



BBVA Senior Finance, S.A. Unipersonal

(incorporated with limited liability in Spain)

BBVA Subordinated Capital, S.A. Unipersonal

(incorporated with limited liability in Spain)

and

BBVA U.S. Senior, S.A. Unipersonal

(incorporated with limited liability in Spain)

€40,000,000,000

**Global Medium Term Note Programme
unconditionally and irrevocably guaranteed by**

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability in Spain)

Under this €40,000,000,000 Global Medium Term Note Programme (the Programme), each of BBVA Senior Finance, S.A. Unipersonal (BSF), BBVA Subordinated Capital, S.A. Unipersonal (BSC) and BBVA U.S. Senior, S.A. Unipersonal (BUS, and together with BSF and BSC, the Issuers) may from time to time issue notes (the Notes) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (the Guarantor).

Notes may be issued in bearer or registered form (respectively Bearer Notes and Registered Notes). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in this Offering Circular.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Overview of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a Dealer and together the Dealers), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See “Form of the Notes” for a description of the manner and form in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see “Subscription and Sale and Transfer and Selling Restrictions”.

Potential investors should note the statements on page 5 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Additional Provision Two of Law 13/1985 of 25th May, 1985.

The Issuers and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Offering Circular, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Any person (an Investor) intending to acquire or acquiring any securities from any person (an Offeror) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (FSMA), the Issuer may be responsible to the Investor for the Offering Circular under section 90 of FSMA, only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Offering Circular for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Offering Circular and/or who is responsible for its contents it should take legal advice.

Where information relating to the terms of the relevant offer required pursuant to the Prospectus Directive is not contained in this Offering Circular or the relevant final terms, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information.

Each of Standard & Poor's Credit Market Services Europe Limited (S&P), Moody's Investors Services España, S.A. (Moody's) and Fitch Ratings España S.A.U. (Fitch) has rated the Guarantor and the Programme, see page 114. Each of S&P, Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No.1060/2009 (as amended) (the CRA Regulation). As such, each of S&P, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. Please also refer to the “Ratings of the Notes” in the Risk Factors section of this Offering Circular.

Arranger

UBS Investment Bank

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

BNP PARIBAS

Citigroup

Credit Suisse

Goldman Sachs International

J.P. Morgan

Nomura

UBS Investment Bank

Barclays

BofA Merrill Lynch

Commerzbank

Deutsche Bank

HSBC

Morgan Stanley

Société Générale Corporate & Investment Banking

Wells Fargo Securities

The date of this Offering Circular is 15th June, 2012.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list maintained by the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Offering Circular to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms supplement (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. The Programme provides that Notes may be listed or admitted to trading, as the case may be on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer.

Application may also be made to have certain Series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System (**PORTAL**) of the National Association of Securities Dealers, Inc.

This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**).

The Issuers and the Guarantor (the **Responsible Persons**) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Responsible Persons (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Copies of Final Terms will be available from the registered office of the Issuers and the Guarantor and the specified office set out below of each of the Paying Agents (as defined below).

The previous paragraph should be read in conjunction with the ninth paragraph on the first page.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

No person is or has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuers, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the United States and the European Economic Area (including the United Kingdom, Spain, the Republic of Italy and France), see “*Subscription and Sale and Transfer and Selling Restrictions*”.

In making an investment decision, investors must rely on their own examination of the Issuers and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Issuers, the Guarantor or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Circular has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in

which no obligation arises for the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing for its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, none of the Issuer, the Guarantor or any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) ensure it makes a meaningful evaluation of the Notes and the merits and risks of investing in the Notes by reference to the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes, particularly Structured Notes, are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) Notes are lawful investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27 July (RD 1065/2007) sets out the reporting obligations applicable to preference shares and debt instruments issued under Additional Provision Two of Law 13/1985 of 25 May (Law 13/1985). The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

General

The procedure described in this Offering Circular for the provision of information required by Spanish law and regulation is a summary only and is subject to further clarification from the Spanish tax authorities regarding such laws and regulations. None of the Issuers, the Guarantor or the Dealers assume any responsibility therefor.

U.S. INFORMATION

This Offering Circular is being submitted in the United States to a limited number of QIBs and Institutional Accredited Investors (each as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised.

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act (**Rule 144A**) or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes (as defined under “*Form of the Notes – Registered Notes*”) will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*”.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS

AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each of BSF, BSC, BUS and the Guarantor have undertaken in a deed poll dated 13th June, 2006 (the **Deed Poll**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the relevant Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers and the Guarantor are corporations organised under the laws of Spain. All or most of the officers and directors of the Issuers and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of the Issuers and the Guarantor and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Spain upon the Issuers and the Guarantor or such persons, or to enforce judgments against them obtained in courts outside Spain predicated upon civil liabilities of the Issuers and the Guarantor or such directors and officers under laws other than the laws of Spain, including any judgment predicated upon United States federal securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuers and the Guarantor maintain their financial books and records and prepare their financial statements in euro in accordance with generally accepted accounting principles in Spain (in the case of the Issuers) or International Financial Reporting Standards adopted by the European Union (EU-IFRS) required to be applied by the Bank of Spain’s Circular 4/2004 (in the case of the Guarantor’s audited consolidated financial statement).

All references in this document to **U.S. dollars**, **U.S.\$** and **\$** refer to United States dollars, all references to **Sterling** and **£** refer to pounds sterling, all references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and all references to **“Renminbi”**, **“RMB”** and **“CNY”** are to the lawful currency of the People’s Republic of China (the **“PRC”**) which, for the purposes of this Base Offering Circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.

For further information relating to exchange rates, see *“Exchange Rate Information”*.

CONTENTS

Summary of the Programme	8	Description of BBVA U.S. Senior, S.A. Unipersonal	113
Risk Factors	11	Description of Banco Bilbao Vizcaya Argentaria, S.A.	114
Documents Incorporated by Reference ...	32	Directors and Senior Management	127
Overview of the Programme	33	Book-Entry Clearance Systems	130
Form of the Notes	38	Taxation	134
Form of Applicable Final Terms	42	Subscription and Sale and Transfer and Selling Restrictions	138
Terms and Conditions of the Notes	73	General Information	146
Use of Proceeds	110		
Description of BBVA Senior Finance, S.A. Unipersonal	111		
Description of BBVA Subordinated Capital, S.A. Unipersonal	112		

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

The Issuers under the Programme are BBVA Senior Finance, S.A. Unipersonal (BSF), which issues Senior Notes only, BBVA Subordinated Capital, S.A. Unipersonal (BSC), which issues Subordinated Notes only and BBVA U.S. Senior, S.A. Unipersonal (BUS), which issues Senior Notes only. All Notes are guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA).

BSF

BSF was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004. The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, “the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets”. BSF has an authorised and issued share capital of EUR 60,102 divided into 10,017 ordinary shares of par value EUR 6.00 each. BSF is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

BSC

BSC was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSC was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004. The exclusive objects for which BSC was established are, pursuant to Article 2 of its Bylaws, “the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets”. BSC has an authorised and issued share capital of EUR 60,102 divided into 10,017 ordinary shares of par value EUR 6.00 each. BSC is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

BUS

BUS was incorporated on 22nd February, 2006 for an unlimited duration with limited liability under Spanish law. BUS was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 28th February, 2006. The exclusive objects for which BUS was established are, pursuant to Article 2 of its Bylaws, “the issuance of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets”. BUS has an authorised and issued share capital of EUR 60,102 divided into 10,017 ordinary shares of par value EUR 6.00 each. BUS is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

BBVA

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has a portfolio of investments in some of Spain’s leading companies.

SUMMARY OF THE PROGRAMME

BBVA was incorporated for an unlimited term on 28th January, 2000. BBVA was formed as the result of a merger by absorption of Argentaria into BBV, which was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 28th January, 2000.

In 2012 BBVA's organisational structure was divided into the following business areas as mentioned under the "*Business area*" section below:

- Spain.
- Eurasia.
- Mexico.
- United States.
- South America.

In addition to these business areas, BBVA continues to have a separate "Corporate Activities" business area which handles BBVA's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity management and shareholders' funds.

This area also books the costs from central units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, such as early retirement and others of a corporate nature. It also includes the Industrial and Financial Holdings Unit and the Group's Spanish real estate business.

Summary Financial Information

As at 31st December, 2011 BBVA's consolidated total assets were €597,688 million and its consolidated net operating income for the year then ended was €5,879 million. Selected consolidated financial information relating to BBVA is included under "*Selected Financial Data*" and BBVA's audited consolidated financial statements for each of the years ended 31st December, 2011 and 31st December, 2010 are incorporated by reference into this document but not this summary.

Risk Factors

Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Notes and on-lending the proceeds within the Group. Each Issuer's ability to fulfil its obligations under Notes issued by it under the Programme is therefore dependent upon the Guarantor and other Group companies performing their obligations under the on-loans made to them. Each Issuer is further indirectly affected by the other risks faced by the Guarantor and other Group companies.

There are a number of factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. These include the Guarantor's exposure to adverse changes in the Spanish economy and real estate market and risks relating to the lack of availability of funding, volatility in interest rates and increased competition. There are also risks faced by the Guarantor in its Southern and North American businesses. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme which are described in detail under "*Risk Factors*".

Notes issued under the Programme

Each Issuer may issue fully paid or partly paid Notes denominated in any currency agreed between the relevant Issuer and the relevant Dealer, at an issue price which is at par or at a discount to, or premium over, par and up to a maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme of €40,000,000,000 (or its equivalent in other currencies), subject to increase as described in this Offering Circular. The payments of all amounts due in respect of the Notes are unconditionally and irrevocably guaranteed by BBVA.

SUMMARY OF THE PROGRAMME

BSF and BSC may issue Notes in bearer or registered form. BUS will issue Notes only in registered form. BSF and BUS will issue only Senior Notes. BSC will issue only Subordinated Notes. Perpetual Subordinated Notes may also be issued by BSC under the Programme and the terms and conditions applicable to such Notes will be set out in the applicable Final Terms.

The Notes may be issued on a continuing basis to one or more of the Dealers appointed and any additional Dealer appointed under the Programme from time to time by the Issuers, which appointment may be for a specific issue or on an ongoing basis.

Notes may be distributed by way of private or public placement, subject to certain restrictions and in each case on a syndicated or non-syndicated basis.

Notes may be issued as Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Structured Notes (including, but not limited to, Index Linked Notes and Dual Currency Notes).

Notes may be issued for any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms, or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Notes may be issued which cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or which are redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer. Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity without the consent of *Banco de España* which consent would not, under current *Banco de España* rules, be expected to be forthcoming for an early redemption occurring less than five years from the relevant issue date unless such redemption is carried out on the relevant maturity date. Furthermore, holders of Subordinated Notes will not have any rights under the terms and conditions of the Subordinated Notes to request the early redemption of such Subordinated Notes in the event of any failure by the Issuer to pay principal or interest in respect of such Subordinated Notes.

RISK FACTORS

Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither of the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by either the Issuers or the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuers' ability to fulfil their respective obligations under Notes issued under the Programme

Dependence on other Group members

Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Notes and on-lending the proceeds within the Group. Each Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

By virtue of its dependence on other Group members, each of the risks described below that affect the Guarantor will also indirectly affect each Issuer.

Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee

The Guarantor is subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a material adverse effect on its business, results of operations and financial condition.

The financial services industry is among the most highly regulated industries in the world. The Guarantor's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the European Union, the United States and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which we expect to continue for the foreseeable future. The regulations which most significantly affect the Guarantor include regulations relating to capital requirements.

In addition, the Guarantor is subject to substantial regulation relating to other matters such as liquidity. The Guarantor cannot predict if increased liquidity standards, if implemented, could require it to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect the Guarantor's net interest margin.

The Guarantor is also subject to other regulations, such as those related to anti-money laundering, privacy protection and transparency and fairness in customer relations.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the Guarantor's business, results of operations and financial condition. Furthermore, regulatory fragmentation, with some countries implementing new and more

stringent standards or regulation, could adversely affect the Guarantor's ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation.

Capital requirements

Increasingly onerous capital requirements constitute one of the Guarantor's main regulatory concerns.

As a Spanish financial institution, the Guarantor is subject to the Bank of Spain Circular 3/2008 of May 22 (**Circular 3/2008**) on the calculation and control of minimum capital requirements, as amended by Bank of Spain Circular 4/2011 (**Circular 4/2011**), which implements Capital Requirement Directive III (CRD III).

Moreover, the Guarantor will be subject to the new Basel III capital standards, which will be phased in from 1st January, 2013 until 1st January, 2019. Despite the Basel III framework setting minimum transnational levels of regulatory capital and a measured phase-in, many national authorities have started a race to the top for capital by gold-plating both requirements and the associated interpretation calendars. In particular, while the European transposition of these standards will be done through the CRD IV throughout 2012, the Spanish Government anticipated Basel III with the Royal Decree-Law 2/2011, of February 18 (**RD-L 2/2011**), as part of a wider plan of the Spanish Government for the strengthening of the financial sector by imposing stricter capital requirements. The Guarantor believes this lack of uniformity may lead to an uneven playing field and to competition distortions. Moreover, regulatory fragmentation, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as the Guarantor and could undermine its profitability. As of 31st December, 2011, the Guarantor's "principal capital" ratio, as calculated in accordance with RD-L 2/2011, was 9.7 per cent., compared with the minimum required ratio of 8 per cent.

In addition, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including BBVA) based on data available as of 30th September, 2011, the European Banking Authority (EBA) issued a recommendation pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should reach a new minimum Core Tier 1 ratio (9 per cent.) by 30th June, 2012. This recommendation is temporary in nature and seeks to restore market confidence in the European financial system. Accordingly, the EBA has announced its intention to lift this recommendation once confidence in the European financial markets is restored. Based on 30th September, 2011 data, the BBVA Group would need to increase its capital base by €6,329 million in order to reach this recommended minimum Core Tier 1 ratio by 30th June, 2012. On 20th January, 2012, the BBVA Group submitted to the Bank of Spain an action plan setting forth the steps that the group intends to take in order to reach the recommended minimum Core Tier 1 ratio by 30th June, 2012. This plan, which took account of, among other measures, the issuance on 30th December, 2011 of €3.4 billion of mandatory convertible subordinated bonds by BBVA in exchange for certain outstanding preferred securities, is currently being examined by the Bank of Spain jointly with the EBA.

Moreover, through Royal Decree-Law 2/2012, of February 3 (**RD-L 2/2012**) and Royal Decree-Law 18/2012, of May 11 (**RD-L 18/2012**), the Spanish Government has recently increased coverage requirements for certain real estate assets. Among other requirements, certain provisions for problematic credit assets and asset foreclosures need to be supplemented with an additional capital buffer of €1.2 billion by 31st December, 2012. Based on 31st December, 2011 data, the Guarantor satisfied this requirement as of such date.

There can be no assurance that the implementation of these new standards will not adversely affect the Guarantor's ability to pay dividends, or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Guarantor's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Guarantor's return on equity and other financial performance indicators.

Regulatory reforms initiated in the United States

The Guarantor's operations may also be affected by other recent regulatory reforms in response to the financial crisis, including measures such as those concerning systemic financial institutions and the

enactment in the United States in July 2010 of the Dodd-Frank Act. Among other changes, beginning five years after enactment of the Dodd-Frank Act, the Federal Reserve Board will apply minimum capital requirements to U.S. intermediate bank holding company subsidiaries of non-U.S. banks. Although there remains uncertainty as to how regulatory implementation of this law will occur, various elements of the new law may cause changes that impact the profitability of the Guarantor's business activities and require that it changes certain of its business practices, and could expose the Guarantor to additional costs (including increased compliance costs). These changes may also cause the Guarantor to invest significant management attention and resources to make any necessary changes.

Current economic conditions may make it more difficult for the Guarantor to continue funding its business on favourable terms or at all.

Historically, one of the Guarantor's principal sources of funds has been savings and demand deposits. Time deposits represented 27 per cent., 29 per cent. and 33 per cent. of its total funding as of 31st December, 2011, 2010 and 2009, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. Moreover, since the Guarantor relies heavily on short-term deposits for its funding, the Guarantor cannot be sure that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which it operates, it will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, the Guarantor can give no assurance that it will be able to continue funding its business or, if so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

The Guarantor faces increasing competition in its business lines.

The markets in which the Guarantor operates are highly competitive. Financial sector reforms in the markets in which it operates have increased competition among both local and foreign financial institutions, and it believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete some of which have recently received public capital.

The Guarantor also faces competition from non-bank competitors, such as:

- department stores (for some credit products);
- automotive finance corporations;
- leasing companies;
- factoring companies;
- mutual funds;
- pension funds;
- insurance companies; and
- public debt (as a result of the high yields which are being currently offered as a consequence of the sovereign debt crisis).

No assurance can be given by the Guarantor that this competition will not adversely affect its business, financial condition, cash flows and results of operations.

The Guarantor's business is particularly vulnerable to volatility in interest rates.

The Guarantor's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including

deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by the EU and national governments, domestic and international economic and political conditions and other factors. In Spain, competition distortions in the term deposits market have intensified, and this situation is expected to continue due to the liquidity needs of certain financial institutions, which are offering high interest rates to attract additional deposits, despite the fact that these institutions will have to increase their contribution to the Deposit Guarantee Fund of Credit Institutions (*Fondo de Garantía de Depósitos* (the FGD)), for this kind of highly remunerated deposits.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby negatively affect the Guarantor's results of operations. For example, an increase in interest rates could cause its interest expense on deposits to increase more significantly and quickly than the Guarantor's interest income from loans, resulting in a reduction in its net interest income.

Since approximately 69 per cent. of the Guarantor's loan portfolio as of 31st December, 2011 consisted of variable interest rate loans maturing in more than one year, the Guarantor's business is particularly vulnerable to volatility in interest rates.

The Guarantor has a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets.

The Guarantor's commitments with personnel which are considered to be wholly unfunded include "Post-employment benefits", "Early Retirements" and "Post-employment welfare benefits" in its consolidated balance sheets, which amounted to €2,429 million, €2,904 million and €244 million, respectively, as of 31st December, 2011, €2,497 million, €3,106 million and €377 million, respectively, as of 31st December, 2010 and €2,536 million, €3,309 million and €401 million, respectively, as of 31st December, 2009. These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

The Guarantor faces liquidity risk in connection with its ability to make payments on these unfunded amounts which it seeks to mitigate, with respect to "Post-employment benefits", by maintaining insurance contracts which were contracted with insurance companies owned by the Group. The insurance companies have recorded in their balance sheets specific assets (fixed interest deposit and bonds) assigned to the funding of these commitments. The insurance companies also manage derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. The Guarantor seeks to mitigate liquidity risk with respect to "Early Retirements" and "Post-employment welfare benefits" through oversight by the Assets and Liabilities Committee (ALCO) of the Group. The Group's ALCO manages a specific asset portfolio to mitigate the liquidity risk regarding the payments of these commitments. These assets are government and covered bonds (AAA/AA rated) which are issued at fixed interest rates with maturities matching the aforementioned commitments. The Group's ALCO also manages derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. Should the Guarantor fail to adequately manage liquidity risk and interest rate risk either as described above or otherwise, it could have a material adverse effect on its business, financial condition, cash flows and results of operations.

