends payable on the Series J Preference Shares are fixed at an annual rate equal to 7.35% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 1998, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$193,700 representing the net proceeds from the sale of the Series J Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 7.35%, payable quarterly.

Pursuant to the 1997 F-3, during September 2000, the Company authorized the issuance of up to 12,000,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 12,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series Q (the "Series Q Preference Shares"), in exchange for \$300,000 cash, reduced by an underwriting discount of \$9,450. In connection with the issuance of preference shares, the Company incurred \$165 of issuance costs. The dividends payable on the Series Q Preference Shares are fixed at an annual rate equal to 8.63% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2000, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$290,550 representing the net proceeds from the sale of the Series Q Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 9.21%, payable quarterly.

Pursuant to the 1997 F-3, during December 2000, the Company authorized the issuance of up to 11,803,200, \$25 par value, preference shares guaranteed by the Parent. The Company issued 11,803,200 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series R (the "Series R Preference Shares"), in exchange for \$295,080 cash, reduced by an underwriting discount of \$8,852. In connection with the issuance of preference shares, the Company incurred \$68 of issuance costs. The dividends payable on the Series R Preference Shares are fixed at an annual rate equal to 9.40% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2001, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$286,228 representing the net proceeds from the sale of the Series R Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 9.91%, payable quarterly.

The Board of Directors of the Company authorized the filing of an application to register with the London Stock Exchange (the "May 1998 Registration") for listing thereon of up to 6,000,000, \$25 par value preference shares and up to 20,000,000, DEM 25 par value preference shares. Pursuant to the May 1998 Registration in May 1998, the Company authorized the issuance of up to 6,000,000, \$25 par value, preference shares guaranteed by the Parent. The Company issued 6,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series K (the "Series K Preference Shares"), in exchange for \$150,000 cash, reduced by an underwriting discount of \$3,000. In connection with the issuance of preference shares, the Company incurred \$36 of issuance costs. The dividends payable on the Series K Preference Shares are fixed at a general rate equal to 7.19% of the liquidation preference thereof (\$25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1998, when, as and if, declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed \$147,000 representing the net proceeds from the sale of the Series K Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 7.19%, payable quarterly.

Pursuant to the May 1998 Registration, in May 1998, the Company authorized the issuance of up to 20,000,000, DEM 25 par value, preference shares guaranteed by the Parent. The Company issued 20,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series L (the "Series L Preference Shares"), in exchange for DEM 500,500 cash, reduced by an underwriting discount of DEM 10,000. In connection with the issuance of preference shares, the Company incurred DEM 166 of issuance costs. The dividends payable on the Series L Preference Shares are fixed at an annual rate equal to 6.25% of the liquidation preference thereof (DEM 25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1998, when, as and if, declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed DEM 490,500 representing the net proceeds from the sale of the Series L Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 6.25%, payable quarterly.

The Board of Directors of the Company authorized the filing of an application to register with the London Stock Exchange (the "August 1998 Registration") for listing thereon of up to 10,000,000, €25 par value, preference shares. Pursuant to the August 1998 Registration, in August 1998, the Company authorized the issuance of up to 10,000,000, €25 par value, preference shares guaranteed by the Parent. The Company issued 10,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series M (the "Series M Preference Shares"), in exchange for €250,000 cash, reduced by an underwriting discount of €6,250. In connection with the issuance of preference shares, the Company incurred €79 of issuance costs. The dividends payable on the Series M Preference Shares are fixed at a general rate equal to 6.15% of the liquidation preference thereof (€25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing September 30, 1998, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed €243,750 representing the net proceeds from the sale of the Series M Preference Shares on deposit with the Parent at an annual interest rate of 6.15% payable quarterly.

The Board of Directors of the Company authorized the filing of a registration with the Spanish Fixed Income A.I.A.F. Market and with the Luxembourg Stock Exchange (the "November 1998 Registration") for listing thereon of up to 24,000,000, €25 par value, preference shares. Pursuant to the November 1998 Registration, in November 1998, the Company authorized the issuance of up to 24,000,000, €25 par value, preference shares guaranteed by the Parent. In December, the Company issued 24,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series N (the "Series N Preference Shares"), in exchange for € 600,000 cash, reduced by an underwriting discount of €12,000. In connection with the issuance of preference shares, the Company incurred €155 of issuance costs. The dividends payable on the Series N Preference Shares are fixed at a general rate equal to 6.2% of the liquidation preference thereof (€25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 1999, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed €600,000 representing the net proceeds from the sale of the Series N Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 6.2%, payable quarterly.

