

Supplemental Information Memorandum



Instituto de Crédito Oficial

Instituto de Crédito Oficial

\$6,000,000,000 Debt Issuance Programme

for the issue of debt instruments
representing medium term debt obligations

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state in the United States. The Notes may not be offered or sold at any time within the United States or to, or for the account of, U.S. persons (as defined in Regulation S under the Securities Act), unless such Notes are registered under the Securities Act or an exemption from the registration requirements thereof is available.

The Notes are guaranteed by the Kingdom of Spain pursuant to *Real Decreto-Ley 12/1995 sobre Medidas Urgentes en Materia Presupuestaria, Tributaria y Financiera* in relation to *Ley General Presupuestaria* as in force from time to time and pursuant to *Real Decreto 706/1999 of 30 April de Adaptación del Instituto de Crédito Oficial* in relation to *Ley 6/1997 of 14 April de Organización y Funcionamiento General del Estado y Aprobación de sus Estatutos*. The guarantee by the Kingdom of Spain is direct, explicit, irrevocable and unconditional.

This programme has been rated AAA/Aaa/AAA by Standard & Poor's, Moody's Investors Services Limited and Fitch Ratings respectively.

Instituto de Crédito Oficial is not a bank authorised under the Banking Act 1959 of Australia

DEALERS

Royal Bank of Canada; Australia and New Zealand Banking Group Limited;
Deutsche Bank AG, Sydney Branch, National Australia Bank Limited,
The Toronto-Dominion Bank and UBS AG, Australia Branch

Arranged by
Royal Bank of Canada

18 December 2006

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Important Notice

Introduction

This Supplemental Information Memorandum should be read in conjunction with the Information Memorandum dated 6 May 2005 (“**Original Information Memorandum**” and, together with this Supplemental Information Memorandum, the “**Information Memorandum**”) provided by Instituto de Crédito Oficial (“**Issuer**”) in connection with the debt issuance programme described in the Information Memorandum (“**Programme**”). Capitalised terms used in this Supplemental Information Memorandum, but not defined where first used, have the meaning given to them in the Original Information Memorandum.

Supplemental Information Memorandum

This Supplemental Information Memorandum amends the following sections of the Original Information Memorandum described below.

INCREASE IN PROGRAMME AMOUNT

The aggregate principal amount of Notes outstanding at any time must not exceed A\$6,000,000,000 (or its equivalent in alternative currencies). This has been increased from A\$3,000,000,000 (or its equivalent in alternative currencies).

ISSUER

The description of the Issuer on pages 44 to 45 of the Original Information Memorandum is replaced with the description set out in Schedule 1 to this Supplement Information Memorandum.

SELLING RESTRICTIONS

The section entitled “Selling Restrictions” on pages 46 to 50 of the Original Information Memorandum is replaced with the updated selling restrictions set out in Schedule 2 to this Supplemental Information Memorandum.

CONTACT DETAILS

The contact details of all parties on pages 53 and 54 of the Original Information Memorandum are replaced with the updated contact details set out in Schedule 3 to this Supplemental Information Memorandum.

Schedule 1 - Updated Description of the Issuer

History and Constitution

Instituto de Crédito Oficial (“**Issuer**” or “**ICO**”) was incorporated on 19 June 1971 under *Ley 13/1971* of 19 June, *sobre Organización y Régimen del Crédito Oficial* (Law for the Organisation and Control of Official Credit) of the Kingdom of Spain, having the status of an autonomous agency.

The Issuer was regulated under Article 127 of the *Ley 33/1987, of 30 December, de Presupuestos Generales del Estado para 1988* (Law for the State General Budgets for 1988) until such Article was repealed by the *Real Decreto-Ley 12/1995* (Royal Decree-Law of 28 December 1995 on Urgent Measures on Budgetary, Taxes and Financial Matters).

The Issuer is now subject, in first place, to ICO’s By-laws (*Estatutos del ICO*), approved by *Real Decreto 706/199, de 30 de abril sobre aprobación de los Estatutos del Instituto de Crédito Oficial y adaptación a la Ley 6/1997, de 14 de abril de Organización y Funcionamiento de la Administración General del Estado* (Royal Decree 706/1999 of 30 April relating to the approval of Instituto de Crédito Oficial’s By-Laws and its adaption to the Organisation and Working of the State General Administration).

It now has an independent status as an *Entidad Pública Empresarial* (State-Owned Corporate Entity) instead of an autonomous agency, and the consideration of the Kingdom of Spain’s Financial Agency.