Risks Relating to Spain and Europe

The deterioration of economic conditions in Spain and the European Union could have a material adverse effect on the financial system as a whole and, therefore, on the Guarantor's business, results of operations and financial condition.

The Guarantor is a Spanish banking company and conducts substantial business activities in Spain. Like other banks operating in Spain and Europe, the Guarantor's performance and liquidity may be affected by economic conditions affecting Spain and other EU member states.

The evolution of the global economy is heavily dependent on the resolution of the European debt crisis, which outlook has worsened over the last few months of 2011. Four main factors lie behind this trend:

- First, lower than expected economic growth mainly, but not only, in developed economies. Economic activity in Europe is on a clear decelerating path. Certain countries in Europe, including Spain, have relatively large sovereign debt or fiscal deficits, or both, which has led to tensions in the international debt capital markets and interbank lending market and euro exchange rate volatility during 2011.
- Second, the sovereign debt crisis in Europe has intensified and turned more systemic. The Portuguese and Irish rescue programs and the uncertainty over the Greek rescue program have spread doubts about other peripheral economies such as Spain and Italy. Successive European summits since October 2011 and the ECB's intervention served to gain time, but further progress focused on the completion of the new EU fiscal treaty and strengthening the liquidity firewall and reforms in the periphery are still required.
- Third, the connection between EU sovereign debt concerns and concerns for the health of the European financial system has intensified, and financial tensions in Europe have reached levels, in many respects, higher than those present after the collapse of Lehman Brothers in October 2008. Financial stress in Europe has increased the cost of financing of governments and financial institutions which, in some cases, have lost access to international funding.
- Finally, growing risk aversion has increased financial market volatility significantly, spilling over to most risky assets and emerging economies for the first time since 2009.

Although some progress has been made since October 2011, the Guarantor believes a definitive resolution to the European economic crisis requires more decisive action on three fronts. First, concerns surrounding Greece's solvency must continue to be resolved in an orderly fashion and as quickly as possible, such as pursuant to the recently completed debt exchange with private sector bondholders. In February 2012, the Eurogroup meeting agreed on a second bail-out for Greece amounting to €130 billion, but considerable uncertainties remain concerning the implementation of the bail-out package. At the same time, the mechanisms created to prevent contagion in countries that are solvent but faced with liquidity problems, must be increased and made more flexible to become more effective. Second, structural reforms that stimulate growth must be introduced, including reforms to make financial institutions stronger without triggering sudden deleveraging and restricting credit. And third, the governance agreements approved recently in the Eurozone must begin working so they can provide a clear roadmap to fiscal union, strengthen monetary union, prevent future crises and enhance the credibility of European institutions and countries.

The situation in Portugal is particularly challenging. The first review led by the troika and released in mid-August 2011 showed its satisfaction with the performance of the Portuguese economy, but highlighted rising concerns on Portugal's ability to meet its targets for 2012. This led to a sequence of announcements of additional saving measures to cover the impact of (i) the recognition of deficit and debt misreporting in the region of Madeira and (ii) a worse than expected cyclical behaviour. Economic activity in Portugal contracted in 2011 (though less than anticipated) as stagnation in the second quarter of 2011 was followed by contraction in the second half of the year. The economy is set to remain in a deep recession in 2012, with a rebound predicted in 2013. The main drivers behind this outlook can be found in the strong fiscal adjustment to be undertaken in 2012 and in the difficult market and financial conditions that have led most of the economic indicators into negative territory. Confidence continues fading at all levels, reflected in weakening industrial and service sectors, as well as in decreasing investment. Consumption has taken a downturn, with no rebound on the horizon. As a result, Portuguese GDP is expected to fall by around 2.7 per cent. in 2012. As of 31st December, 2011, our gross exposure to Portuguese customers amounted to €7.8 billion (around 1 per cent. of our total assets and 2 per cent. of the Group's outstanding loans).

Economic conditions remain uncertain in Spain, Portugal and the European Union and may deteriorate in the future, which could adversely affect the cost and availability of funding for Spanish and European banks, including the Guarantor, adversely affecting the Guarantor's loan portfolio or otherwise adversely affect its business, financial condition and results of operations.

Since the Guarantor's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition.

The Guarantor has historically developed its lending business in Spain, which continues to be the Guarantor's main place of business. As of 31st December, 2011, business activity in Spain accounted for 55 per cent. of the Guarantor's loan portfolio.

After rapid economic growth until 2007, Spanish gross domestic product (GDP) grew by 0.9 per cent. in 2008, contracted by 3.7 per cent. and 0.1 per cent. in 2009 and in 2010, respectively, and grew by 0.7 per cent. in 2011. Our Economic Research Department (**BBVA Research**) estimates that the Spanish economy will show a negative growth rate in 2012. Forecasts point towards a 1.3 per cent. contraction of GDP in 2012 and a slow recovery in 2013. As a result of this contraction, it is expected that economic conditions and unemployment in Spain will continue to deteriorate in 2012.

In addition, GDP forecasts for the Spanish economy could be further revised downwards if measures adopted in response to the economic crisis are not as effective as expected or if public deficit figures force the government to implement additional restrictive measures. In addition to the tightening of fiscal policies in order to correct its economic imbalances, Spain has seen confidence erode, export growth fall, expectations of further fiscal adjustment in 2012 rise because of the failure to meet 2011 budget targets, weaker activity and, above all, a deterioration in employment in 2011.

The effects of the financial crisis have been particularly pronounced in Spain given Spain's heightened need for foreign financing as reflected by its high current account and public deficits. Real or perceived difficulties in making the payments associated with these deficits can further damage Spain's economic situation and increase the costs of financing its public deficit. The aforementioned may be exacerbated by the following:

- The Spanish economy is particularly sensitive to economic conditions in the rest of the euro area, the primary market for Spanish goods and services exports.
- The domestic demand in 2011 was heavily impacted by fiscal policy both directly, through the progressive contraction on public sector demand (as a result, among other reasons, of tighter fiscal targets), and indirectly, through the impact of these reforms on the consumption and investment decisions of private agents.
- Although the new labour market reform is intended to slow the amount of jobs cut in 2012, unemployment is expected to remain above 20 per cent. during 2012 and 2013.
- In 2012, the continued deterioration of the labour market may trigger a decline in the wage component of a household's gross disposable income. Furthermore, the increase of fiscal pressures due to the country's effort to meet the public deficit targets set for 2012 will reduce the non-wage component of disposable income, despite the possible increase in the volume of unemployment benefits. Higher personal income taxes will also have a negative effect. Households' nominal disposable income has remained constant in 2011 and is expected to fall by 1.5 per cent. in 2012.
- Net financial wealth is not expected to recover until 2013 as a result of the real estate sector adjustments and we expect these adjustments to continue for the coming years.
- Investment in residential real estate contracted by approximately 4.8 per cent. in 2011 and a further 6.5 per cent. contraction is expected in 2012. In addition, demand for real estate decreased in 2011, primarily as a result of the high unemployment rates and the rise in the personal income tax.

The Guarantor's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy in 2011, 2010 and 2009. In particular, a portion of the Guarantor's loan portfolio consists of residential mortgages and consumer loans to low- and lower middle-income customers and commercial loans to medium- and small-sized companies. As of 31st December, 2011, loans to low- and lower middle-income customers and medium- and small-sized companies amounted to approximately 14 per cent. and 6 per cent., respectively, of the Guarantor's total loans and receivables to customers in Spain. These groups may be more affected by periods of slowdown in economic activity and, consequently, the Guarantor may

experience higher levels of past due amounts with respect to such groups, which could result in higher levels of allowance for loan losses. The Guarantor's total substandard loans to customers in Spain amounted to €11,043 million, €10,954 million and €10,973 million as of 31st December, 2011, 2010 and 2009, respectively, principally due to the deterioration in the macroeconomic environment. The Guarantor's total substandard loans to customers in Spain as a percentage of total loans and receivables to customers in Spain were 5.5 per cent., 5.2 per cent. and 5.4 per cent. as of 31st December, 2011, 2010 and 2009, respectively. The Guarantor's loan loss reserves to customers in Spain as a percentage of substandard loans to customers in Spain as of 31st December, 2011, 2010 and 2009 were 43 per cent., 45 per cent. and 44 per cent., respectively.

Given the concentration of the Guarantor's loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on the Guarantor's loan portfolio and, as a result, on its financial condition, results of operations and cash flows.

Exposure to the Spanish real estate market makes the Guarantor vulnerable to developments in this market.

In the years prior to 2008, economic growth, strong labour markets and low interest rates in Spain caused an increase in the demand for housing, which resulted in an increase in demand for mortgage loans. This increased demand and the widespread availability of mortgage loans affected housing prices, which rose significantly. After this buoyant period, demand began to adjust in mid-2006. Since the last quarter of 2008, the supply of new homes has been adjusting sharply downward in the residential market in Spain, but a significant excess of unsold homes still exists in the market. Residential real estate mortgages to individuals represented 21.9 per cent. and 23.1 per cent. of the Guarantor's domestic loan portfolio as of 31st December, 2011 and 2010, respectively.

The Guarantor expects housing demand to remain weak and housing transactions to continue decreasing in 2012, even though certain measures adopted on 30th December, 2011, such as the renewal of government tax breaks for home purchases and a significant reduction in the value added tax rate applicable to real estate transactions, should positively influence demand. Loans by the Guarantor for the development of real estate and housing construction in Spain amounted to €14,158 million as of 31st December, 2011 and represented 7 per cent. of the Guarantor's gross domestic lending as of 31st December, 2011, which is below the average in the Spanish financial sector according to the Bank of Spain. The Guarantor's non-performing real estate loans represented 26.4 per cent. of its real estate portfolio as of such date.

In this regard, on 3rd February and 11th May, 2012 the Spanish Government enacted RD-L 2/2012 in relation to the reorganisation of the financial sector and RD-L 18/2012 in relation to the reorganisation and sale of real-estate assets in the financial sector. These established new capital requirements for Spanish credit institutions and further coverage for impaired assets linked to the real-estate market in Spain.

The Guarantor has made an initial estimate of the possible impact of the application of the new requirements under RD-L 2/2012 and RD-L 18/2012 to its asset portfolio, which was publicly disclosed in the announcements made by the Guarantor on 6th February and 14th May, 2012. The Guarantor estimates that the additional coverage it will need to provide for would have an overall gross impact of approximately €4.6 billion on its total income statement. The final amount of this coverage will be fully written down against the Group's financial statements for the financial year ending 31st December, 2012 and would reduce the Group's capital ratios by approximately 64 basis points. BBVA nonetheless estimates that even after applying these measures, it will continue to meet all of its regulatory capital requirements.

In addition, on 11th May, 2012 the Spanish Government announced a new process by which independent experts are to review the valuations of the balance sheets of Spanish credit institutions. This new process is being implemented as at the date of this Offering Circular such that at this stage the Guarantor is unable to assess any possible impact this may have on the Guarantor.

The above measures, and the ongoing situation in the domestic and international securities markets and economies and the uncertainties regarding events in Europe may have a negative impact, which cannot

otherwise currently be quantified, on Group earnings and the Guarantor's business, results of operations and financial condition; and could make it advisable for the Guarantor to adopt additional capital and financial management measures over and above those announced to date.

Highly-indebted households and corporations could endanger the Guarantor's asset quality and future revenues.

Spanish households and businesses have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. In addition, the high proportion of loans referenced to variable interest rates (approximately 69 per cent. of the Guarantor's loan portfolio as of 31st December, 2011) makes debt service on such loans more vulnerable to changes in interest rates than in the past. Highly indebted households and businesses are less likely to be able to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Guarantor's loan portfolio and, as a result, on its financial condition and results of operations. Moreover, the increase in households' and businesses' indebtedness also limits their ability to incur additional debt, decreasing the number of new products the Guarantor may otherwise be able to sell them and limiting the Guarantor's ability to attract new customers in Spain satisfying its credit standards, which could have an adverse effect on the Guarantor's ability to achieve its growth plans.

Risks Relating to Latin America

Events in Mexico could adversely affect the Guarantor's operations.

The Guarantor is substantially dependant on its Mexican operations, with approximately €1,741 million, €1,707 million and €1,357 million of the net income attributed to the Guarantor in 2011, 2010 and 2009, respectively, being generated in Mexico (58 per cent., 37 per cent. and 32 per cent. of the net income attributed to the Guarantor in 2011, 2010 and 2009, respectively). The Guarantor faces several types of risks in Mexico which could adversely affect its banking operations in Mexico or the Group as a whole. Given the internationalisation of the financial crisis, the Mexican economy has felt the effects of the global financial crisis and the adjustment process that was underway. This process has intensified since the end of the first quarter of 2011, as a result of the European sovereign crisis. In addition, there are downward growth risks in Mexico due to a possible lower demand from the U.S., where growth perspectives for 2012 are clearly downward. While analysts' consensus points to 2012 seeing Mexican GDP growth of around 3.1 per cent. (3.3 per cent. according to BBVA Research), it is possible that in a more unfavourable environment for the global economy, and particularly in Europe or the United States or otherwise, growth in Mexico will be negative in 2012.

As of 31st December, 2011, 2010 and 2009, the Guarantor's mortgage loan portfolio delinquency rates in Mexico were 4.1 per cent., 3.3 per cent. and 4.4 per cent., respectively, and its consumer loan portfolio delinquency rates were 2.5 per cent., 2.9 per cent. and 4.0 per cent., respectively. If there is an increase in unemployment rates, which could arise if there is a more pronounced or prolonged slowdown in Europe or the United States, it is likely that such rates will further increase.

In addition, any tightening of the monetary policy, including to address upward inflationary pressures, could make it more difficult for customers of the Guarantor's mortgage and consumer loan products in Mexico to service their debts, which could have a material adverse effect on the business, financial condition, cash flows and results of operations of the Guarantor's Mexican subsidiary or the Group as a whole. Furthermore, price regulation, and competition could squeeze the profitability of its Mexican subsidiary. If this were to occur, the market share of the Guarantor's Mexican subsidiary could decrease given its risk management standards. The depreciation of the Mexican peso could also adversely affect the contribution of the Mexican subsidiary to the BBVA Group. Finally, political instability or social unrest could weigh on the economic outlook, which could increase economic uncertainty and capital outflows. Additionally, if the approval of certain structural reforms is delayed, this could make it more difficult to reach potential growth rates in the Mexican economy.

Any of these risks or other adverse developments in laws, regulations, public policies or otherwise in Mexico may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's Mexican subsidiary or the Group as a whole.

The Guarantor's Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including significant inflation and government default on public debt, in the Latin American countries where they operate.

The Latin American countries in which the Guarantor operates have experienced significant economic volatility in recent decades, characterised by recessions, foreign exchange crises and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Guarantor lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect the Guarantor's profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services. In addition, significant inflation can negatively affect the Guarantor's results of operations as was the case in the year ended 31st December, 2009, when as a result of the characterisation of Venezuela as a hyperinflationary economy, the Guarantor recorded a €90 million decrease in its net income attributed to parent company.

In addition, as a result of the more challenging global environment and the danger of recession in developed countries, the monetary authorities of certain Latin American countries are holding back the withdrawal of monetary stimuli longer than expected. Possible overheating is leaving economies more vulnerable to an adverse external shock because the growing gap between domestic demand and GDP is making them more dependent on the maintenance of high terms of trade. Inflation has been higher than expected, particularly in Chile and Peru. This has limited consumer purchasing power despite major increases in employment and wages.

Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect the Guarantor in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several Latin American countries in which the Guarantor operates.

While the Guarantor seeks to mitigate these risks through what it believes to be conservative risk policies, no assurance can be given that its Latin American subsidiaries' growth, asset quality and profitability will not be further affected by volatile macroeconomic conditions in the Latin American countries in which it operates.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries in which the Guarantor operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in the U.S. or in Europe under current circumstances, may have a negative impact on emerging market economies. These developments may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America. These economies are also vulnerable to conditions in global financial markets and especially to commodities price fluctuations, and these vulnerabilities usually reflect adversely in financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. For example, at the beginning of the financial crisis these economies were hit by a simultaneous drop in commodity export prices, a collapse in demand for non-commodity exports and a sudden halting of foreign bank loans. Even though most of these countries withstood the triple shock rather well, with limited damage to their financial sectors, the Guarantor has seen non-performing loan ratios rise as well as contraction in bank deposits and loans. As a global economic recovery remains fragile, there are risks of a relapse. If the global financial crisis continues and, in particular, if the effects on the Chinese and U.S. economies intensify the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America are likely to be materially adversely affected.

The Guarantor is exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which it operates, which could cause an adverse impact on its business, financial condition and results of operations.

The Guarantor operates commercial banks and insurance and private pension companies in various Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. The Guarantor is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation or expropriation of assets. The Guarantor's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. In addition, there has been an increase in global risk aversion at the start of the last quarter of 2011, as reflected by the pressure on certain currencies and higher levels of perceived uncertainty. This has been particularly the case with Argentina, where the depreciation of the Brazilian real increased pressure on the Argentinean peso, leading to liquidity problems and controls in the foreign-exchange market.

The Guarantor's presence in Latin American markets also requires it to respond to rapid changes in market conditions in these countries. No assurance can be given by the Guarantor that it will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

Regulatory changes in Latin America that are beyond the Guarantor's control may have a material effect on its business, financial condition, results of operations and cash flows.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk are applicable in certain Latin American countries in which the Guarantor operates. Local regulations differ in a number of material respects from equivalent regulations in Spain and the United States.

Changes in regulations that are beyond the Guarantor's control may have a material effect on its business and operations, particularly in Venezuela and Argentina. In addition, since some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Guarantor's business, financial condition, results of operations and cash flows.

Private pension management companies are heavily regulated and are exposed to major risks concerning changes in those regulations in areas such as reserve requirements, fees and competitive conditions.

Risks Relating to the United States

The Guarantor's continued expansion in the United States increases its exposure to the U.S. market.

The Guarantor's expansion in the United States makes it more vulnerable to developments in this market, particularly the real estate market. During the summer of 2007, the difficulties experienced by the subprime mortgage market triggered a real estate and financial crisis, which has had significant effects on the real economy and which has resulted in significant volatility and uncertainty in markets and economies around the world. As the Guarantor has acquired entities or assets in the United States, particularly BBVA Compass and certain deposits and liabilities of Guaranty Bank (**Guaranty**), its exposure to the U.S. market has increased. The recent economic growth estimates for the U.S., showing that economic recovery is slower than expected, and growing regulatory pressure in the U.S. financial sector resulted in a write down of goodwill related to the Guarantor's acquisition of BBVA Compass in the aggregate amount of €1,444 million as of 31st December, 2011. Similar or worsening economic conditions in the United States could have a material adverse effect on the business, financial condition, results of operations and cash flows of

the Guarantor's subsidiary BBVA Compass, or the Group as a whole, and could require the Guarantor to provide BBVA Compass with additional capital.