The Board of Directors of the Company authorized the filing of an application to register with the Spanish National Securities Market Commission (the "May 1999 Registration") for listing thereon of up to 300,000,000, €25 par value, preference shares. Pursuant to the May 1999 Registration, in May 1999, the Company authorized the issuance of up to 40,000,000, €25 par value, preference shares guaranteed by the Parent. The Company issued 40,000,000 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series O (the "Series O Preference Shares"), in exchange for €1,000,000 cash, reduced by an underwriting discount of €17,500. In connection with the issuance of preference shares, the Company incurred €149 of issuance costs. The dividends payable on the Series O Preference Shares are fixed at a general rate equal to 5.5% of the liquidation preference thereof (€25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1999, when, as and if, declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed €982,500 representing the net proceeds from the sale of the Series O Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 5.86%, payable quarterly.

Pursuant to the May 1999 Registration, in May 1999, the Company authorized the issuance of up to 13,273,429, €25 par value, preference shares guaranteed by the Parent. In December, the Company issued 13,273,429 of the preference shares authorized for issuance designated as Noncumulative Guaranteed Preference Shares, Series P (the "Series P Preference Shares"), in exchange for €331,836 cash, reduced by an underwriting discount of €5,807. In connection with the issuance of preference shares, the Company incurred €104 of issuance costs. The dividends payable on the Series P Preference Shares are fixed at a general rate equal to 5.5% of the liquidation preference thereof (€25), and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1999, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof. The Company placed €326,029 representing the net proceeds from the sale of the Series P Preference Shares on deposit with the Parent. This deposit is perpetual and bears interest at an annual rate of 5.87%, payable quarterly.

The Series F Preference Shares and Series G Preference Shares are redeemable, at the option of the Company, in whole or in part from time to time, on or after January 15, 2002 and May 9, 2002, respectively; upon not less than 30 nor more than 60 days' notice, at the redemption prices set forth below, during the twelve-month periods beginning January 15, for the Series F Preference Shares and May 9, for the Series G Preference Shares, of the years set forth below, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

Preference Shares			
Series F		Series G	
Redemption		Redemption	
<u>Year</u>	<u>Price</u>	<u>Year</u>	<u>Price</u>
2002	\$ 26.02	2002	\$ 26.02
2003	25.81	2003	25.81
2004	25.61	2004	25.61
2005	25.41	2005	25.41
2006	25.20	2006	25.20
2007 and thereafter	25.00	2007 and thereafter	25.00

The Series H Preference Shares, Series J Preference Shares and Series K Preference Shares are redeemable, at the option of the Company, in whole or in part from time to time, on or after June 17, 2002, December 31, 2002, and May 20, 2003, respectively; upon not less than 30 nor more than 60 days' notice, at \$25 per share. The Series L Preference Shares are redeemable, at the option of the Company, in whole or in part from time to time, on or after May 20, 2003; upon not less than 30 nor more than 60 days' notice, at DEM 25 per share. The Series M Preference Shares are redeemable, at the option of the Company, in whole or part from time to time, on or after August 5, 2003; upon not less than 30 nor more than 60 days' notice, at €25 per share; plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption. The Series N Preference Shares are redeemable, at the option of the Company, in whole or part from time to time, on or after December 23, 2003; upon not less than 30 nor more than 60 days' notice, at €25 per share. The Series O and Series P Preference Shares are redeemable, at the option of the Company, subject to the consent of the Bank of Spain, in whole or part from time to time, on or after May, 2004; upon not less than 30 nor more than 60 days' notice, at €25 per share; plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption. The Series R and Series Q Preference Shares are redeemable, at the option of the Company, subject to the consent of the Bank of Spain, in whole or part from time to time, on or after December 29, 2005 and October 6, 2005, respectively; upon not less than 30 nor more than 60 days' notice, at \$25 per share; plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

The liquidation price of the Series F Preference Shares, Series G Preference Shares, Series H Preference Shares, Series J Preference Shares, Series K Preference Shares, Series Q Preference Shares and Series R Preference Shares is \$25 per share, plus accrued and unpaid dividends for the then-current dividend period to the date of payment. The liquidation price of the Series L Preference Shares is DEM 25 per share, plus accrued and unpaid dividends for the then-current dividend period to the date of payment. The Series M Preference Shares, Series N Preference Shares, Series O Preference Shares and P Preference Shares have a liquidation price of €25 per share; plus accrued and unpaid dividends for the then-current dividend period to the date of payment. Except as to the payment of dividends, the holders of the Preference Shares will have no right to participate in the profits of the Company.