Relationship with the Spanish Government

The guarantee is given by the Kingdom of Spain pursuant to *Real Decreto 706/1999* of 30 April *sobre aprobación de los Estatutos del Instituto de Crédito Oficial y adaptación a la Ley 6/1997 de 14 de abril de Organización y Funcionamiento de la Administración General del Estado* (relating the to approval of *Instituto de Crédito Oficial*’s By-laws and its adaption to Law 6/1997 of 14 April relating to the Organisation and Working of the State General Administration). Pursuant to article 24 of the bylaws of the Issuer, the Notes will benefit from the statutory guarantee of the Kingdom of Spain as regards third parties. In accordance with the referred article the guarantee by the Kingdom of Spain is direct, explicit, irrevocable and unconditional.

The Issuer is ascribed to the Ministry of Economy and Finance through the Secretariat of State for Economy. The strategic management of the Issuer, as well as, the assessment and control of the results of its activity, are incumbent upon the Secretariat of State for Economy.

The Issuer will be subject to the control of the Office of the Comptroller (“**Intervención General**”) of the State Administration, and of the Court of Exchequer (“**Tribunal de Cuentas**”).

Control of the efficiency of the Issuer is incumbent upon the Ministry of the Economy and Finance, in order to verify the degree of fulfilment of objectives and the appropriate usage of the resources allocated to it.

By virtue of the Credit Institution Discipline and Control Act, 26/1988 of 29 July, the Issuer is supervised by the Bank of Spain while it carries out its duties as a credit entity.

Purpose and function

The purposes of the Issuer are the support and promotion of economic activities contributing to the growth and improvement in the distribution of the national wealth, in particular, of those that, due to their social, cultural, innovating or environmental transcendence, merit their being fostered.

One of the Issuer’s functions is to contribute to palliate the economic effects arising from situations of severe economic crisis, natural catastrophes or other similar events, pursuant to instructions from the Council of Ministers or the Government’s Delegate Commission for Economic Affairs.

In order to fulfil the said purposes, the Issuer will act with full respect towards the principles of financial equilibrium and adaptation of means to purposes.

Likewise, the Issuer will act as instrument for the implementation of certain economic policy measures, following the fundamental guidelines established by the Council of Ministers, the Government's Delegate Commission for Economic Affairs or the Ministry of Economic and Finance, and subject to the rules and decisions approved to that respect by its General Board.

These transactions shall be carried out pursuant to banking criteria and paying attention to the following principles:

- (a) they will be instrumented fundamentally and preferentially as medium and long terms loans aimed at financing real investments;
- (b) their approval will require the implementation of the necessary provisions to safeguard, in all Issuer's activities, the principle of financial equilibrium.

Management

The Issuer is governed by a General Board. The General Board is formed by the Entity's Chairman, who also chairs the Board, and ten Members. The appointment and cessation of the General Board's Members corresponds to the Ministry of the Economy and Finance. The Chairman is appointed by Royal Decree agreed upon at the Council of Ministers at the proposal of the Ministry of Economy and Finance.

Due to the changes in the structure, objectives and business carried out by the Issuer since 1991 and the complexity of these new activities, the Issuer has been obliged to modify its internal organisation. Such changes include an increase in the number of its employees. As at 31 December 2005, the Issuer employed 276 people, 65.2 per cent of whom are highly qualified personnel (this percentage excludes managerial personnel).

Employment matters for non managerial staff are statutorily regulated by the *Estatuto de los Trabajadores* (Workers Statute).

Schedule 2 - Updated Selling Restrictions

Selling Restrictions

*Under the Dealer Agreement dated 6 May 2005 between the Issuer and the Dealers (as amended and supplemented from time to time, the “**Dealer Agreement**”), the Notes will be offered by the Issuer through one or more Dealers. The Issuer has the sole right to accept any offer to purchase Notes and may reject that offer in whole or (subject to the terms of the offer) in part. Each Dealer has the right to reject any offer to purchase Notes made to it in whole or (subject to the terms of such offer) in part. The Issuer is entitled under the Dealer Agreement to appoint one or more additional financial institutions as a Dealer for a particular Tranche of Notes or the Programme generally. Such financial institutions will be required to agree to the following selling restrictions.*

Each Dealer must comply with (a) all applicable laws and directives in any jurisdiction in which it may purchase, offer, sell, deliver or transfer Notes or have in their possession or distribute the Information Memorandum or any relevant Pricing Supplement, advertisement or other offering material in relation to the Notes, and (b) the following selling restrictions. Additional selling restrictions and changes to the following selling restrictions may be set out in a relevant Pricing Supplement

1 General

No action has been taken in any jurisdiction that would permit a public offering of the Notes or possession or distribution of the Information Memorandum or any relevant Pricing Supplement, advertisement or other offering material in any jurisdiction where action for that purpose is required.