Risks Relating to Other Countries

The Guarantor's strategic growth in Asia exposes it to increased regulatory, economic and geopolitical risk relating to emerging markets in the region, particularly in the PRC.

Pursuant to certain transactions completed in the past few years, the Guarantor increased its ownership interest in members of the CITIC Group, a Chinese banking group, by increasing its stake in CITIC International Financial Holdings Ltd (CIFH) to 29.7 per cent. and China National Citic Bank (CNCB) to 15 per cent. as of 31st December, 2011. CIFH is a banking entity headquartered in Hong Kong and CNCB is a banking entity headquartered in the PRC.

As a result of the Guarantor's expansion into Asia, it is exposed to increased risks relating to emerging markets in the region, particularly in the PRC. The Chinese government has exercised, and continues to exercise, significant influence over the Chinese economy. Chinese governmental actions, including changes in laws or regulations or in the interpretation of existing laws or regulations, concerning the economy and state-owned enterprises, or otherwise affecting the Guarantor's activity, could have a significant effect on Chinese private sector entities in general, and on CIFH or CNCB in particular. Chinese authorities have implemented a series of monetary tightening and macro prudential policies to slow credit growth and to contain rises in real estate prices. These could undermine profitability in the banking sector generally and CIFH's and CNCB's respective profitability in particular. The Guarantor's business in the PRC may also be affected by the increased credit quality risks resulting from the recent increase in local government debt and financial stresses in smaller companies as their access to various forms of non-bank credit is tightened.

In addition, while the Guarantor believes long term prospects in both the PRC and Hong Kong are positive, particularly for the consumer finance market, near term risks are present from the impact of a slowdown in global growth, which could result in tighter financing conditions and could pose risks to credit quality. The PRC's GDP growth has moderated following efforts to avert overheating and steer the economy towards a soft landing. While domestic demand and production remain strong, there is an increased probability of a hard landing as a result of the uncertainties concerning the global environment, exacerbated by a rise in domestic financial fragilities.

Any of these developments could have a material adverse effect on the Guarantor's investments in the PRC and Hong Kong or the business, financial condition, results of operations and cash flows of the Group.

Since Garanti operates primarily in Turkey, economic and other developments in Turkey may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

In 2011, the Guarantor acquired a 25.01 per cent. interest in TürkiyeGarantiBankası A.Ş. (**Garanti**). Most of Garanti's operations are conducted, and most of its customers are located, in Turkey. Accordingly, Garanti's ability to recover on loans, its liquidity and financial condition and its results of operations are substantially dependent upon the political, economic, financial and geopolitical conditions prevailing in or that otherwise affect Turkey. If the Turkish economy is adversely affected by, among other factors, a reduction in the level of economic activity, continuing inflationary pressures, devaluation or depreciation of the Turkish Lira, a natural disaster or an increase in domestic interest rates, then a greater portion of Garanti's customers may not be able to repay loans when due or meet their other debt service requirements to Garanti, which would increase Garanti's past due loan portfolio and could materially reduce its net income and capital levels. After growing by approximately 8.5 per cent. in 2011, the Turkish economy is expected to grow by 1.9 per cent. in 2012. In addition, inflation is expected to further increase by 9.1 per cent. in 2012. Moreover, the current account deficit has widened during 2011, raising concerns about Turkey's vulnerability to a sudden stop of capital flows.

Furthermore, political uncertainty or instability within Turkey and in some of its neighbouring countries has historically been one of the potential risks associated with investments in Turkish companies. Despite

Turkey's increased political and economic stability in recent years and the implementation of institutional reforms to conform to international standards, Turkey is an emerging market and it is subject to greater risks than more developed markets. Financial turmoil in any emerging market could negatively affect other emerging markets, including Turkey, or the global economy in general. Moreover, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets, and may reduce liquidity to companies located in the affected markets. An increase in the perceived risks associated with investing in emerging economies in general, or Turkey in particular, could dampen capital flows to Turkey and adversely affect the Turkish economy. In addition, a further deterioration in the EU accession process may negatively affect Turkey. Any of these risks could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

Foreign exchange, political and other risks relating to Turkey could cause an adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

As a result of the consummation of the Garanti acquisition, the Guarantor will be exposed to foreign exchange, political and other risks relating to Turkey. For example, currency restrictions and other restraints on transfer of funds may be imposed by the Turkish government, Turkish government regulation or administrative policies may change unexpectedly or otherwise negatively affect Garanti, the Turkish government may increase its participation in the economy, including through expropriations or nationalisations of assets, or the Turkish government may impose burdensome taxes or tariffs. The occurrence of any or all of the above risks could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

In addition, a significant majority of Garanti's total securities portfolio is invested in securities issued by the Turkish government. In addition to any direct losses that Garanti might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in Garanti's securities portfolio and the Turkish banking system generally and make such government securities difficult to sell, and may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

The Guarantor has entered into a shareholders' agreement with Doğuş Holding A.Ş. in connection with the Garanti acquisition.

The Guarantor entered into a shareholders' agreement with Doğuş Holding A.Ş. (Doğuş), in connection with the Garanti acquisition. Pursuant to the shareholders' agreement, the Guarantor and Doğuş have agreed to manage Garanti through the appointment of board members and senior management Doğuş is one of the largest Turkish conglomerates and has business interests in the financial services, construction, tourism and automotive sectors. Any financial reversal, negative publicity or other adverse circumstance relating to Doğuş could adversely affect Garanti or the Guarantor. Furthermore, the Guarantor must successfully cooperate with Doğuş in order to manage Garanti and grow its business. It is possible that the Guarantor and Doğuş will be unable to agree on the management or operational strategies to be followed by Garanti, which could adversely affect Garanti's business, financial condition and results of operations and the value of the Guarantor's investment and lead to the Guarantor's failure to achieve the expected benefits from the Garanti acquisition.

Risks related to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuers

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuers may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuers may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Structured Notes (including Index Linked Notes and Dual Currency Notes)

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of

other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuers' obligations under Subordinated Notes are subordinated.

BSC's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of BSC. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should BSC and the Guarantor become insolvent.

The payment of principal and interest in respect of the Subordinated Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Subordinated Guarantee. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor.

After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, BSC and the Guarantor will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts (including the Subordinated Notes and claims under the Subordinated Guarantee); (iii) interest (including accrued and unpaid interest due on the Notes and under the Subordinated Guarantee); (iv) fines; (v) claims of creditors which are specially related to the Issuer or the Guarantor as provided for under the Spanish Insolvency Law; (vi) detrimental claims against BSC or the Guarantor where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in articles 61, 62 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Claims of Holders under the Senior Notes are effectively junior to those of certain other creditors.

The Senior Notes and any guarantee in respect of them (the **Senior Guarantees**) are unsecured and unsubordinated obligations of the relevant Issuer and the Guarantor, respectively. Subject to statutory preferences, the Senior Notes and the Senior Guarantees will rank equally with any of the relevant Issuer's and the Guarantor's other unsecured and unsubordinated indebtedness and, in the case of the Senior

Guarantees, senior to the Subordinated Guarantee. However, the Senior Notes and the Senior Guarantees will be effectively subordinated to all of, respectively, the relevant Issuer's and the Guarantor's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Spanish law. As at 31st December, 2011, the book value of BBVA's consolidated assets pledged as security in connection with its obligations was €101,108 million. The Senior Guarantees are also structurally subordinated to all indebtedness of subsidiaries of BBVA insofar as any right of BBVA to receive any assets of such companies upon their winding up will be effectively subordinated to the claims of the creditors of those companies in the winding up.

Subordinated Notes may not be redeemed prior to maturity at the option of Noteholders, including in the event of non-payment of principal or interest.

Pursuant to Bank of Spain Circular 3/2008, of 22nd May (*Circular 3/2008, de 22 de mayo, del Banco de España*), the Issuer is prohibited from including in the terms and conditions of any Subordinated Notes terms that would oblige it to redeem such Subordinated Notes prior to their stated maturity at the option or request of holders of the Subordinated Notes. As a result, the terms and conditions of the Subordinated Notes do not include provisions allowing for early redemption of Subordinated Notes at the option of Noteholders. Furthermore, holders of Subordinated Notes will not have any rights under the terms and conditions of the Subordinated Notes to request the early redemption of such Subordinated Notes in the event of any failure by the Issuer to pay principal or interest in respect of such Subordinated Notes.

The obligations of BBVA Subordinated Capital, S.A. Unipersonal with respect to Subordinated Notes will be subordinated and unsecured and will rank junior to all unsubordinated obligations of BBVA Subordinated Capital, S.A. Unipersonal.

The due payment of all sums expressed to be payable by BBVA Subordinated Capital, S.A. Unipersonal under the Subordinated Notes, Receipts and Coupons has been unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis pursuant to the Subordinated Guarantee. The obligations of the Guarantor with respect to Subordinated Notes constitute subordinated and unsecured obligations of the Guarantor and will rank junior to all unsubordinated obligations of the Guarantor.

After payment in full of unsubordinated claims, and in the event of insolvency of either of them, BBVA Subordinated Capital, S.A. Unipersonal and the Guarantor will pay subordinated claims in the order and as further described in Conditions 3(b) and 3(d) of the Terms and Conditions of the Notes.

Risks relating to Notes denominated in Renminbi

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi:

Renminbi is not freely convertible and this may adversely affect the liquidity of Notes denominated in Renminbi.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover the whole nation and to make Renminbi trade and other current account item settlement available in all countries worldwide.

PRC regulation on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually. Generally, remittance of Renminbi by foreign investors into the PRC for capital account purposes such as shareholders' loans or capital contributions is only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system.

On 12th October, 2011, the Ministry of Commerce People's Republic of China (**MOFCOM**) promulgated the Circular on Issues concerning Foreign Investment Management (the **MOFCOM Circular**). Pursuant to the **MOFCOM Circular**, prior written consent from the appropriate office of **MOFCOM** and/or its local counterparts (depending on the size and the relevant industry of the investment) is required for Renminbi foreign direct investments (**RMB FDI**). The **MOFCOM Circular** also requires that the proceeds of **RMB FDI** may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement. On 13th October, 2011, the People's Bank of China (the **PBOC**) issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (the **PBOC RMB FDI Measures**) as part of the implementation of the **PBOC's** detailed **RMB FDI** accounts administration system, which covers almost all aspects of **RMB FDI**, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the **PBOC RMB FDI Measures**, special approval for **RMB FDI** and shareholder loans from the **PBOC**, which was previously required, is no longer necessary. In some cases however, post-event filing with the **PBOC** is still necessary.

As the **MOFCOM Circular** and the **PBOC RMB FDI Measures** are relatively new circulars, they will be subject to interpretation and application by the relevant PRC authorities.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Notes denominated in Renminbi and the Issuer's ability to source Renminbi to service such Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The **PBOC** has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the **Settlement Agreement**) between the **PBOC** and Bank of China (Hong Kong) Limited as the Renminbi clearing bank (the **RMB Clearing Bank**) to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. As of 31st March, 2012, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB554,317 million according to data published by the Hong Kong Monetary Authority (the **HKMA**). In addition, authorised institutions are also required by the **HKMA** to maintain a total amount of Renminbi (in the form of cash, its settlement account balance and/or fiduciary account balance with the **RMB Clearing Bank**) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from **PBOC**. The **RMB Clearing Bank** only has access to onshore liquidity support from **PBOC** to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, for individual customers of up to RMB20,000 per person per day and for the designated business customers relating to the Renminbi received in providing their services. The **RMB Clearing Bank** is not obliged to

create a neutral position for participating banks holding open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to neutralise such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Notes denominated in Renminbi. There is no assurance that the relevant Issuer will be able to source Renminbi outside the PRC to service such Notes on satisfactory terms, if at all. If the relevant Issuer is unable to source such Renminbi, the relevant Issuer's obligation to make a payment in Renminbi under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as defined below) if 'RMB Currency Event' is selected as being applicable in the relevant Final Terms.

An investment in Notes denominated in Renminbi is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi denominated Notes will be made in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in Notes denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

Payments for Notes denominated in Renminbi will only be made to investors in the manner specified for such Notes in the terms and conditions.

Investors may be required to provide certificates and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. Except in the limited circumstances stipulated in Condition 6(h) (as set out in the RMB provisions below), all payments to investors in respect of Notes denominated in Renminbi will be made solely (i) for so long as such Notes are represented by a Temporary Global Note or a Permanent Global Note held with the common depositary, for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or any alternative clearing system by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations; the relevant Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of Notes denominated in Renminbi may become subject to income taxes under PRC tax laws

Under the New Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of Notes denominated in Renminbi by holders who are deemed under the New Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the New Enterprise Income Tax Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement

that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes denominated in Renminbi minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of such Notes.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of Notes denominated in Renminbi, the value of the relevant Noteholder's investment in such Notes may be materially and adversely affected.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Spanish Tax Rules

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 13/1985. The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of RD 1065/2007, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, and are recognised by Spanish law or by the law of another OECD country (such as the Depository Trust Company (DTC), Euroclear or Clearstream), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the relevant Issuer submits a statement to the relevant Issuer, the form of which is included in the Agency Agreement, with the following information:

- (i) identification of the securities; and
- (ii) total amount of the income corresponding to each clearing system located outside Spain.

These obligations refer to the total amount paid to investors through each foreign clearing house. For these purposes, "income means interest and the difference, if any, between the aggregate amount payable on the redemption of the Notes and the issue price of the Notes.

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the relevant Paying Agent should provide the relevant Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the relevant Issuer or the Paying Agent on its behalf will make a withholding at the general rate (currently 21 per cent.) on the total amount of the return on the relevant Notes otherwise payable to such entity.

The Issuers and the Guarantor consider that, according to Article 44.5 RD 1065/2007, they are not obliged to withhold any taxes provided that the simplified information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent. However, the interpretation of RD 1145/2011 and, in particular, the absence of a withholding tax obligation for the relevant Issuer in respect of Spanish resident individuals is currently subject to debate. The Spanish Tax Authorities may eventually issue a tax ruling to clarify the interpretation of the currently applicable procedures and it cannot be completely discarded that such ruling determines that the relevant Issuer, or, as the case may be, the Guarantor, that is tax resident in Spain, should apply a withholding on payments to individuals with tax residence in Spain. If this is the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the relevant Issuer or the Guarantor (to the extent required) so that it can comply with its obligations under the applicable legislation as clarified by the Spanish Tax Authorities.

RISK FACTORS

As at the date of this Offering Circular, the Guarantor is in discussions with a Tax Certification Agent in order to establish a procedure for the disclosure of information regarding Noteholders who are resident in Spain for tax purposes. Such information will be provided, if necessary, to the Spanish Tax Authorities by the Guarantor. If, following clarification by the Spanish Tax Authorities, procedures for the collection of the Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications.

General

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to further clarification from the Spanish tax authorities regarding such laws and regulations. None of the Issuers, the Guarantor or the Dealers, assumes any responsibility therefore.

U.S. Foreign Account Tax Compliance Withholding

The Issuers, the Guarantor and other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31st December, 2016 in respect of (i) any Notes treated as debt for U.S. federal tax purposes that are issued after 31st December, 2012 or are materially modified from that date and (ii) any Notes treated as equity for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (FATCA) or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the relevant Issuer is a foreign financial institution (FFI) (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders (making the Issuer a **Participating FFI**), (ii) the relevant Issuer has a positive “passthru payment percentage” (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Notes is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, neither the relevant Issuer nor any paying agent nor any other person would, pursuant to the Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Notes issued after 31st December, 2012 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a Supplement to the Offering Circular, as applicable.

Meetings of Noteholders, modification and waiver

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for

a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Conditions (except for Condition 3 and Condition 15) of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Offering Circular.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

The Regulation S Notes will be represented on issue by a Regulation S Global Note that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Regulation S Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Regulation S Global Note. While the Notes are represented by the Regulation S Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Rule 144A Notes will be represented on issue by a Rule 144A Global Note that will be deposited with a nominee for DTC. Except in the circumstances described in the Rule 144A Global Note, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Rule 144A Global Note. While the Notes are represented by the Rule 144A Global Note, investors will be able to trade their beneficial interests only through DTC and its participants, including Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks related to the market generally.

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices

that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuers will pay principal and interest on the Notes and the Guarantor will make any payments under the relevant Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EU) No 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on pages 1 and 114 of this Offering Circular and will be disclosed in the Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been previously published or are published simultaneously with this Offering Circular and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Offering Circular:

- (a) the audited annual financial statements for the financial years ended 31st December, 2010 and 31st December, 2011 (including the audit reports issued in respect thereof) of each of BSF, BUS and BSC (prepared in accordance with Spanish generally accepted accounting principles);
- (b) the Guarantor's annual report on Form 20-F for the fiscal year ended 31st December, 2011 filed with the U.S. Securities and Exchange Commission (the SEC) on 26th April, 2012 (which includes on pages F-1 to F-183 and pages A-1 to A-49 thereof, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31st December, 2011, 31st December, 2010 and 31st December, 2009);
- (c) the published unaudited interim financial statements of the Guarantor (on a consolidated basis) for the three month period ending 31st March, 2012; and
- (d) the terms and conditions of the Notes contained in the previous Offering Circular dated 18th January, 2005, pages 27 to 61 (inclusive); 18th July, 2005, pages 43 to 75 (inclusive); 13th June, 2006, pages 43 to 75 (inclusive); 11th June, 2007, pages 45 to 78 (inclusive), 9th June, 2008, pages 61 to 95 (inclusive), 9th June, 2009, pages 64 to 93 (inclusive), 7th June, 2010, pages 66 to 100 (inclusive) and 6th June 2011, pages 73 to 107 (inclusive).

Following the publication of this Offering Circular a supplement may be prepared by the Issuers and/or the Guarantor and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the Issuers and the Guarantor at Paseo de la Castellana, 81, 28046 Madrid and at the principal office in England of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB for Notes admitted to the Official List.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Description: Global Medium Term Note Programme

Arranger: UBS Limited

Dealers: Banco Bilbao Vizcaya Argentaria, S.A.
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Commerzbank Aktiengesellschaft
Credit Suisse Securities (Europe) Limited
Deutsche Bank AG, London Branch
Goldman Sachs International
HSBC Bank plc
J.P. Morgan Securities Ltd.
Merrill Lynch International
Morgan Stanley & Co. International plc
Nomura International plc
Société Générale
UBS Limited
Wells Fargo Securities, LLC

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) including the following restrictions applicable at the date of this Offering Circular:

Notes with a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

Issuing and Principal Paying Agent: Deutsche Bank AG, London Branch

Euro Registrar and Paying Agent: Deutsche Bank Luxembourg S.A.