The Parent guarantees all instruments issued by the Company.

5. REDEMPTION

The Company redeemed Series F, Series G, Series H, Series J and Series R as follows:

Under the terms of issue of the Series F Shares (as more particularly set out in the Company's Prospectus dated January 10, 1997 and January 30, 1997 relating thereto), the Company exercised the right to redeem the Series F Shares, in whole, at a redemption price of US\$25.8125 per share, plus accrued and unpaid dividends for the then current quarterly dividend period.

Under the terms of issue of the Series G Shares (as more particularly set out in the Company's Prospectus dated May 1, 1997 relating thereto), the Company exercised the right to redeem the Series G Shares, in whole, at a redemption price of US\$25.8125 per share plus accrued and unpaid dividends for the then current quarterly dividend period.

Under the terms of issue of the Series H Shares (as more particularly set out in the Company's Prospectus dated June 12, 1997 relating thereto), the Company exercised the right to redeem the Series H Shares, in whole, at a redemption price of US\$25.00 per share, plus accrued and unpaid dividends for the then current quarterly dividend period.

Under the terms of issue of the Series J Shares (as more particularly set out in the Company's Prospectus dated December 15, 1997 relating thereto), the Company exercised the right to redeem the Series J Shares, in whole, at a redemption price of US\$25.00 per share plus accrued and unpaid dividends for the then current quarterly dividend period.

On February 13, 2003 the resolution of the Board of Directors approved the redemption of the Series R Shares, in whole, at a redemption price of US\$25.00 per share plus accrued and unpaid dividends for the then current quarterly dividend period.

The Bank of Spain has consented to the redemption of the Shares.

6. DIVIDENDS

Dividends declared in 2003 and 2002 are as follows:

	2003		2002	
	<u>Total</u>	<u>Per share</u>	<u>Total</u>	<u>Per share</u>
Series C	€ -	-	€ 2,197	0.27
Series D	-	-	2,363	0.30
Series E	-	-	2,308	0.29
Series F	18,051	1.29	27,024	1.93
Series G	10,315	1.29	15,442	1.93
Series H	10,699	1.53	12,955	1.85
Series J	11,536	1.44	13,970	1.75
Series K	9,316	1.55	10,249	1.85
Series L	15,976	0.80	15,978	0.80
Series M	15,375	1.54	15,375	1.54
Series N	37,200	1.55	37,200	1.55
Series O	55,000	1.38	55,000	1.38
Series P	18,251	1.38	18,251	1.38
Series Q	22,352	1.86	24,589	2.05
Series R	<u>6,424</u>	<u>0.54</u>	<u>26,359</u>	<u>2.23</u>
	<u>€ 230,495</u>		<u>€ 279,260</u>	

The dividends payable as of December 31, 2003 were paid on January 5, 2004, the Company's first business day subsequent to December 31, 2003.

Dividends for Series F, Series G, Series H, Series J, Series K Series Q and Series R Preference Shares were paid in U.S. Dollars and were converted to Euros at the exchange rate on the date fixed for payment by the Board of Directors. Dividends for Series L, Series M, Series N, Series O, and Series P Preference Shares were paid in Euros.

7. CAPITAL

On March 31, 2003 and September 30, 2003, the Parent redeemed 12,204,000 and 66,922,231 Class B ordinary shares for an amount of €61,306.

8. TRANSACTIONS WITH RELATED PARTIES

The Company maintains balances and enters into business transactions with the Parent and its affiliates. These balances and transactions, which fluctuate during the year, arise in the ordinary course of the Company's business. All assets of the Company as of December 31, 2003 and 2002 were due from related parties.

9. SUBSEQUENT EVENT

On January 19, 2004, Series N non-cumulative Guaranteed Preference Shares were redeemed in whole.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

* * * * *