Persons into whose hands the Information Memorandum comes are required by the Issuer and Dealers to comply with all applicable laws and directives in each jurisdiction in which they purchase, offer, sell, deliver or transfer Notes or have in their possession or distribute or publish the Information Memorandum or any relevant Pricing Supplement, advertisement or other offering material and to obtain any authorisation required by them for the purchase, offer, sale, delivery or transfer by them of any Notes under the laws or directives in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales, deliveries or transfers, in all cases at their own expense, and neither the Issuer nor any Dealer has responsibility for such matters. In accordance with the above, any Notes purchased by any person which it wishes to offer for sale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any prospectus or similar document relating to the Notes in that jurisdiction.

The following selling restrictions may be changed by the Issuer after consultation with the Dealers following a change in any law or directive or in its interpretation or administration by an authority or the introduction of a new law or directive. Any change will be set out in the relevant Pricing Supplement issued in respect of the Notes to which it relates (or in another Pricing Supplement to the Information Memorandum).

2 Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) in relation to the Programme or any Notes has been lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented and agreed that, it:

- (a) has not offered or invited applications, and will not offer or invite applications for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, the Information Memorandum or any Pricing Supplement, advertisement or other offering material relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act;
- (ii) such action complies with all applicable laws and directives; and
- (iii) such action does not require any document to be lodged with ASIC.

3 Kingdom of Spain

Each Dealer represents and agrees that the Notes may not be offered or sold, directly or indirectly, to the public in Spain and no offering material relating to the Notes may be distributed in Spain, save in accordance with the requirements of the Spanish Securities Market Law (Ley 24/1988 del Mercado de Valores) of 28 July 1988, as amended and restated, and of Royal Decree 1310/2005, of 4 November, which partially develops Law 24/1988, of 28 July, on the Securities Market, in relation to the admission to listing of securities on organised secondary market and public offers of securities and the prospectus required in connection therewith (Real Decreto 1310/2005) and of further subsequent legislation. However, in accordance with Article 24.4 of the by-laws of the Issuer and Article 14.1(f) of Royal Decree 1310/2005, the issue of Notes by the Issuer is exempt from any verification and/or registration requirement with the Comisión Nacional del Mercado de Valores in Spain.

4 The United Kingdom

Each Dealer has represented and agreed that:

- (a) **(Notes with a maturity less than a year)** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered, sold, delivered or transferred and will not offer, sell, deliver or transfer any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer;

- (b) **(financial promotion)** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (c) **(general compliance)** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to those Notes in, from or otherwise involving the United Kingdom.

5 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means EU Prospectus Directive (2003/71/EC) and includes any relevant implementing measure in each Relevant Member State.

6 The United States of America

Securities Act

The Notes have not been and will not be registered under the Securities Act of 1933 (“**Securities Act**”).

Terms used in the following five paragraphs have the meanings given to them by Regulation S under the Securities Act.

The Notes may not be offered, sold, delivered or transferred within the United States of America, its territories or possessions or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S or in transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed that it will not purchase, offer, sell, deliver or transfer the Notes:

- (a) as part of their distribution at any time; and
- (b) otherwise until 40 days after completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the Lead Manager,

within the United States of America or to, or for the account or benefit of, U.S. Persons, except in accordance with Rule 903 of Regulation S or in other transactions exempt from the registration requirements of the Securities Act.

Each Dealer who has purchased Notes must determine and certify to the Issuer and, in the case of an issue of Notes on a syndicated basis, the Lead Manager, when it has completed the distribution of those Notes. In the case of an issue of Notes on a syndicated basis, the Lead Manager must certify when the distribution of all the Notes has been completed.

Each Dealer has further represented and agreed that:

- (a) neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S; and

- (b) it will have sent to each distributor to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States of America or to, or for the account or benefit of, U.S. Persons.

Until 40 days after the commencement of the offering of the Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made other than in accordance with Rule 903 of Regulation S or in other transactions exempt from the registration requirements of the Securities Act.

7 Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (“**Securities and Exchange Law**”). Each Dealer has represented and agreed that it has not offered, sold, delivered or transferred and will not offer, sell, deliver or transfer any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used here means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering, resale, delivery or transfer, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and ministerial guidelines of Japan.

8 Singapore

The Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”). Accordingly, the Notes may not be, offered, sold, delivered or transferred, or made the subject of an invitation for subscription or purchase nor may the Information Memorandum or any relevant Pricing Supplement, advertisement or other offering material in connection with the offer, sale, delivery or transfer, or an invitation for subscription or purchase, of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor pursuant to section 274 of the SFA; or
- (b) to a sophisticated investor (as defined in section 275 of the SFA) and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased Notes, namely a person who is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 of the SFA except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA;
- (ii) where no consideration is given for the transfer; or
- (iii) by operation of law.

9 Hong Kong

Each Dealer has represented and agreed that:

- (a) it has not offered, sold, delivered or transferred, and will not offer, sell, deliver or transfer in Hong Kong, by means of any document, any Notes other than:
 - (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or
 - (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under the SFO; or
 - (iii) in other circumstances which do not do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation, or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.