U.S. Registrar and Paying Agent: Deutsche Bank Trust Company Americas

Programme Size:	Up to €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement, subject to the restrictions set out under “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” below, and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	Any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form and each of BSF and BSC may issue Notes in NGN form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>

<p>Index Linked Notes:</p>	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.</p>
<p>Other provisions in relation to Floating Rate Notes and Index Linked Interest:</p>	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.</p>
<p>Dual Currency Notes:</p>	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.</p>
<p>Zero Coupon Notes:</p>	<p>Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.</p>
<p>Structured Notes:</p>	<p>The relevant Issuer and the relevant Dealer may agree the issue of structured Notes (including Index Linked Notes and Dual Currency Notes). Although the terms and conditions of such structured Notes will be based on the conditions of the Notes set out under “<i>Terms and Conditions of the Notes</i>”, it is likely that significant changes will be made to such terms and conditions (including, but not necessarily limited to, the conditions relating to interest and redemption) in the applicable Final Terms to reflect the particular structured nature of the structured Notes.</p>
<p>Redemption:</p>	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.</p> <p>Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity without the consent of <i>Banco de España</i> which consent would not, under current <i>Banco de España</i> rules, be expected to be forthcoming for an early redemption occurring less than five years from the relevant issue date unless such redemption is carried out on the relevant maturity date.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions: – Notes with a maturity of less than one year</i>” above.</p>

Denomination of Notes:	<p>The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency see “<i>Certain Restrictions: – Notes with a maturity of less than one year</i>” above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p> <p>Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$200,000 or its approximate equivalent in other Specified Currencies.</p>
Taxation:	<p>Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.</p> <p>The Issuers and the Guarantor consider that, according to RD 1145/2011, they are not obliged to withhold any tax amount provided that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent, as described “<i>Taxation – Tax Reporting Obligations of the Issuers and the Guarantor</i>”. However, the interpretation of RD 1145/2011 is currently subject to debate.</p> <p>For further information regarding the interpretation of RD 1145/2011 please refer to “<i>Risk Factors – Spanish Tax Rules</i>”.</p> <p>For further details, see “<i>Taxation</i>” below.</p>
Cross Default:	<p>The terms of the Notes will contain a cross default provision as further described in Condition 10.</p>
Negative Pledge:	<p>The terms of the Notes will not contain a Negative Pledge provision.</p>
Status of the Notes:	<p>Notes may be either Senior Notes or Subordinated Notes as more fully described in “<i>Terms and Conditions of the Notes – Status of the Notes and the Guarantees</i>”. Perpetual Subordinated Notes may also be issued under the Programme and the terms and conditions applicable to such Notes will be set out in the applicable Final Terms.</p>
Status of the Guarantees:	<p>The Senior Notes will be guaranteed by the Guarantor pursuant to the Senior Guarantees and the Subordinated Notes will be guaranteed by the Guarantor pursuant to the Subordinated Guarantee, all as more fully described in “<i>Terms and Conditions of the Notes – Status of the Notes and the Guarantees</i>”.</p>

<p>Substitution:</p>	<p>The Terms and Conditions of the Notes will contain provisions allowing for the substitution of the relevant Issuer as principal debtor and/or the Guarantor as Guarantor of the obligations of the relevant Issuer under the Notes, as more fully described in “<i>Terms and Conditions of the Notes – Substitution</i>”.</p>
<p>Rating:</p>	<p>The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the CRA Regulation), will be disclosed in the Final Terms.</p>
<p>Noteholder Representative and Meetings:</p>	<p>Spanish company law requires that a representative (<i>Comisario</i>) of the Noteholders is appointed and that a syndicate of Noteholders is established in relation to each Series of Notes issued under the Programme. By purchasing a Note of any Series, the holder thereof will be deemed to have agreed to (a) the appointment of the representative for that Series named in the applicable public deed of issuance, (b) become a member of the syndicate of Noteholders of that Series and (c) accept the syndicate regulations referred to in the applicable Final Terms.</p>
<p>Listing and Admission to Trading:</p>	<p>Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.</p> <p>Unlisted Notes will not be issued under the Programme.</p> <p>The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.</p>
<p>Governing Law:</p>	<p>The Conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except that the provisions of Condition 3 (and any non-contractual obligations arising out of or in connection with it) will be, and each Guarantee is, governed by, and will be construed in accordance with, Spanish law. In addition, the provisions of Condition 15 (and any non-contractual obligations arising out of or in connection with it) relating to the appointment of a Noteholder representative and meetings of Noteholders will be governed by Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.</p>
<p>Selling Restrictions:</p>	<p>There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the European Economic Area (including Spain, the United Kingdom, Italy and France), Hong Kong, the PRC, Singapore, the United States and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “<i>Subscription and Sale and Transfer and Selling Restrictions</i>”.</p>

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or a permanent global note (a **Permanent Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification of non-U.S. beneficial ownership or certification to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act and to the effect that such holder is not a United States person, or is a United States person that purchased by or through certain United States financial institutions or is a financial institution purchasing for resale during the restricted period to persons other than United States persons or persons within the United States or its possessions as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than

by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, (iii) if so specified in the applicable Final Terms, the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form or (iv) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the relevant Issuer, as the case may be, may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend describing such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (a) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (**QIBs**) or (b) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions (**Institutional Accredited Investors**) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**).

Registered Global Notes will either (a) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or (b) be deposited with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee if the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations

of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions*”. Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale and Transfer and Selling Restrictions*”. The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the relevant Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) an Event of Default has occurred and is continuing, (b) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form, (c) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, no successor clearing system is available, (d) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act or (e) the Notes are required to be removed from (in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg) both Euroclear and Clearstream, Luxembourg or (in the case of Notes registered in the name of a nominee for DTC) DTC and, in either case, no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the relevant Issuer, as the case may be, may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable, in each case. Registered Notes are also

subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code, and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code and ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC or its nominee each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuers, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents or making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuers and the Principal Paying Agent. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the giving of a notice by a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to its securities account that it wishes to accelerate such Notes, then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of (in the case of BSF) a deed of covenant dated 13th June, 2006 and executed by BSF, (in the case of BSC) a deed of covenant dated 13th June, 2006 and executed by BSC and (in the case of BUS) a deed of covenant dated 13th June, 2006 and executed by BUS (each a **Deed of Covenant**). In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

FORMS OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than [EUR 50,000/EUR 100,000]* (or its equivalent in another currency).

[Date]

[BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.

under the €40,000,000,000

Global Medium Term Note Programme

[The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 35 of Part A below, provided such person is one of the persons mentioned in Paragraph 35 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].¹

[The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].²

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15th June, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is

* Delete as applicable. The Specified Denomination should be expressed to be less than EUR50,000 (or its equivalent) or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU, the Specified Denomination should be expressed to be less than EUR100,000 (or its equivalent).

1 Consider including this legend where a non-exempt offer of Notes is anticipated.

2 Consider including this legend where only an exempt offer of Notes is anticipated.

FORMS OF APPLICABLE FINAL TERMS

only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*] which are incorporated by reference in the Offering Circular dated 15th June, 2012 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 15th June, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 15th June, 2012. Copies of such Offering Circulars are available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub paragraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from their date of issue and the proceeds of issue are accepted in the United Kingdom, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: [BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]
- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.
2. (a) Series Number: []
- (b) Tranche Number: []
- (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6. (a) Specified Denomination: []
(Notes may only have a single Specified Denomination.)

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €1,000 minimum denomination is not required.)

(N.B. Notes issued after the implementation of Directive 2010/73/EU (the 2010 PD Amending Directive) in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)

- (b) Calculation Amount: [] *(Insert the Specified Denomination.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [*Fixed rate - specify date*/
Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]¹
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[*specify other*]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[*specify other*]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
11. Change of Interest Basis or Redemption/
Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put] *(N.B. Not applicable in the case of Subordinated Notes)*
[Issuer Call]
[(further particulars specified below)]

¹ For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

13. (a) Status of the Notes: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (b) Status of the Guarantee: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi annually/quarterly/other (*specify*)] in arrear]
(If payable other than annually, consider amending Condition 5)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]]²
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount³
(Applicable to Notes in definitive form)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or 30/360 (ISDA) or Actual/Actual (ICMA) or Actual/Actual (ISDA) or Actual/365 (Fixed)]⁴ or *specify other*
(See Condition 5 for alternatives)
- (f) Determination Date(s): [] in each year

2 For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”

3 For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005, being rounded upwards.”

4 Applicable to Renminbi denominated Fixed Rate Notes.

(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.

N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)

- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)
- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
- Designated Maturity: []

- Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA) or Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] (See Condition 5 for alternatives)
- (l) Fall-back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Zero Coupon Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub paragraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospective Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): []

- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or adjustment disruption events and settlement provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
19. **Dual Currency Interest Note Provisions** *[Applicable/Not Applicable]*
(If not applicable, delete the remaining sub paragraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (b) Party, if any, responsible for calculating the interest due (if not the Principal Paying Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or adjustment disruption events and settlement provisions]*
- (d) Person at whose option Specified Currency(ies) is/are payable: []
20. **Other structured Notes:** *[Applicable – set out amendments to the Terms and Conditions here/Not applicable]*

PROVISIONS RELATING TO REDEMPTION

21. **Issuer Call** *[Applicable/Not Applicable]*
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): *[[] per Calculation Amount/specify other/see Appendix]*

- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. Investor Put

[Applicable/Not Applicable]
(N.B. Not applicable in the case of Subordinated Notes)
(If not applicable, delete the remaining sub paragraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount:

[[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

[[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

[Bearer Notes:
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any

time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14th December, 2005] [*Only include for Notes that are to be offered in Belgium*]

[Registered Notes:

[Regulation S Global Note ([] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg]]/Rule 144A Global Note ([] nominal amount registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg]])/Definitive IAI Registered Notes (specify nominal amounts)]]

26. New Global Note (NGN):

[Yes][No]

27. Additional Financial Centre(s) or other special provisions relating to Payment Days:

[Not Applicable/*give details*]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub paragraphs 16(c) and 18(g) relate)

28. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/*give details. N.B. new forms of Global Note may be required for Partly Paid issues.*]

30. Details relating to Instalment Notes:

[Applicable/Not Applicable]

(a) Instalment Amount(s):

[Not Applicable/*give details*]

- (b) Instalment Date(s): [Not Applicable/give details]
31. Redenomination applicable: Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
32. Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)

DISTRIBUTION

33. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give name, addresses and underwriting commitments] (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)
- (b) Date of Subscription Agreement: []
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
34. If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]
35. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
36. U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable]
37. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. “other parties authorised by the Managers”) or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the Offering Circular and any supplements have been passported (in addition to the jurisdiction where approved and published)] (**Public Offer Jurisdictions**) during the period from [specify date] until [specify date or a formula such as “the Issue Date” or “the date which falls [] Business Days thereafter”] (**Offer Period**). See further Paragraph 3 of Part B below.

(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)

- | | |
|---|-------------------------------|
| 38. Additional selling restrictions: | [Not Applicable/give details] |
| 39. Condition 17 applies: | [Yes] [No] |
| 40. RMB Currency Event: | [Applicable/Not Applicable] |
| 41. Spot Rate (if different from that set out in Condition 6(h)):
(the Calculation Agent)] | [Specify/Not Applicable] |
| 42. Party responsible for calculating the Spot Rate: | [Give name] |
| 43. Relevant Currency (if different from that in Condition 6(h)): | [Specify/Not Applicable] |

SYNDICATE REGULATIONS

The pro forma regulations of the syndicate of the holders of the Notes are scheduled to the Amended and Restated Agency Agreement dated 15th June, 2012 and relating to the Issuer's €40,000,000,000 Global Medium Term Note Programme.

The applicable regulations are attached in the relevant public deed of issuance of each issue.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on *[specify relevant regulated market (for example the London Stock Exchange's regulated market) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)]*] of the Notes described herein] pursuant to the Issuer's €40,000,000,000 Global Medium Term Note Programme.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components]* has been extracted from *specify source*. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:.....
Duly authorised

By:.....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

Listing: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Not Applicable.]

2. RATINGS

Ratings: [The Notes to be issued have been]/[are expected to be] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance

with Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], , disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency*]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union, but it is certified in accordance with Regulation (EC) No. 1060/2009, as amended.]

3. TERMS AND CONDITIONS OF THE OFFER

Offer Price:	[Issue Price/Not applicable/specify]
Conditions to which the offer is subject:	[Not applicable/give details]
Description of the application process:	[Not applicable/give details]
Details of the minimum and/or maximum amount of application:	[Not applicable/give details]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not applicable/give details]
Details of the method and time limits for paying up and delivering the Notes:	[Not applicable/give details]
Manner and date in which results of the offer are to be made public:	[Not applicable/give details]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not applicable/give details]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not applicable/give details]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not applicable/give details]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not applicable/give details]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[Not applicable/give details]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(a) Reasons for the Offer:
(See “Use of Proceeds” wording in Offering Circular – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(b) Estimated net proceeds:
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(c) Estimated total expenses:
(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)
(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (a), disclosure of net proceeds and total expenses at (b) and (c) above are also required.)

6. YIELD (*Fixed Rate Notes only*)

Indication of yield:
[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

8. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Structured Notes, including Index Linked Notes*)

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

10. OPERATIONAL INFORMATION

(a)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] <i>(Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is held under the NSS,] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.) [Include this text if “yes” selected in which case Bearer Notes must be issued in NGN form.)</i>
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(b)	ISIN Code:	[]
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(c)	Common Code:	[]
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FORMS OF APPLICABLE FINAL TERMS

- (d) CUSIP: []
- (e) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and the Depository Trust Company and the relevant identification number(s): [Not applicable/*give name(s) and number(s)*]
- (f) Delivery: Delivery [against/free of] payment
- (g) Names and addresses of additional Paying Agent(s) (if any): []

11. ADDITIONAL SPANISH TAX PROVISIONS

[Not Applicable/*Describe*]

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least [EUR 50,000/EUR 100,000]* (or its equivalent in another currency).

[Date]

[BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.

under the €40,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15th June, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated 15th June 2012 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 15th June, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 15th June, 2012. Copies of such Offering Circulars are available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub paragraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from their date of issue and the proceeds of issue are accepted in the United Kingdom, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

* Delete as applicable. The minimum Specified Denomination should be expressed to be EUR50,000 (or its equivalent) or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU, the Specified Denomination should be expressed to be EUR100,000 (or its equivalent).

FORM OF FINAL TERMS

1. (a) Issuer: [BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]
- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.
2. (a) Series Number: []
- (b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(if applicable)*
6. (a) Specified Denomination: []
Notes may only have a single Specified Denomination.)
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [€50,000/€100,000] minimum denomination is not required.)*
- (N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of Directive 2010/73/EU (the 2010 PD Amending Directive) in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*
- (b) Calculation Amount []
(Insert the Specified Denomination.)
7. (a) Issue Date: []

- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
8. Maturity Date: [Fixed rate - specify date/
 Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]¹
9. Interest Basis: [[] per cent. Fixed Rate]
 [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [specify other]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put] *(N.B. Not applicable in the case of Subordinated Notes)*
 [Issuer Call]
 [(further particulars specified below)]
13. (a) Status of the Notes: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (b) Status of the Guarantee: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [] , respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
14. Method of distribution: [Syndicated/Non-syndicated]

¹ For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi annually/quarterly/other/specify]] in arrear
(If payable other than annually, consider amending Condition 5)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]]²
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount³
(Applicable to Notes in definitive form)
- (d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or 30/360 (ISDA) or Actual/Actual (ICMA) or Actual/Actual (ISDA) or Actual/365 (Fixed)⁴ or specify other]
(See Condition 5 for alternatives)
- (f) Determination Date(s): [] in each year
 [(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: []

2 For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”

3 For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005, being rounded upwards.”

4 Applicable to Renminbi denominated Fixed Rate Notes.

- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: []
(*Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement*)
- Interest Determination Date(s): []
(*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
- Relevant Screen Page: []
(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA) or Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other]
(*See Condition 5 for alternatives*)

- (l) Fall-back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): []
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Specified Period(s)/Specified Interest Payment Dates: []
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): []
- (g) Minimum Rate of Interest: [] per cent. per annum

(h) Maximum Rate of Interest: [] per cent. per annum

(i) Day Count Fraction: []

19. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

(a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]

(b) Party, if any, responsible for calculating the interest payable (if not the Principal Paying Agent): []

(c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*

(d) Person at whose option Specified Currency(ies) is/are payable: []

20. Other structured Notes: [Applicable – set out amendments to the Terms and Conditions here/Not applicable]

PROVISIONS RELATING TO REDEMPTION

21. **Issuer Call** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]

(c) If redeemable in part:

(i) Minimum Redemption Amount: []

(ii) Maximum Redemption Amount: []

(d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. **Investor Put** [Applicable/Not Applicable] *(N.B. Not applicable in the case of Subordinated Notes)*

(If not applicable, delete the remaining sub paragraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes:
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]
 [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
 [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]
 [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of

14th December, 2005] *[Only include if the Notes are to be offered in Belgium.]*

[Registered Notes:

[Regulation S Global Note ([] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg]]/Rule 144A Global Note ([] nominal amount registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg]])/Definitive IAI Registered Notes (specify nominal amounts)]

26. New Global Note (NGN): [Yes][No]
27. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)
28. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. *N.B. new forms of Global Note may be required for Partly Paid issues.*]
30. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
31. Redenomination applicable: Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
32. Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)

DISTRIBUTION

33. (a) If syndicated, names of Managers: [Not Applicable/give names]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

(b) Date of Subscription Agreement: []

(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).

(c) Stabilising Manager(s) (if any): [Not Applicable/give name]

34. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

35. U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable]

36. Additional selling restrictions: [The [Dealer/Managers] shall only offer the Notes to investors who acquire the Notes for a total consideration of at least €50,000 (or its equivalent) per investor/Not Applicable/give details]

37. Condition 17 applies: [Yes] [No]

38. RMB Currency Event: [Applicable/Not Applicable]

39. Spot Rate (if different from that set out in Condition 6(h)): [Specify/Not Applicable]

40. Party responsible for calculating the Spot Rate: [Give name (the Calculation Agent)]

41. Relevant Currency (if different from that in Condition 6(h)): [Specify/Not Applicable]

SYNDICATE REGULATIONS

The pro forma regulations of the syndicate of the holders of the Notes are scheduled to the Amended and Restated Agency Agreement dated 15th June, 2012 and relating to the Issuer’s €40,000,000,000 Global Medium Term Note Programme.

The applicable regulations are attached in the relevant public deed of issuance of each issue.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue and admission to trading on [*specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant listing on an official list (for example, the Official List of the UK Listing Authority)*] of the Notes described herein pursuant to the Issuer’s €40,000,000,000 Global Medium Term Note Programme.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

FORM OF FINAL TERMS

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:.....
Duly authorised

By:.....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: []

2. RATINGS

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Community and registered under Regulation (EC) No 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [[Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No 1060/2009 (as amended)

(the **CRA Regulation**). However, [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], has disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union, but it is certified in accordance with Regulation (EC) No. 1060/2009, as amended.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (a) Reasons for the Offer: []
- (b) Estimated net proceeds: []
- (c) Estimated total expenses: []

(N.B. Delete this paragraph 4 unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (a), disclosure of net proceeds and total expenses at (b) and (c) above are also required.)

5. YIELD (Fixed Rate Notes only)

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Structured Notes, including Index Linked Notes)

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. PERFORMANCE OF RATE[S] OF EXCHANGE *(Dual Currency Notes only)*

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. OPERATIONAL INFORMATION

(a) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes][No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper], and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is held under the NSS,] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if “yes” selected in which case Bearer Notes must be issued in NGN form.]

(b) ISIN Code:

[]

(c) Common Code:

[]

(d) CUSIP:

[]

FORM OF APPLICABLE FINAL TERMS

(e) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and the Depository Trust Company and the relevant identification number(s): [Not applicable/*give name(s) and number(s)*]

(f) Delivery: Delivery [against/free of] payment

(g) Names and addresses of additional Paying Agent(s) (if any): []

9. **ADDITIONAL SPANISH TAX PROVISIONS** [Not Applicable/*Describe*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by the Issuer (the **Issuer**) named in the applicable Final Terms (as defined below) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form and in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 15th June, 2012 and made between BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal, BBVA U.S. Senior, S.A. Unipersonal, Banco Bilbao Vizcaya Argentaria, S.A. as guarantor (the **Guarantor**), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Luxembourg S.A. as euro registrar (the **Euro Registrar**, which expression shall include any successor euro registrar) and as a transfer agent, Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and as U.S. registrar (the **U.S. Registrar**, which expression shall include any successor U.S. registrar and, together with the Euro Registrar, the **Registrars**) and a transfer agent and the other transfer agents named therein (together with Deutsche Bank Luxembourg S.A., the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the applicable Final Terms are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to, if this is a Senior Note, a senior guarantee dated 15th June, 2012 and executed by the Guarantor (the **Senior Guarantee**) or, if this is a Subordinated Note, a subordinated guarantee dated 15th June, 2012 and executed by the Guarantor (the **Subordinated Guarantee** and, together with the Senior Guarantee, the **Guarantees**). The original of the Guarantees are held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 13th June, 2006 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Guarantees, a deed poll dated 13th June, 2006 and made by, BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal, BBVA U.S. Senior, S.A. Unipersonal and the Guarantor (the **Deed Poll**), the Deed of Covenant and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, each Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrars being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing at the offices of the Issuers and the Guarantor, Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantees, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by or on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**) or its nominee, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

Except in relation to Notes indicated in the applicable Final Terms as being in NGN form, references to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of DTC or a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by, the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the relevant Registrar may from time to time prescribe (the initial such regulations being scheduled to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the relevant Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
 - (B) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an

opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the relevant Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the relevant Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the relevant Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the relevant Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) **Exchanges and transfers of Registered Notes generally**

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) **Definitions**

In the Conditions, the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

Institutional Accredited Investor means “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

Legended Note means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

QIB means a “qualified institutional buyer” within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States or to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES AND THE GUARANTEES

Law 22/2003 of 9th July, 2003 (the Insolvency Law) came into force in Spain on 1st September, 2004. Certain provisions in the Insolvency Law could affect the ranking of certain Notes on an insolvency of the Issuer or the Guarantor.

(a) **Status of the Senior Notes**

The Senior Notes and any relative Coupons and Receipts will be direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law (as defined above), claims relating to Senior Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, no further interest shall accrue from the date of declaration of the insolvency of any Issuer. Interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of an Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law.

(b) Status of the Subordinated Notes

The payment obligations of the Issuer under the Subordinated Notes and any relative Coupons and Receipts whether on account of principal, interest or otherwise, constitute direct, unconditional and subordinated obligations of the Issuer and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the Issuer, except for certain subordinated obligations prescribed by law. In the event of the insolvency (*concurso*) of the Issuer under the Insolvency Law, or in the case of any voluntary or mandatory Issuer liquidation procedure, claims relating to the Subordinated Notes will fall within the category of subordinated credits (as defined in the Insolvency Law).

Pursuant to article 92 of the Insolvency Law after payment in full of unsubordinated claims but before distributions to shareholders, the Issuer of the Subordinated Notes will meet subordinated payment claims in the order detailed below and pro rata within each class:

- (1) Claims that, having been lodged late, are included in the list of creditors by the insolvency administrators or that, not having been duly lodged or which have been lodged late are included on that list by subsequent communications or by the Court on resolving on an appeal on the list of creditors. The following claims shall not be subordinated for this cause and shall be classified according to their respective nature: (i) those credits arising from article 86.3 of the Insolvency Law, (ii) those credits whose existence arises from the documentation of the Issuer, (iii) those arising from an executive title, (iv) those guaranteed by an in rem guarantee registered with a public registry, (v) those that are in any way recorded in the insolvency proceedings or in any other judicial proceedings, or (vi) those that require inspection action by the Public Administrations to be determined;
- (2) Claims that, under a contractual arrangement, are subordinated in nature with regard to all the other claims against the Issuer;
- (3) Interest and overcharge claims of any kind, including those for late payment, except for those claims with a security in rem, up to the sum of the respective guarantee;
- (4) Claims for fines and other monetary penalties;
- (5) Claims held by any of the persons especially related to the Issuer that are referred to in article 93 of the Insolvency Law, except for those arising from non-financing agreements entered into by the Issuer and those of its shareholders referred to under articles 93.2.1° and 93.2.3° of the Insolvency Law and which have the percentage of holding established therein;
- (6) Claims in favour of whom the ruling has declared a party in bad faith in the act contested as a consequence of the insolvency revocation; and
- (7) Claims arising from the contracts with reciprocal obligations referred to in articles 61, 62, 68 and 69 of the Insolvency Law, when the Court finds, following the report by the insolvency administrators, that the creditor has repeatedly hindered fulfilment of the contract to the detriment of the insolvency interests.

As indicated above, interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of an Issuer shall constitute subordinated claims of the Issuer ranking in accordance with the provisions or article 92 of the Insolvency Law. Under Spanish Law, no further interest on the Notes shall accrue from the date of the declaration of insolvency of any Issuer.

(c) Status of the Senior Guarantee

The payment of principal and interest in respect of the Senior Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Senior Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Senior Guarantee.

The obligations of the Guarantor under the Senior Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

In the event of insolvency (*concurso*) of the Guarantor, under the Insolvency Law, claims from Senior Noteholders will fall within the category of ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits will rank below credits against the insolvency state (*créditos contra la masa*) and privileged credits (*créditos privilegiados*) which shall be paid in full before ordinary credits. The claims of all creditors considered as “ordinary credits” against the Guarantor will be satisfied *pro rata* in insolvency. Ordinary credits will rank above subordinated credits.

(d) Status of the Subordinated Guarantee

The payment of principal and interest in respect of the Subordinated Notes and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Subordinated Guarantee.

The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the Guarantor, except for certain subordinated obligations prescribed by law. In the event of insolvency (*concurso*) of the Guarantor under the Insolvency Law, or in the case of any voluntary or mandatory Guarantor liquidation procedure, claims by Subordinated Noteholders against the Guarantor will fall within the category of subordinated credits (as defined in the Insolvency Law).

Pursuant to article 92 of the Insolvency Law after payment in full of unsubordinated claims but before distributions to shareholders, the Guarantor will meet subordinated payment claims in the order detailed below and *pro rata* within each class:

- (1) Claims that, having been lodged late, are included in the list of creditors by the insolvency administrators or that, not having been duly lodged or which have been lodged late are included on that list by subsequent communications or by the Court on resolving on an appeal on the list of creditors. The following claims shall not be subordinated for this cause and shall be classified according to their respective nature: (i) those credits arising from article 86.3 of the Insolvency Law, (ii) those credits whose existence arises from the documentation of the Guarantor, (iii) those arising from an executive title, (iv) those guaranteed by an *in rem* guarantee registered with a public registry, (v) those that are in any way recorded in the insolvency proceedings or in any other judicial proceedings, or (vi) those that require inspection action by the Public Administrations to be determined;
- (2) Claims that, under a contractual arrangement, are subordinated in nature with regard to all the other claims against the Guarantor;
- (3) Interest and overcharge claims of any kind, including those for late payment, except for those claims with a security *in rem*, up to the sum of the respective guarantee;
- (4) Claims for fines and other monetary penalties;
- (5) Claims held by any of the persons especially related to the Guarantor that are referred to in article 93 of the Insolvency Law, except for those arising from non-financing agreements entered into by the Guarantor and those of its shareholders referred to under articles 93.2.1° and 93.2.3° of the Insolvency Law and which have the percentage of holding established therein;
- (6) Claims in favour of whom the ruling has declared a party in bad faith in the act contested as a consequence of the insolvency revocation; and

- (7) Claims arising from the contracts with reciprocal obligations referred to in articles 61, 62, 68 and 69 of the Insolvency Law, when the Court finds, following the report by the insolvency administrators, that the creditor has repeatedly hindered fulfilment of the contract to the detriment of the insolvency interests.

The Guarantor may apply to Banco de España for the subscription amount of Subordinated Notes to qualify as regulatory capital for capital adequacy purposes in compliance with the applicable Spanish legal framework in force from time to time.

4. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, DTC, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the

Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (a) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (b) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

5. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
- (iii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

- (iv) if "30/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day a month, or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (v) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

In the Conditions, the following expressions have the following meanings:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- I. in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- II. the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- III. the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- IV. the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (I) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (II) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- I. the Floating Rate Option is as specified in the applicable Final Terms;
- II. the Designated Maturity is a period specified in the applicable Final Terms; and
- III. the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

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

(B) *Screen Rate Determination for Floating Rate Notes*

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

- I. the offered quotation; or
- II. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent and the relevant Issuer of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; and

- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30;

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (G) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on other Structured Notes (including Dual Currency Interest Notes)

The rate or amount of interest payable in respect of Structured Notes (excluding Index Linked Interest Notes to the extent provided above but including Dual Currency Interest Notes) shall be determined in the manner specified in the applicable Final Terms.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the relevant Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or

not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) **Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the relevant Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the relevant Registrar (the **Register**) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day

in the city where the specified office of the relevant Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of business (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the relevant Registrar not less than three business days in the city where the specified office of the relevant Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the relevant Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the U.S. Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note. No person other than the holder of the relevant Global Note shall have any claim against the Issuer or the Guarantor in respect of any payments due in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation (if presentation is required);
 - (B) each Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

(h) RMB Currency Event

If “RMB Currency Event” is specified in the applicable Final Terms and a RMB Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any amount in respect of any Note, Receipt or Coupon, the relevant Issuer’s obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency converted using the Spot Rate for the relevant Determination Date.

Upon the occurrence of a RMB Currency Event, the relevant Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the Final Terms:

Determination Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Madrid, Hong Kong, London and New York City;

Determination Date means the day which is two Determination Business Days before the due date of the relevant payment under the Notes;

Governmental Authority means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

Relevant Currency means U.S. dollars or such other currency as may be specified in the applicable Final Terms;

RMB Currency Events means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

RMB Illiquidity means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the relevant Issuer cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the relevant Issuer in a commercially reasonable manner following consultation by such Issuer with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

RMB Inconvertibility means the occurrence of any event that makes it impossible for the relevant Issuer to convert any amount due in respect of the Notes into RMB on any payment date at the general RMB exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the relevant Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Non-Transferability means the occurrence of any event that makes it impossible for the relevant Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the relevant Issuer, due to an event beyond its control, to comply with such law, rule or regulation); and

Spot Rate means, unless specified otherwise in the applicable Final Terms, the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on

a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market.

(i) **RMB account**

All payments in respect of any Note, Receipt or Coupon in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong).

7. REDEMPTION AND PURCHASE

(a) **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note, each Dual Currency Redemption Note and any other Structured Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

Subordinated Notes will have a maturity of not less than five years from their date of effective disbursement or such other minimum or maximum maturity as may be permitted or required from time to time by Spanish legislation or regulation, *Banco de España* requirements or requirements of any other applicable regulatory authority.

(b) **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, subject in the case of Subordinated Notes which shall only be redeemed at any time if so permitted by the applicable Spanish capital adequacy requirements then in force subject to the prior consent of *Banco de España*, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of Spain (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or, as the case may be, the Guarantor shall deliver to the Principal Paying Agent a certificate signed by two

Directors of the Issuer (or if at the time that such certification is to be given the Issuer has only one Director, such certificate may be signed by such Director) or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, a copy of *Banco de España's* consent to redemption.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes which shall not be redeemed unless in compliance with the applicable capital adequacy regulations of *Banco de España* from time to time in force (currently only on or after five years from the issue date in respect of such Subordinated Notes, or as otherwise specified in the applicable Final Terms) and then only with the prior consent of the *Banco de España*, having given (unless otherwise specified in the applicable Final Terms):

- (i) not less than seven nor more than 30 days' notice to the Noteholders in accordance with Condition 14 or such lesser period specified in the applicable Final Terms; and
- (ii) not less than five days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the relevant Registrar or such lesser period specified in the applicable Final Terms,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. In the event of a redemption of some only of the Notes such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot in accordance with applicable Spanish law requirements, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms) (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms). No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 60 days' notice (or such lesser period specified in the applicable Final Terms) (which notice shall be irrevocable) the Issuer will, upon

the expiry of such notice, redeem in whole or in part, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms. No such redemption option will be applicable to any Subordinated Notes, unless as permitted under *Banco de España's* requirements.

To exercise the right to require redemption of this Note the holder of this Note must if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the relevant Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the relevant Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time, and, if this Note is a Bearer Note represented by a global Note, the terms of which require presentation for recording changes to its nominal amount, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream Luxembourg and/or DTC given by a holder of any Note pursuant to this Condition 7(d) shall be irrevocable except where prior to the due date of redemption an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(d) and instead to declare such Note forthwith due and payable pursuant to Condition 10.

(e) **Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal;

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Senior Notes or Subordinated Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Senior or Subordinated Notes purchased as aforesaid may be held, reissued, resold or surrendered to any Paying Agent and/or the relevant Registrar for cancellation, except that all Senior Notes purchased by the Issuer and all Subordinated Notes purchased by the Issuer in accordance with prevailing Spanish Law and *Banco de España's* requirements must be surrendered for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the relevant Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax (**Spain**) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is required or imposed by the Spanish Tax Authorities; or
- (d) in case of Notes where such withholding tax is imposed on payments made to individuals with tax residence in Spain following the criteria held by the Spanish Tax Authorities in relation to Article 44.5, Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

In these Conditions, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the relevant Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

See “Taxation – Disclosure of Noteholder Information in connection with Interest Payments” for a fuller description of certain tax considerations relating to the Notes, the formalities which must be followed in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Guarantor. Holders should note that if certain required information is

not supplied in a timely fashion, they will not receive the full amount of interest due but may be entitled to obtain a refund of amounts withheld. See "Taxation".

9. PRESCRIPTION

Claims for payment in respect of Notes (whether in bearer or registered form), Receipts and Coupons will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. EVENTS OF DEFAULT

(a) Events of Default relating to Senior Notes

This Condition 10(a) applies only to Senior Notes and references to "Notes" shall be construed accordingly.

If any of the following events (each an **Event of Default**) shall have occurred and be continuing:

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 21 days or more in the payment of any interest due in respect of any of the Notes; or
- (ii) a default is made in the performance by the Issuer or the Guarantor of any other obligation under the provisions of the Notes or under the provisions of the Guarantee relating to the Notes and such default continues for more than 30 days following service by a Noteholder on the Issuer and the Guarantor of a notice requiring the same to be remedied; or
- (iii) any Capital Markets Indebtedness of the Issuer or the Guarantor or any guarantee by the Issuer or the Guarantor of any Capital Markets Indebtedness of any other person is not, where the principal amount of such indebtedness is in any case in excess of U.S.\$50,000,000 or its equivalent in another currency or other currencies, (A) (in the case of Capital Markets Indebtedness) paid when due (after whichever is the longer of 30 days after the due date and any applicable grace period therefor) or becomes prematurely due and repayable following a default on the part of, or an event of default with reference to, the Issuer or the Guarantor, or (B) (in the case of a guarantee) honoured when called upon (after whichever is the longer of 30 days after the due date and any applicable grace period therefor);
- (iv) an order of any competent court or administrative agency is made or any resolution is passed by the Issuer for the winding-up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders); or
- (v) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (Entidad de Crédito according to article 1 of Real Decreto Legislativo 1298/1986 dated 28th June, 1986, as amended and restated) and will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services, Moody's Investors Services or Fitch Ratings Ltd equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation); or
- (vi) the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent by any competent court, or any order of any competent court or administrative agency is made for, or any

resolution is passed by the Issuer or the Guarantor to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or of a substantial part of the assets of either of them (unless in the case of an order for a temporary appointment, such appointment is discharged within 30 days); or

- (vii) the Issuer or the Guarantor stops payment of its debts generally; or
- (viii) the Issuer (except for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders) or the Guarantor (except (i) for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services or Moody's Investor Services equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation) ceases or threatens to cease to carry on the whole or substantially the whole of its business; or
- (ix) an encumbrancer takes possession of the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor or an application is made for the appointment of an administrative or other receiver, manager, administrator or similar official in relation to the Issuer or the Guarantor or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or the Guarantor, or a distress or execution is levied or enforced upon or sued out against any substantial part of the undertaking or assets of the Issuer or the Guarantor and is not discharged within 30 days; or
- (x) the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders, may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon the date of receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, (in the case of paragraph (iv) and, in relation to the Issuer only, (vi) and (vii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment.

For the purpose of Condition 10(a) (vi), (viii) and (ix) a report by the auditors for the time being of the Issuer or the Guarantor, as the case may be, as to whether any part of the undertaking, business or assets of the Issuer or the Guarantor is "substantial" shall, in the absence of manifest error, be conclusive.

(b) Events of Default relating to Subordinated Notes

This Condition 10(b) shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

If any of the following events (each an **Event of Default**) shall have occurred and be continuing:

- (i) an order is made by any competent court declaring the Issuer insolvent or an order is made or an effective resolution is passed for the dissolution or winding up of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders of this Series); or
- (ii) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a

reconstruction or a merger or amalgamation which has been approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (as defined in Condition 10(a)) and will have a rating for long-term subordinated debt assigned by Standard & Poor's Rating Services or Moody's Investors Services equivalent to or higher than the rating for long-term subordinated debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation),

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, (in the case of paragraph (ii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment.

(c) **As used herein:**

Capital Markets Indebtedness means any loan or other indebtedness of any person (other than Project Finance Indebtedness) which is in the form of or represented by any bonds, notes, depositary receipts or other securities for the time being quoted or listed, with the agreement of the Issuer and/or the Guarantor, on any stock exchange; and

Project Finance Indebtedness means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of the Issuer or the Guarantor, in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not the Issuer or the Guarantor) is entitled to have recourse solely to such asset and revenues generated by the operation of, or loss or damage to, such asset.

The Insolvency Law provides: (i) that any claim not included in the company's accounts or otherwise reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency may become subordinated, (ii) that provisions in a contract granting one party the right to terminate on the other's insolvency are void and (iii) for interest to cease to accrue from the date of declaration of the insolvency.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the relevant Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer

Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority;

- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or of a Paying Agent failing to become or ceasing to be a participating foreign financial institution for the purposes of the Code, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 provided that no such variation, termination, appointment or changes shall take effect (except in the case of insolvency) within seven days before any due date for the payment of any Note or any related Receipt or Coupon. Notice of all changes in the identities or specified offices of any Agent will be given promptly by the Issuer to Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream,

Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes except that for so long as any Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Copies of any notices given to Noteholders shall also be given in writing to the representative of Noteholders named in the applicable Final Terms.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the relevant Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the relevant Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS

By purchasing this Note, the holder hereof is deemed to have agreed to the appointment of the representative for the Series of which this Note forms part named in the applicable Public Deed of Issuance (the **Representative**) and to become a member of the syndicate of Noteholders (the **Syndicate**) of that Series. The pro forma regulations of the Syndicate (the **Regulations**) are scheduled to the Agency Agreement.

The object of the Syndicate is to protect the legitimate interests of Noteholders as against the Issuer, in accordance with the applicable Spanish legislation. The address of the Syndicate is Paseo de la Castellana, 81, 28046 Madrid. The Syndicate shall exist until the Notes have been repaid and shall be automatically dissolved thereafter.

The Representative shall be the chairman and the legal representative of the Syndicate and shall take such action as it considers appropriate to protect the interests of the Noteholders.

16. MODIFICATION AND WAIVER

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receipholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law in jurisdictions in which the Issuer or the Guarantor are incorporated provided that where such modification is prejudicial to the interests of the Noteholders or is not solely of a formal, minor or technical nature the proposed modification shall only be made following prior notification to the Noteholders, Receipholders or Couponholders in accordance with Condition 14.

Any such modification shall be binding on the Noteholders, the Receipholders and the Couponholders and any such modification shall, unless notified prior to the relevant modification, be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

17. FURTHER ISSUES

If specified in the applicable Final Terms, the Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. SUBSTITUTION

(a) Substitution of the Issuer

- (i) The Issuer may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by the Guarantor or any other company of which 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote are directly or indirectly owned by the Guarantor as principal debtor (in such capacity, the **Substituted Debtor**) in respect of the Notes provided that:
 - (A) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor, the Representative, the Issuer and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;
 - (B) without prejudice to the generality of Condition 18(a)(i)(A), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
 - (C) the Documents shall contain a warranty and representation by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution

and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be, that each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) of its obligations under the Documents and that all such approvals and consents are in full force and effect;

- (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
 - (E) the Issuer shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (F) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of Spanish lawyers acting for the Guarantor to the effect that in the case where the Substituted Debtor is not the Guarantor, the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (G) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (H) the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (I) there is no outstanding Event of Default in respect of the Notes;
 - (J) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
 - (K) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 18(a)(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall

thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.

- (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14.

(b) Substitution of the Guarantor

- (i) The Guarantor may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by another company incorporated anywhere in the world as the guarantor (in such capacity, the **Substituted Guarantor**) in respect of the Notes provided that:
 - (A) a deed poll and such other documents (if any) shall be executed by the Guarantor and the Substituted Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Guarantor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement, and the Senior Guarantee or the Subordinated Guarantee, as the case may be, as fully as if the Substituted Guarantor had been named in the Notes, the Agency Agreement and the Senior Guarantee or the Subordinated Guarantee, as the case may be, as the guarantor in respect of the Notes in place of the Guarantor (or any previous substitute) and pursuant to which the Substituted Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Issuer as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;
 - (B) the Documents shall also contain a covenant by the Substituted Guarantor to indemnify and hold harmless each Noteholder against all liabilities, costs, charges and expenses provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
 - (C) the Documents shall contain a warranty and representation by the Substituted Guarantor that the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Substituted Guarantor of the New Guarantee, that the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents for the performance by

- the Substituted Guarantor of its obligations under the Documents and that all such approvals and consents are in full force and effect;
- (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Guarantor such Notes would continue to be listed on such stock exchange;
 - (E) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of lawyers in the country of incorporation of the Substituted Guarantor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (F) the Substituted Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Substituted Guarantor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (G) the Substituted Guarantor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (H) there is no outstanding Event of Default in respect of the Notes;
 - (I) the Substituted Guarantor has ratings for long-term senior and subordinated debt assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or Moody's Investors Service, Inc. which are the same as or higher than the credit rating for long-term senior and subordinated debt of the Guarantor or any previous Substituted Guarantor immediately prior to such substitution; and
 - (J) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 18(b)(i) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor in place of the Guarantor (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes and the Guarantees.
 - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
 - (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with Condition 14.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes (except for Condition 3), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 3 (and any non-contractual obligations arising out of or in connection with it) and the Guarantees are governed by, and shall be construed in accordance with, Spanish law. In addition, the provisions of Condition 15 (and any non-contractual obligations arising out of or in connection with it) relating to appointment of the Representative and meetings of Noteholders are governed by Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

(b) Submission to jurisdiction

The Issuer agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with any such dispute may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints the Guarantor at its registered office for the time being in England as its agent for service of process, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will, in accordance with law 13/1985 of 25th May, 1985 on investment ratios, capital adequacy and information requirements for financial intermediaries, be deposited on a permanent basis with the Guarantor and will be used for the Group's general corporate purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL

Incorporation

BBVA Senior Finance, S.A. Unipersonal (BSF) was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSF's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Paseo de la Castellana, 81, 28046, Madrid, Spain, telephone number 34 91 537 8195. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book 0, Page BI-40.901, Inscription 1.

Business

The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

BSF has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BSF is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BSF is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BSF is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans.

Management

The Directors of BSF are as follows:

Name	Position at BSF	Present Principal Occupation Outside BSF
Erik Schotkamp	Director/President	Capital & Funding Management Director of BBVA
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA
Juan Isusi Garteiz Gogeoasca	Director	Institutional Funding Manager of BBVA
Raúl Moreno Carnero	Director	Institutional Funding Manager of BBVA

The business address of the Directors of BSF is Paseo de la Castellana, 81, 28046 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSF.

Corporate Governance

BSF is in compliance with the Spanish corporate governance regime.

DESCRIPTION OF BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL

Incorporation

BBVA Subordinated Capital, S.A. Unipersonal (BSC) was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSC's registered office is at Gran Vía, 1, Bilbao, Spain operating out of Paseo de La Castellana, 81, 28046, Madrid, Spain telephone number 34 91 537 8195. BSC was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book 0, Page BI-40.902, Inscription 1.

Business

The exclusive objects for which BSC was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

BSC has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BSC is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BSC is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BSC is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans.

Management

The Directors of BSC are as follows:

Name	Position at BSC	Present Principal Occupation Outside BSC
Erik Schotkamp	Director/President	Capital & Funding Management Director of BBVA
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA
Francisco Javier Colomer Betoret ..	Director	Manager of Capital Management of BBVA
Juan Isusi Garteiz Gogearcoa	Director	Institutional Funding Manager of BBVA
Raúl Moreno Carnero	Director	Institutional Funding Manager of BBVA

The business address of the Directors of BSC is Paseo de la Castellana 81, 28046, Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSC.

Corporate Governance

BSC is in compliance with the Spanish corporate governance regime.

DESCRIPTION OF BBVA U.S. SENIOR, S.A. UNIPERSONAL

Incorporation

BBVA U.S. Senior, S.A. Unipersonal (BUS) was incorporated on 22nd February, 2006 for an unlimited duration with limited liability under Spanish law. BUS's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Paseo de la Castellana, 81, 28046, Madrid, Spain, telephone number 34 91 53 78195. BUS was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 28th February, 2006, Volume 4665, Book 0, Page BI-45496, Inscription 1.

Business

The exclusive objects for which BUS was established are, pursuant to Article 2 of its Bylaws, “the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets”.

Share Capital

BUS has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BUS is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BUS is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BUS is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans.

Management

The Directors of BUS are as follows:

Name	Position at BUS	Present Principal Occupation Outside BUS
Erik Schotkamp	Director/President	Capital & Funding Management Director of BBVA
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA
Juan Isusi Garteiz Gogearcoa	Director	Institutional Funding Manager of BBVA
Raúl Moreno Carnero	Director	Institutional Funding Manager of BBVA

The business address of the Directors of BUS is Paseo de la Castellana, 81, 28046 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BUS.

Corporate Governance

BUS is in compliance with the Spanish corporate governance regime.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

History and Development of the Guarantor

The terms BBVA and Group refer to Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated subsidiaries.

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or S.A.) under the Spanish Corporations Law on 1st October, 1988. BBVA was formed following the merger of Argentaria into BBV, which was approved by the shareholders of each entity on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Paseo de la Castellana, 81, 28046, Madrid, Spain telephone number +34-91-374-6201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Sandy Salgado, (1345 Avenue of Americas, 45th Floor New York, NY 10105, telephone number +1-212-728-1614). BBVA is incorporated for an unlimited term.

Ratings

BBVA and the Programme have been assigned senior long term ratings of BBB+ by Fitch, A3 by Moody's and BBB+ by S&P.

Capital Expenditures

BBVA's principal investments are financial subsidiaries and affiliates. The main capital expenditures in 2012, 2011 and 2010 were the following:

2012

Acquisition of Unnim

On 7th March, 2012, the Management Commission of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria* or the FROB) accepted BBVA's offer to acquire UnnimBanc, S.A. (Unnim). The FROB, the FGD and BBVA have entered into a purchase agreement, by virtue of which BBVA will acquire 100 per cent. of the shares of Unnim for a purchase price of €1.

In addition, BBVA, the FGD, the FROB and Unnim have signed a "Protocol of Financial Measures" for the restructuring of Unnim, which regulates the Asset Protection Scheme through which the FGD will be responsible for 80 per cent. of the losses undergone by a predetermined asset portfolio of Unnim, calculated once the existing provisions on the related assets are applied, for a period of 10 years following the transaction.

The closing of the purchase agreement and the "Protocol of Financial Measures" is subject to obtaining the relevant administrative authorizations and approvals, including the approval of the Bank of Spain, the Finance Secretary of State, the European Commission and the relevant competition authorities. Unnim's assets as of 31st December, 2011 were €29 billion and it reported losses of €469 million for the year ended 31st December, 2011.

2011

Acquisition of a capital holding in the Turkish bank Garanti

On 22nd March, 2011, through the execution of the agreements signed in November 2010 with the Doğuş group and having obtained the corresponding authorizations, BBVA completed the acquisition of a 24.89 per cent. holding of the share capital of Garanti. Subsequently, an additional 0.12 per cent. holding was acquired through the stock exchanges, increasing the BBVA Group's total holding in the share capital of

Garanti to 25.01 per cent. as of 31st December, 2011. The total amount spent on these acquisitions totalled USD 5,876 million (approximately €4,408 million).

The agreements with the Doğuş group include an arrangement for the joint management of the bank and the appointment of some of the members of its Board of Directors by the BBVA Group. BBVA also has a perpetual option to purchase an additional 1 per cent. of Garanti, which will become exercisable on 22nd March, 2016. Considering its current shareholding structure, if the BBVA Group were to exercise this option, it would have effective control of Garanti.

As of 31st December, 2011, the goodwill recorded in connection with these acquisitions amounted to €1,262 million, although this amount is provisional since IFRS 3 grants a period of one year to make a definitive determination. BBVA financed part of this acquisition with funds from the capital increase carried out on 29th November, 2010.

Taking into account the aforementioned joint management agreements, this 25.01 per cent. holding in Garanti is consolidated in the BBVA Group using the proportionate consolidation method, and its contribution to the BBVA Group as of 31st December, 2011, after applying the corresponding standardization and consolidation adjustments, represented 3.06 per cent. of the Group's total assets (€18,309 million) and 2.66 per cent. of its total liabilities (€14,850 million) at that date.

The contribution from Garanti to the main items on the consolidated balance sheet as of 31st December, 2011, after applying the corresponding standardization and consolidation adjustments, was €4,937 million to various portfolios of financial assets, €11,160 million to "Loans and receivables" and €14,187 million to "Financial liabilities at amortized cost".

The contribution of Garanti to the BBVA Group's consolidated income statement from the date of its acquisition to 31st December, 2011, after making the corresponding standardization and consolidation adjustments, was €428 million to "Net interest income", €580 million to "Gross income", and €193 million to "Net income". This represents a total of 6.43 per cent. of the Group's consolidated net income in 2011.

If this business combination had been performed at the start of 2011, it is estimated that after the corresponding standardization and consolidation adjustments, Garanti would have contributed €266 million to the Group's consolidated net income for 2011.

Purchase of Credit Uruguay Banco

On 18th January, 2011, after obtaining the corresponding authorizations, the purchase of Credit Uruguay Banco was completed for approximately €78 million, generating goodwill for an insignificant amount.

Capital increase in CNCB

BBVA participated in the capital increase carried out by CNCB in 2011, in order to maintain its stake in CNCB (15 per cent.), with a payment of €425 million.

2010

On 1st April, 2010, after obtaining the corresponding authorizations, the purchase of an additional 4.93 per cent. of CNCB's capital was finalised for €1,197 million. As of 31st December, 2010, BBVA had a 29.68 per cent. holding in CIFH and a 15 per cent. holding in CNCB.

Capital Divestitures

BBVA's principal divestitures are financial, in subsidiaries and in affiliates.

During 2011, BBVA sold its participation in certain non-strategic associates and also concluded the liquidation and merger of several issuers, financial services and real estate affiliates.

Business Overview

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has investments in some of Spain's leading companies.

Business Areas

For fiscal year 2011, BBVA Group changed the management of its business areas mainly due to the integration of Garanti into the BBVA Group and a new management focus on geographical business areas, instead of a mix of geographical and business activities areas. BBVA believes that, since the beginning of the financial crisis, the importance of the geographical location of businesses in order to make a proper assessment of risks and a better estimate of future growth possibilities has become more evident.

BBVA currently manages its business areas to focus on five geographical areas: Spain, Mexico, South America, the United States and Eurasia. The changes made in 2011 with respect to the criteria followed in 2010 to reflect the current composition of BBVA's business areas are summarised below:

- In 2011, the integration of Garanti into BBVA resulted in the creation of a new geographical business area, Eurasia, which includes BBVA's investment in Garanti, BBVA's Asian operations, including its stake in CNCB, and BBVA's European business outside of Spain.
- The operations of Spain and Portugal were disaggregated. The new Spain business segment excludes the Portuguese business (which is now included in Eurasia) mainly to separate activities in Spain and outside Spain, and includes the global activities related to wholesale banking and asset management, which in 2010 BBVA reported under its former Wholesale Banking and Asset Management (WB&AM) business area.

The business areas of Mexico, the U.S. and South America did not change in 2011.

As a result of the above, in 2011 the Group's businesses have been restructured into the following business areas, which are further broken down into business units, as described below:

- Spain;
- Eurasia;
- Mexico;
- United States; and
- South America.

In addition to these business areas, BBVA continues to have a separate "Corporate Activities" area. This area handles BBVA's general management functions, which mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity management and shareholders' funds.

This area also books the costs from central units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, such as early retirement and others of a corporate nature. It also includes the Industrial and Financial Holdings Unit and the Group's Spanish real estate business.

The financial information for BBVA's business areas for 2010 and 2009 presented in this Offering Circular has been prepared on a uniform basis, consistent with BBVA's organisational structure in 2011.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The breakdown of the BBVA Group's total assets by business segments as of 31st December, 2011, 2010 and 2009 is as follows:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Spain	309,912	297,642	294,843
Eurasia	53,398	45,975	48,402
Mexico	74,283	75,152	62,855
South America	63,444	51,671	44,378
United States	55,413	57,575	77,676
Subtotal Assets by Business areas	556,450	528,015	528,154
Corporate Activities	41,238	24,723	6,911
Total Assets BBVA Group	597,688	552,738	535,065

The following table sets forth information relating to the net income attributed to parent company by each of BBVA's business areas for the years ended 31st December, 2011, 2010 and 2009.

	Net income/(Loss) Attributed to Parent Company			% of Net Income/(Loss) Attributed to Parent Company		
	For Year Ended 31st December,					
	2011 ^(*)	2010	2009	2011 ^(*)	2010	2009
	<i>(in millions of euro)</i>			<i>(in percentage)</i>		
Spain	1,363	2,255	2,801	30.9	39.7	62.8
Eurasia	1,027	588	473	23.3	10.4	10.6
Mexico	1,741	1,707	1,357	39.4	30.1	30.4
South America	1,007	889	780	22.8	15.7	17.5
United States	(722)	239	(950)	(16.3)	4.2	(21.3)
Subtotal Business Areas	4,417	5,678	4,461	100.0	100.0	100.0
Corporate Activities	(1,413)	(1,072)	(251)			
Income attributed to the BBVA Group	<u>3,004</u>	<u>4,606</u>	<u>4,210</u>			

(*) Income/(Loss) attributed to parent company by each business area for the year ended 31st December, 2011 has been affected by the goodwill impairment in the U.S. and the acquisition of Garanti, which have affected, respectively, the contribution of the United States and Eurasia business segments.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The following table sets forth information relating to the income of each business segment for the years ended 31st December, 2011, 2010 and 2009:

	Business Areas						
	BBVA Group	Spain	Eurasia	Mexico	South America	United States	Corporate Activities
	(in millions of euro)						
2011							
Net interest income	13,160	4,399	801	3,827	3,164	1,590	(621)
Gross income	20,566	6,357	1,952	5,550	4,457	2,277	(27)
Operating income ^(*)	10,615	3,556	1,307	3,539	2,415	786	(987)
Income before tax	3,770	1,914	1,170	2,299	1,877	(1,061)	(2,430)
Net income	3,004	1,363	1,027	1,741	1,007	(722)	(1,413)
2010							
Net interest income	13,320	4,878	345	3,688	2,495	1,794	121
Gross income	20,910	7,055	1,080	5,496	3,797	2,551	932
Operating income ^(*)	11,942	4,240	785	3,597	2,129	1,034	158
Income before tax	6,422	3,160	675	2,281	1,670	309	(1,673)
Net income	4,606	2,255	588	1,707	889	239	(1,072)
2009							
Net interest income	13,882	5,571	387	3,307	2,566	1,679	372
Gross income	20,666	7,875	953	4,870	3,637	2,412	919
Operating income ^(*)	12,307	5,031	675	3,316	2,058	1,047	180
Income before tax	5,735	3,890	611	1,770	1,575	(1,428)	(683)
Net income	4,210	2,801	473	1,357	780	(950)	(251)

(*) "Gross income" minus "Administration costs" and "Depreciation and amortization".

Spain

The business area of Spain includes all of BBVA's banking and non-banking businesses in Spain, other than those included in the Corporate Activities area. The main business units included in this business area are:

- **Spanish Retail Network:** including the segments of individual customers, private banking, small companies and businesses in the domestic market;
- **Corporate and Business Banking (CBB):** which manages small and medium sized enterprises (SMEs), companies and corporations, public institutions and developer segments;
- **Corporate and Investment Banking (C&IB):** responsible for business with large corporations and multinationals;
- **Global Markets (GM):** which covers treasury and distribution activities on the Spanish market; and
- **Other units:** which include the insurance business unit in Spain (BBVA Seguros), and the Asset Management unit, which manages Spanish mutual fund and pension funds.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The following table sets forth information relating to the activity of this business area for the years ended 31st December, 2011, 2010 and 2009:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Total Assets	309,912	297,641	294,843
Loans and advances to customers	214,156	218,127	211,651
<i>Of which:</i>			
Residential mortgages	77,015	78,882	75,976
Consumer finance	8,114	9,205	10,867
<i>Loans</i>	6,484	7,499	9,022
<i>Credit cards</i>	1,631	1,706	1,845
Loans to enterprises	75,813	78,774	82,912
Loans to public sector	24,915	23,110	19,964
Total customer deposits	117,174	112,852	96,132
Current and savings accounts	41,587	41,157	43,647
Time deposits	48,447	48,116	32,241
Other customers funds	27,139	23,579	20,244
Off-balance sheet funds	51,156	53,598	62,322
Mutual funds	20,366	23,445	32,086
Pension funds	17,212	16,799	17,162
Other placements	13,578	13,355	13,074
Economic capital allocated	10,306	10,160	9,273

As of 31st December, 2011, the balance of **loans and advances to customers** was €214,156 million, a 1.8 per cent. decrease from the €218,127 million recorded as of 31st December, 2010, as a result of the deleveraging process and weak consumption. The general trend has been a weak turnover, with the most notable decreases recorded in the segment of higher-risk businesses and corporations, and in consumer loans.

As of 31st December, 2011, outstanding **payment protection insurance policies** amounted to €41 billion and insured approximately 20 per cent. of BBVA's total loans and advances to customers in Spain as of such date. Substantially all of BBVA's payment protection insurance products provide consumer or mortgage payment protection in the case of loss of life or disability (while approximately 5 per cent. of these products provide protection in the case of unemployment or a work-related illness). These insurance products are granted by BBVA's insurance subsidiary to borrowers within its own consumer and mortgage portfolio. Upon the occurrence of the insured event, BBVA's insurance subsidiary pays the entire outstanding principal amount, together with any accrued interest, of the related loan. Since the risk remains within the Group, BBVA does not consider its payment protection insurance products when determining the appropriate amount of allowance for loan losses on the related loans. BBVA accounts for these products as insurance contracts.

As of 31st December, 2011, total on-balance and off-balance sheet **customer deposits** including mutual funds, pension funds and customer portfolios, were €168,330 million, a 1.1 per cent. increase from €166,450 million posted as of 31st December, 2010. There were changes in the mix of total customer deposits as a result of turmoil in the markets, which reduced the value of assets under management and led to a change in customer preference from mutual funds to other liability products, particularly promissory notes carrying high fixed levels of interest. Time deposits remained stable due to the high percentage of renewals during the third quarter of 2011.

Customer deposits were €117,174 million as of 31st December, 2011 compared to €112,852 as of 31st December, 2010, an increase of 3.8 per cent., mainly due to the high percentage of renewals of time deposits during the period.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Mutual fund assets under management were €20,366 million as of 31st December, 2011, a 13.1 per cent. decrease from the €23,445 million recorded as of 31st December, 2010.

As of 31st December, 2011, BBVA's outstanding **guaranteed mutual fund products** amounted to €12 billion (approximately 58 per cent. of its outstanding mutual fund products in Spain as of such date). BBVA's guaranteed fund products relate mainly to mutual funds in respect of which the return of principal (rather than the yield) is guaranteed by means of a deposit and a derivative contract entered into by it, both of which are recognized on BBVA's balance sheet. BBVA account for these products as deposits or derivative contracts.

Pension fund assets under management were €17,212 million as of 31st December, 2011, a 2.5 per cent. increase from the €16,799 million recorded as of 31st December, 2010.

Eurasia

This business area covers the Group's activity in Europe (excluding Spain) and Asia. Accordingly, it includes BBVA Portugal, Consumer Finance Italy and Portugal, the retail business of branches in Paris, London and Brussels (which in 2010 had been reported under the "Spain and Portugal" business area), and WB&AM activity (comprised of Corporate and Investment Banking, Global Markets and CNCB) within this geographical area. It also covers the Group's holding in Garanti.

The importance of this business area is increasing both in terms of earnings and the balance sheet and, as is the case with the rest of the BBVA Group's franchises, its operations in this area have evolved positively and increased the Group's diversification and growth capacity. The positive contribution of Garanti starting in March 2011 and the increase in earnings from CNCB are significant developments in this regard.

The following table sets forth information relating to the business activity of this business area for the years ended 31st December, 2011, 2010 and 2009:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Total Assets	53,398	45,975	48,402
Loans and advances to customers	34,740	24,281	23,964
<i>Of which:</i>			
Residential mortgages	2,688	2,652	1,932
Consumer finance	3,420	913	735
<i>Loans</i>	2,400	903	727
<i>Credit cards</i>	1,020	10	9
Loans to enterprises	11,998	4,956	4,585
Loans to public sector	107	113	115
Total customer deposits	20,987	20,078	29,686
Current and savings accounts	2,688	836	917
Time deposits	9,778	2,191	2,945
Other customer funds	8,521	17,050	25,824
Off-balance sheet funds	1,036	590	637
Mutual funds	562	194	245
Pension funds	474	397	392
Economic capital allocated	4,254	2,546	1,032

As of 31st December, 2011, the **loans and advances** to customers was €34,740 million, a 43.1 per cent. increase from the €24,281 million recorded as of 31st December, 2010 mainly due to the incorporation of Garanti. Excluding the amounts from the Turkish bank, the loan book increased by 3.2 per cent.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

As of 31st December, 2011, **customer deposits** were €20,987 million, a 4.5 per cent. increase from the €20,078 million as of 31st December, 2010, mainly due to the contribution of Garanti, principally of retail deposits (current and saving accounts and time deposits), which was partially offset by the decrease in wholesale funds, which affected mainly the European branches (in London, Frankfurt and Brussels).

Mexico

The Mexico business area comprises the banking, pension and insurance businesses conducted in Mexico by the BBVA Bancomer financial group. The business units included in the Mexico area are:

- Retail and Corporate banking, and
- Pensions and Insurance.

The following table sets forth information relating to the business activity of this business area for the years ended 31st December, 2011, 2010 and 2009:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Total Assets	74,283	75,152	62,855
Loans and advances to customers	36,205	36,526	28,996
<i>Of which:</i>			
Residential mortgages	8,234	8,511	6,887
Consumer finance	8,070	7,186	5,485
<i>Loans</i>	3,584	2,931	2,071
<i>Credit cards</i>	4,486	4,255	3,414
Loans to enterprises	14,104	14,792	11,454
Loans to public sector	3,316	3,275	2,554
Total customer deposits	37,704	38,051	31,252
Current and savings accounts	21,129	20,963	15,740
Time deposits	7,398	8,333	8,102
Other customer funds	9,176	8,756	7,411
Off-balance sheet funds	34,499	34,895	25,106
Mutual funds	15,612	15,341	10,546
Pension funds	13,132	12,781	9,519
Other placements	5,754	6,773	5,042
Economic capital allocated	4,444	3,714	2,892

As of 31st December, 2011, the balance of **loans and advances to customers** was €36,205 million, a 0.9 per cent. decrease from the €36,526 million as of 31st December, 2010 mainly due to the decrease in wholesale lending as a result, among others, of the early payment by the Federal Government of a credit line underwritten by several banks (including BBVA) in the country, and the switch made by large corporations from bank lending to financing in wholesale markets due to the low interest rates.

As of 31st December, 2011, **customer deposits** were €37,704 million, a 0.9 per cent. decrease from the €38,051 million recorded as of 31st December, 2010, due to the exchange rate effect. Excluding this effect, there was an increase of 8.1 per cent.

Mutual fund assets under management were €15,612 million as of 31st December, 2011, a 1.8 per cent. increase from the €15,341 million recorded as of 31st December, 2010.

Pension fund assets under management were €13,132 million as of 31st December, 2011, a 2.8 per cent. increase from the €12,781 million recorded as of 31st December, 2010, due to the positive performance of Afore Bancomer, which continued to perform well as a result of the stability of the Mexican labour market.

South America

The South America business area manages the BBVA Group's banking, pension and insurance businesses in the region. In 2011, Crédito Uruguay (which was purchased in January 2011 and merged with BBVA Uruguay in May 2011) was incorporated. In addition, BBVA sold the Group's holding in the insurance company Consolidar Retiro of Argentina. Finally, BBVA acquired an additional 24.5 per cent. stake in Forum (a leading vehicle financing company in Chile) in September 2011.

The business units included in the South America business area are:

Retail and Corporate Banking: includes banks in Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela.

Pension businesses: includes pension businesses in Bolivia, Chile, Colombia, Ecuador and Peru.

Insurance businesses: includes insurance businesses in Argentina, Chile, Colombia, and Venezuela.

The following table sets forth information relating to the business activity of this business area for the years ended 31st December, 2011, 2010 and 2009:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Total Assets	63,444	51,671	44,378
Loans and advances to customers	40,219	31,512	26,223
<i>Of which:</i>			
Residential mortgages	7,124	5,932	4,567
Consumer finance	10,087	6,741	5,994
Loans	7,594	5,129	4,577
Credit cards	2,493	1,611	1,417
Loans to enterprises	20,829	16,862	13,831
Loans to public sector	914	830	527
Total customer deposits	45,776	36,085	31,556
Current and savings accounts	26,140	19,326	17,753
Time deposits	15,094	12,964	10,273
Other customer funds	4,542	3,795	3,530
Off-balance sheet funds	50,668	51,862	38,720
Mutual funds	2,850	3,063	2,617
Pension funds	47,818	48,800	36,104
Economic capital allocated	2,912	2,519	2,306

As of 31st December, 2011, the loans and advances to customers were €40,219 million, a 27.6 per cent. increase from the €31,512 million recorded as of 31st December, 2010. All countries in this business area have seen growth, with significant increases in consumer finance, cards and small companies and businesses.

As of 31st December, 2011, customer deposits were €45,776 million, a 26.9 per cent. increase from the €36,085 million recorded as of 31st December, 2010. Lower-cost transactional deposits such as current and savings accounts increased by 35.3 per cent., which explains a portion of the improvement in net interest income.

Off-balance sheet funds, however, fell by 2.3 per cent. as a result of turmoil in the markets.

United States

This business area encompasses the Group's business in the United States and Puerto Rico. BBVA Compass accounted for approximately 82 per cent. of the area's balance sheet as of 31st December, 2011. Given its

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

weight, most of the comments below refer to BBVA Compass. This business area also covers the assets and liabilities of the BBVA office in New York, which specializes in transactions with large corporations.

The business units included in the United States business area are:

- BBVA Compass Banking Group, and
- Other units: BBVA Puerto Rico and Bancomer Transfers Services (BTS).

The following table sets forth information relating to the business activity of this business area for the years ended 31st December, 2011, 2010 and 2009:

	As of 31st December		
	2011	2010	2009
	<i>(in millions of euro)</i>		
Total Assets	55,413	57,575	77,676
Loans and advances to customers	40,069	39,570	41,120
<i>Of which:</i>			
Residential mortgages	8,487	6,762	4,899
Consumer finance	5,503	5,647	6,079
Loans	4,961	5,168	5,679
Credit cards	541	479	400
Loans to enterprises	20,681	19,585	19,966
Total customer deposits	36,664	41,354	60,963
Current and savings accounts	27,716	25,217	21,708
Time deposits	7,963	9,033	10,572
Other customer funds	986	7,104	28,683
Off-balance sheet funds	6,199	5,307	5,204
Other placements	6,199	5,307	5,204
Economic capital allocated	3,170	2,972	2,995

As of 31st December, 2011, **loans and advances to customers** were €40,069 million, a 1.3 increase from the €39,570 million recorded as of 31st December, 2010. In 2011, BBVA continued to aim for the selective growth of lending in BBVA Compass, with a change in the portfolio mix towards items with less cyclical risk (such as loans to the commercial and industrial sector) and reducing higher risk portfolios (such as construction real estate loans).

As of 31st December, 2011, **customer deposits** were €36,664 million, an 11.3 per cent. decrease from €41,354 million as of 31st December, 2010. In 2011, there was an improvement in the structure of the balance sheet as a result of the decrease in high-interest deposits and an increase in non-interest accounts.

Organisational Structure

As of 31st December, 2011, the BBVA Group was made up of 293 fully consolidated and 27 proportionately consolidated companies, as well as 73 companies consolidated using the equity method.

The companies are principally domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Cayman Islands, Chile, Colombia, Ecuador, France, Germany, Ireland, Italy, Luxembourg, Mexico, Netherlands, Netherlands Antilles, Panama, Peru, Portugal, Puerto Rico, Spain, Switzerland, United Kingdom, United States of America, Uruguay and Venezuela. In addition, BBVA has an active presence in Asia.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Below is a simplified organisational chart of BBVA's most significant subsidiaries as of 31st December, 2011.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Ownership	Total Assets
			<i>(in percentages)</i>		<i>(in millions of euro)</i>
BBVA BANCOMER, S.A. DE C.V.	Mexico	Bank	100.00	100.00	69,158
COMPASS BANK.....	United States	Bank	100.00	100.00	52,565
BANCO BILBAO VIZCAYA					
ARGENTARIA CHILE, S.A.	Chile	Bank	68.18	68.18	12,489
BANCO CONTINENTAL, S.A.	Peru	Bank	92.24	46.12	12,118
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS					
REASEGUROS	Spain	Insurance	99.95	99.95	13,807
BBVA COLOMBIA, S.A.	Colombia	Bank	95.43	95.43	10,391
BANCO PROVINCIAL S.A. – BANCO UNIVERSAL.....					
UNIVERSAL.....	Venezuela	Bank	55.60	55.60	12,906
BANCO BILBAO VIZCAYA					
ARGENTARIA (PORTUGAL), S.A.	Portugal	Bank	100.00	100.00	7,140
BBVA BANCO FRANCES, S.A.	Argentina	Bank	76.04	76.04	6,736
BANCO BILBAO VIZCAYA					
ARGENTARIA PUERTO RICO, S.A.	Puerto Rico	Bank	100.00	100.00	3,848
PENSIONES BANCOMER, S.A. DE C.V. ..	Mexico	Insurance	100.00	100.00	2,669
SEGUROS BANCOMER, S.A. DE C.V.	Mexico	Insurance	100.00	100.00	2,544
BANCO BILBAO VIZCAYA					
ARGENTARIA (PANAMA), S.A.	Panama	Bank	98.92	98.92	1,670
BBV SUIZA, S.A. (BBVA SWITZERLAND) ..	Switzerland	Bank	100.00	100.00	1,458
UNO-E BANK, S.A.	Spain	Bank	100.00	100.00	1,368
BBVA PARAGUAY, S.A.	Paraguay	Bank	100.00	100.00	1,294

Trend Information

The European financial services sector is likely to remain competitive. Further consolidation in the sector (through mergers, acquisitions or alliances) is likely as the other major banks look to increase their market share or combine with complementary businesses or via acquisitions of distressed entities. It is foreseeable that regulatory changes will take place in the future that will diminish barriers to such consolidation transactions. However, some of the hurdles that should be dealt with are the result of local preferences, such as consumer protection rules. If there are clear local consumer preferences, leading to specific local consumer protection rules, the same products cannot be sold across all the jurisdictions in which the Group operates, which reduces potential synergies. Certain challenges, such as the Value Added Tax regime for banks do not however, relate to the interest or preferences of consumers.

The new Value Added Tax regime for banks is consistent with a more general trend of increasing pressure on financial systems. Within the Euro area, several countries are imposing new taxes on the financial industry, such as bank levies, financial activity taxes or financial transactions taxes. Differing tax regimes could set incentives for banks to operate, or transactions to take place, in those geographies where the tax pressure is lower. The implementation of new regulations in countries where BBVA operates which results in increased tax pressure, or BBVA's inability to operate in geographies where the tax pressure is lower, could have a material impact on BBVA's profitability.

Regarding consumer protection rules, initiatives such as the review of the Markets in Financial Instruments Directive (MIFID) or the EU Commission consultation on the legislative steps for the Packaged Retail Investment Products (PRIIPs) proposal could entail significant costs for BBVA's operations. In addition, it is

unclear whether these initiatives will be applied equally across European countries, and differences in the implementation of these initiatives could affect the level-playing-field in the industry.

Regarding MIFID, on 20th October, 2011, the European Commission presented a legislative proposal to review the MIFID in order to set clearer and more comprehensive rules across all financial instruments, in line with G-20 recommendations and specific U.S. Dodd-Frank Act provisions. The current proposal includes enhanced transparency requirements concerning trading activities in equity markets, tougher rules for algorithmic and high frequency trading activities and stricter requirements for portfolio management, investment advice and the offer of complex financial products such as structured products. These stricter rules on investment advice include, among others, telephone recordings, stricter categorization of clients, limits to “execution only” services for retail clients and stricter information duties for complex products. According to estimates published by the European Commission, the MIFID review is estimated to impose initial compliance costs of between €512 and €732 million and ongoing costs of between €312 and €586 million per year in the aggregate for participants in the EU banking sector. This represents an impact for initial and ongoing costs of 0.10 per cent. to 0.15 per cent. and 0.06 per cent. to 0.12 per cent., respectively, of total operating spending in the EU banking sector. However, banking industry estimates are higher since the European Commission’s estimates do not account for all costs associated with the implementation of the MIFID review, including IT costs to be incurred in order to comply with the new transparency requirements. In addition, the MIFID review represents an overhaul of BBVA’s business model, mainly regarding its investment advice services.

Regarding PRIPs, the measures planned by the European Commission aim to achieve higher transparency in the packaged retail investment products sector by requiring that certain mandatory information is made available to investors prior to making an investment decision and imposing stricter commercial practices. The MIFID provisions are considered to be a benchmark on conduct of business and the management of conflicts of interest. The preparation and provision to investors of the proposed mandatory information, as well as the revision of BBVA’s commercial practices and the monitoring of the implementation of the new rules, are expected to entail costs for BBVA.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material effect on BBVA or that would cause the financial information disclosed herein not to be indicative of its future operating results or financial condition:

- the prolonged downturn in the Spanish economy and sustained unemployment above historical averages;
- the restructuring and consolidation of the Spanish banking sector;
- doubts about European economies (both peripheral and core Eurozone economies) may continue in 2012 affecting financial markets;
- uncertainties relating to the sustainability of any recovery in economic growth and interest rate cycles, especially in the United States, where the high current account deficit of the U.S. economy may translate into an upward adjustment of risk premium and higher global interest rates;
- the fragility of the recovery from the financial crisis triggered by defaults on subprime mortgages and related asset-backed securities in the United States which has significantly disrupted the liquidity of financial institutions and markets;
- the fragility of the Greek, Italian, Portuguese and Irish economies, which could affect the funding costs of Spanish financial institutions and the Spanish Government;
- the effects of the withdrawal of significant monetary and fiscal stimulus programs and uncertainty over government responses to growing public deficits;
- uncertainty over regulation of the financial industry, including the potential limitation on the size or scope of the activities of certain financial institutions, the regulation on systemic financial institutions or additional capital requirements, coming both from the Bank of Spain or globally;

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

- uncertainty over the minimum solvency levels to be required in the future to the financial institutions by the Spanish government or the European authorities;
- the continued downward adjustment in the housing sector in Spain, which could further negatively affect credit demand and household wealth, disposable income and consumer confidence. The existence of a significant over supply in the housing market in Spain and the pessimistic expectations about house price increases may postpone investment decisions, therefore negatively affecting mortgage growth rates;
- continued volatility in capital markets or a downturn in investor confidence, linked to factors such as geopolitical risk, particularly in the Middle East. Continued or new crises in the region, such as the recent Iran-US tensions, could cause an increase in oil prices, generating inflationary pressures that could have a negative effect on interest rates and economic growth;
- the effect that an economic slowdown may have over Latin American markets and fluctuations in local interest and exchange rates; and
- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, BBVA's plans for expansion into other European markets could be affected by entry barriers in such countries by protectionist policies of national governments, which are generally higher in times of crisis. In addition, the new capital requirements could prevent financial entities from expanding their activities beyond their core business.

Selected Financial Data

The historical financial information set forth below has been selected from, and should be read together with, the Consolidated Financial Statements incorporated by reference herein.

Consolidated statement of income data

	2011	Year ended 31st December, 2010	2009
		<i>(in millions of euro)</i>	
Net interest income	13,160	13,320	13,882
Gross income	20,566	20,910	20,666
Net operating income	5,879	6,742	6,376
Net income attributed to the parent company	3,004	4,606	4,210

Consolidated balance sheet data

	2011	Year ended 31st December, 2010	2009
		<i>(in millions of euro)</i>	
Total assets	597,688	552,738	535,065
Loans and receivables (net)	381,076	364,707	346,117
Customers' deposits	282,173	275,789	254,183
Debt certificates and subordinated liabilities	97,349	102,599	117,817
Non-controlling interests	1,893	1,556	1,463
Stockholders' funds	40,952	36,689	29,362

DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than five and no more than 15 members. All members of the board of directors are elected to serve three-year terms.

BBVA's corporate governance system is based on the distribution of functions between the Board, the Executive Committee and the other Board Committees, namely: the Audit and Compliance Committee; the Appointments Committee; the Compensation Committee; and the Risk Committee. BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors. BBVA's Regulations of the Board of Directors states that the Board of Directors must try to ensure that the Board of Directors is comprised of a majority of external directors. The Board of Directors delegates all management functions, except those that it must retain due to legal or statutory requirements, to the Executive Committee.

Board of Directors

The Board of Directors of BBVA is currently comprised of 14 members. The business address of the Directors of BBVA is Paseo de la Castellana 81, 28046 Madrid.

The following table sets forth the names of the members of the Board of Directors as of the date of this Offering Circular, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and five-year employment history.

BBVA may, from time to time, enter into transactions in the ordinary course of its business, and on an arm's-length basis, with the Directors.

BBVA's Regulations for the Board of Directors include rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that Directors with a potential conflict of interest may not participate in meetings at which those situations are being considered. Accordingly, there are no potential conflicts of interest between the private interests or other duties of the Directors and their duties to BBVA.

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History ^(*)
Francisco González Rodríguez ⁽¹⁾	Chairman and Chief Executive Officer	28th January, 2000	12th March, 2010	Chairman and CEO of BBVA, since January 2000; Director of Grupo Financiero BBVA Bancomer, S.A. C.V. and BBVA Bancomer S.A.
Ángel Cano Fernández ⁽¹⁾	President and Chief Operating Officer	29th September, 2009	12th March, 2010	President and Chief Operating Officer of BBVA, since September 2009. Substitute director of Grupo Financiero BBVA Bancomer and BBVA Bancomer, S.A. de C.V., China National Citic-Bank and Türkiye Garanti Bankasi A.Ş. board member. BBVA Director of Resources and Means from 2005 to 2009.
Tomás Alfaro Drake ⁽²⁾⁽³⁾	Independent Director	18th March, 2006	11th March, 2011	Chairman of Appointments Committee of BBVA since 25th May, 2010. Director of Business Management and Administration and Business Sciences programmes at Universidad Francisco de Vitoria, since 1998.
Juan Carlos Álvarez Mezquíz ⁽¹⁾⁽³⁾	Independent Director	28th January, 2000	11th March, 2011	Managing Director of Grupo El Enebro, S.A. Former Manager Director of Frupo Eulen, S.A. until 2010.

DIRECTORS AND SENIOR MANAGEMENT

Ramón Bustamante y de la Mora ⁽²⁾⁽⁵⁾	Independent Director	28th January, 2000	12th March, 2010	Was Director and General Manager and Non-Executive Vice-President of Argentaria and chairman of Unitaria (1997).
José Antonio Fernández Rivero ⁽³⁾⁽⁵⁾	Independent Director	28th February, 2004	16th March, 2012	Chairman of Risk Committee since 30th March, 2004; appointed Group General Manager from 2001 until January 2003. Has been the director representing BBVA on the boards of Telefónica, Iberdrola, and of Banco de Crédito Local, and Chairman of Adquira.
Ignacio Ferrero Jordi ⁽¹⁾⁽⁴⁾	Independent Director	28th January, 2000	12th March, 2010	Managing director of Nutrexpa, S.A. and La Piara S.A. Chairman of Anebo Natural.
Belén Garijo López	Independent Director	16th March, 2012	Not applicable	President of commercial operations for Europe and Canada of Sanofi Aventis. Since 2011, Chief Operating Officer of Merck Serono S.A.
Carlos Loring Martínez de Irujo ⁽²⁾⁽⁴⁾	Independent Director	28th February, 2004	11th March, 2011	Chairman of Compensation Committee of BBVA since May 2010 (former Chairman of the Appointments and Compensation Committee since April 2006). Was Partner of J&A Garrigues, from 1977 until 2004.
José Maldonado Ramos ⁽¹⁾⁽³⁾⁽⁴⁾	External Director	28th January, 2000	16th March, 2012	Was appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009.
Enrique Medina Fernández ⁽¹⁾⁽⁵⁾	Independent Director	28th January, 2000	13th March, 2009	State Attorney on leave. Deputy Chairman of Gines Navarro Construcciones until it merged to become Grupo ACS.
José Luis Palao Garcia-Suelto ⁽²⁾⁽⁵⁾	Independent Director	1st February, 2011	11th March, 2011	Chairman of the Audit and Compliance Committee of BBVA since 29th March, 2011. Senior Partner of the Financial Division in Spain of Andersen, from 1979 until 2002. Independent Consultant from 2002 to 2010.
Juan Pi Llorens ⁽⁴⁾⁽⁵⁾	Independent Director	27th July, 2011	16th March, 2012	Was executive Chairman of IBM Spain until 2011 and has held various senior positions in IBM at an international level.
Susana Rodríguez Vidarte ⁽²⁾⁽³⁾⁽⁴⁾	Independent Director	28th May, 2002	11th March, 2011	Was Dean of Deusto “La Commercial” University from 1996 to 2009. Member of the accounts auditing institute.

(*) Where no date is provided, positions are currently held.

(1) Member of the Executive Committee

(2) Member of the Audit and Compliance Committee

(3) Member of the Appointments Committee

(4) Member of the Compensation Committee

(5) Member of the Risk Committee

Major Shareholders

As of 13th April, 2012, Manuel Jove Capellán beneficially owned a capital interest of 5.07 per cent. and so far as BBVA is aware, no other person, corporation or government beneficially owned, directly or indirectly, five percent or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to it, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 13th April, 2012, there were 999,811 registered holders of BBVA's shares, with an aggregate of 5,061,082,378 shares, of which 227 shareholders with registered addresses in the United States held a total of 1,016,624,380 shares (including shares represented by American Depositary Receipts (ADRs)). Since certain of such shares

and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders. BBVA's directors and executive officers did not own any ADRs as of 13th April, 2012.

Legal Proceedings

The Group is party to certain legal actions in a number of jurisdictions including, among others, Spain, Mexico and the United States, arising out of its ordinary business operations. BBVA considers that none of those actions is material and none is expected to result in a significant adverse effect on BBVA's financial position at either the individual or consolidated level. Management believes that adequate provisions have been made in respect of the litigation arising out of its ordinary business operations. BBVA has not disclosed to the markets any contingent liability that could arise from said legal actions as it does not consider them material.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. The Issuers and the Guarantor take responsibility for the correct extraction and reproduction of the information in this section concerning the Clearing Systems, but none of the Issuers, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or

maintain a custodial relationship with an account holder of either system. For further information on Euroclear and Clearstream, Luxembourg relating to the Notes, please see “*Taxation*”.

Book-entry Ownership of and Payments in respect of DTC Notes

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of a Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants’ account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the U.S. Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the relevant Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

Acquisition of the Notes

The issue of, subscription for, transfer and acquisition of the Notes is exempt from Transfer and Stamp Tax (Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados) and Value Added Tax (Impuesto sobre el Valor Añadido).

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 5/2004 of 5 March approving the consolidated text of the Non-Resident Income Tax Law (*Impuesto sobre la Renta de los no Residentes*), Royal Legislative Decree 4/2004 of 5 March approving the consolidated text of the Corporate Income Tax Law (Impuesto sobre Sociedades) and Law 35/2006 of 28 November on Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*), Law 19/1991 of 6 June approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*) and Law 29/1987 of 18 December approving the Inheritance and Gift Tax Law (*Impuesto sobre Sucesiones y Donaciones*). Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1776/2004 of 30 July approving the Non-Resident Income Tax Regulations, Royal Decree 439/2007 of 30 March, approving the Individuals Income Tax Regulations and Royal Decree 1777/2004 of 30 July approving the Corporate Income Tax Regulations).

Consideration has also been given to Spanish legislation on the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary (Law 13/1985, as amended, and RD 1065/2007 (as amended by RD 1145/2011), approving the General Regulations relating to tax inspection and management procedures and developing the common rules of the procedures to apply taxes).

Income obtained by Noteholders who are Non-Resident Income Tax payers in Spain in respect of the Notes

Income obtained by Noteholders who are Non-Resident Income Tax payers, both in respect of interest and in connection with the transfer, repayment or redemption of the Notes, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation in Spain under Legislative Royal Decree 5/2004 of 5 March approving the Consolidated Non-Resident Income Tax Law, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation (DTT).

Income not obtained through a permanent establishment in Spain in respect of the Notes

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain is exempt from Non-Resident Income Tax (see “-Tax Reporting Obligations of the Issuers and the Guarantor”).

Income obtained through a permanent establishment in Spain in respect of the Notes / Corporate Income Tax taxpayers.

The holding of Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by non-Spanish resident holders acting through a permanent establishment in Spain in respect of the Notes will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as Spanish Corporate Income Tax taxpayers and, therefore, it shall be computed as taxable income in accordance with the general rules set out in the Corporate Income Tax Law and will therefore be taxed at the current rate of 30 per cent.

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 59(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements laid down by the reply to the Directorate General for Taxation's (Dirección General de Tributos) consultation, on 27 July 2004, indicating that in the case of issuances made by entities with tax residency in Spain (as in the case of each of the Issuers), application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries. Notes issued under the Programme are expected to satisfy these requirements.

For withholding on income derived from payment of interest, redemption or repayment of the Notes see "*Taxation - Tax Reporting Obligations of the Issuers and the Guarantor*".

Individuals with tax residency in Spain

Income obtained by Noteholders who are Personal Income Tax taxpayers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of an individual's capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 21 per cent. to 27 per cent.).

The above mentioned income will be subject to the corresponding personal income tax withholding at the applicable tax rate (currently 21 per cent.). Article 44 of the RD 1065/2007 has established new information procedures for debt instruments issued under the Law 13/1985 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the relevant Issuer to the Paying Agent for the whole amount, provided that such information procedures are complied with.

Nevertheless, withholding tax at the applicable rate (currently 21 per cent.) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

The Issuers and the Guarantor consider that, according to RD 1145/2011, they are not obliged to withhold any tax amount provided that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent as it is described in section "*Tax Reporting Obligations of the Issuers and the Guarantor*".

However, regarding the interpretation of the "*Tax Reporting Obligations of the Issuers and the Guarantor*" please refer to "*Risk Factors – Spanish Tax Rules*".

Wealth Tax

Individuals with tax residency in Spain are subject to Wealth Tax in the tax year 2012 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31st December 2012.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory, exceed €700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 2.5 per cent., without

prejudice to any exemption which may apply and the laws and regulations in force in each Autonomous Region.

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

The transfer of the Notes to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) in accordance with the applicable Spanish and State rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

Tax rules for payments made by the Guarantor

Payments which may be made by the Guarantor to Noteholders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuers.

Tax Reporting Obligations of the Issuers and the Guarantor

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 13/1985. The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of RD 1065/2007, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognised by Spanish law or by the law of another OECD country (such as DTC, Euroclear or Clearstream), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the relevant Issuer submits a statement to the relevant Issuer, the form of which is included in the Agency Agreement, with the following information:

- (i) identification of the securities; and
- (ii) total amount of the income corresponding to each clearing house located outside Spain.

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the Paying Agent should provide the relevant Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on the date, the entities obliged to provide the declaration fail to do so, the relevant Issuer or the Paying Agent on its behalf will make a withholding at the general rate (currently 21 per cent.) on the total amount of the return on the relevant Notes otherwise payable to such entity.

As at the date of this Offering Circular, the Guarantor is in discussions with a Tax Certification Agent in order to establish a procedure for the disclosure of information regarding Noteholders who are resident in Spain for tax purposes. Such information will be provided, if necessary, to the Spanish Tax Authorities by the Guarantor.

Regarding the interpretation of Article 44 RD 1065/2007 and the new simplified information procedures please refer to “*Risk Factors – Spanish Tax Rules*”.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (such programme agreement as further amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 6th June, 2011, agreed with each Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers (failing which, the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer

the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (i) to the relevant Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (RULE 144A)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN INSTITUTIONAL ACCREDITED INVESTOR); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR

REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) to non-U.S. persons outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A or (C) to an Institutional Accredited Investor that provides a duly executed investment letter in the form set out in the Agency Agreement and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE 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 RELEVANT LEAD MANAGER, OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART, SALES MAY NOT BE MADE UNLESS MADE (I) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT OR (III) TO INSTITUTIONAL “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT PROVIDE A DULY EXECUTED INVESTMENT LETTER SUBSTANTIALLY IN THE FORM SET OUT IN THE AGENCY AGREEMENT.”; and

- (h) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the U.S. Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

- (b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (d) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the 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 relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United

States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such 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 such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that an Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

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, and each further Dealer appointed under the Programme will be required to represent and agree, 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 which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) 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 or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or 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 FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended: the FIEA) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Spain

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time (**Regulation No. 11971**); or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September 1993, as amended (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 and D.411-4 of the *Code monétaire et financier*.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (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 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.

The PRC

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Singapore

The Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the **Securities and Futures Act**). The Notes will not be offered or sold or made the subject of an invitation for subscription or purchase nor will the Offering Circular or any other document or material in connection with the offer or sale or 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 Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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;
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever defined) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the Securities and Futures Act except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law; or
- pursuant to Section 276(7) of the Securities and Futures Act.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the shareholders' meeting and the Board of Directors of BSF dated 30th May, 2012, a resolution of the shareholders' meeting and of the Board of Directors of BSC dated 30th May, 2012, and a resolution of the shareholders' meeting and of the Board of Directors of BUS dated 30th May, 2012. The giving of Guarantees has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 22nd November, 2011.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Companies Act, including registration of the issue in the Registro Mercantil, the appointment of a Representative and the constitution of a Syndicate.

Details of each issue under the Programme must also be published in the Corporate Registry Gazette (*Boletín Oficial del Registro Mercantil*) (the **BORME**), and be evidenced in a public deed of issue (*Escritura de Emisión*).

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The renewed listing of the Programme in respect of the Notes is expected to be granted on or around 19th June, 2012.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the relevant Issuer or the Guarantor and from the specified office of the Paying Agent for the time being in London:

- (a) the bylaws (with an accurately reproduced English translation thereof) of each Issuer and the bylaws (with an accurately reproduced English translation thereof) of the Guarantor;
- (b) the audited financial statements of each of BSF, BSC and BUS in respect of the financial years ended 31st December, 2010 and 2011, and the consolidated and non-consolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2010 and 2011 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuers (if any) and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuers and the Guarantor (in each case with an accurately reproduced English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuers do not prepare unaudited interim accounts. The Guarantor currently prepares unaudited consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement, the Agency Agreement, the Guarantees, the Deeds of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Offering Circular; and

GENERAL INFORMATION

- (f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Except as disclosed in the section entitled “*General Information – Recent Developments*” on page 148, there has been no material adverse change in the prospects of any of the Issuers or the Guarantor since 31st December, 2011.

Except as disclosed in the section entitled “*General Information – Recent Developments*” on page 148, there has been no significant change in the financial or trading position of the Guarantor since 31st March, 2012 and there has been no significant change in the financial or trading position of any of the Issuers since 31st December, 2011.

Litigation

Neither of the Issuers, the Guarantor nor the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of any of the Issuers, the Guarantor or the Group.

Auditors

The auditors of the BSF BSC and BUS are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuers’ accounts which have been prepared in accordance with generally accepted accounting principles and practices in Spain for each of the two financial years ended 31st December, 2010 and 31st December, 2011.

The auditors of the Guarantor are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*) who have audited the Guarantor’s accounts, for each of the two financial years ended 31st December, 2010 and 31st December, 2011 which have been prepared in accordance with The International Financial Reporting Standards adopted by the European Union (EU-IFRS) required to be applied under the Bank of Spain’s Circular 4/2004.

Dealers transacting with the Issuers and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers, the Guarantor and their affiliates in the ordinary course of business.

Recent Developments

On 3rd February and 11th May, 2012 the Spanish Government enacted RD-L 2/2012 in relation to the reorganisation of the financial sector and RD-L 18/2012 in relation to the reorganisation and sale of real-estate assets in the financial sector. These established new capital requirements for Spanish credit institutions and further coverage for impaired assets linked to the real-estate market in Spain.

The Guarantor has made an initial estimate of the possible impact of the application of the new requirements under RD-L 2/2012 and RD-L 18/2012 to its asset portfolio, which was publicly disclosed in the announcements made by the Guarantor on 6th February and 14th May, 2012. The Guarantor estimates that the additional coverage it will need to provide for would have an overall gross impact of approximately €4.6 billion on its total income statement. The final amount of this coverage will be fully written down against the Group's financial statements for the financial year ending 31st December, 2012 and would reduce the Group's capital ratios by approximately 64 basis points. BBVA nonetheless estimates that even after applying these measures, it will continue to meet all of its regulatory capital requirements.

In addition, on 11th May, 2012 the Spanish Government announced a new process by which independent experts are to review the valuations of the balance sheets of Spanish credit institutions. This new process is being implemented as at the date of this Offering Circular such that at this stage the Guarantor is unable to assess any possible impact this may have on the Guarantor.

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