



# 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)

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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** or **BBVA**). The Guarantor and its consolidated subsidiaries are referred to herein as the **Group**.

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 119 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 Programme and the Guarantor have been rated BBB- by Standard & Poor’s Credit Market Services Europe Limited (**S&P**), Baa3 by Moody’s Investors Services España, S.A. (**Moody’s**) and BBB+ by Fitch Ratings España S.A.U. (**Fitch**). 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 (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation. Notes issued under the Programme may be rated or unrated by one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. Information on the credit ratings assigned by DBRS Ratings Ltd. (**DBRS**) to the Kingdom of Spain is set out on page 16 of this Offering Circular. DBRS is established in the European Union and is registered under the CRA Regulation. As such, DBRS is included in the list of credit rating agencies published by ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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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 1 July, 2013.

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Application has been made to the Financial Conduct Authority in its capacity as competent authority (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 certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange on or before the date of issue of the Notes of such Tranche. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**).

The Issuers and the Guarantor (the **Responsible Persons**) accept responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. 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.

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.

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.

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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 a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) must 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 of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuers, 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. None of the Issuers, 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 Issuers, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
  - (ii) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
  - (iv) understands thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and
  - (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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.

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# PRESENTATION OF FINANCIAL INFORMATION

## ACCOUNTING PRINCIPLES

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with EU-IFRS. The Bank of Spain issued Circular 4/2004 of 22nd December, 2004 on Public and Confidential Financial Reporting Rules and Formats (as amended or supplemented from time to time, **Circular 4/2004**), which requires Spanish credit institutions to adapt their accounting system to the principles derived from the adoption by the European Union of EU-IFRS.

Differences between EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 and IFRS-IASB are not material for the three years ended 31st December, 2012. Accordingly, BBVA's consolidated financial statements as at and for each of the years ending 31st December, 2012, 31st December, 2011 and 31st December, 2010 (the **Consolidated Financial Statements**), as included in the annual report of BBVA on Form 20-F for the fiscal year ended 31st December, 2012 filed with the U.S. Securities and Exchange Commission (the **SEC**) on 2nd April, 2013 (the **Form 20-F**), which is incorporated by reference in this Offering Circular, have been prepared in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 and in compliance with IFRS-IASB.

As mentioned under “*Description of Banco Bilbao Vizcaya Argentaria, S.A. - Capital Divestitures - 2013*” and Note 3 to the Consolidated Financial Statements, the Group announced its decision to conduct a study on strategic alternatives for its pension business in Latin America. The alternatives considered in this process include the total or partial sale of the businesses of the Pension Fund Administrators (**ASP**) in Chile, Colombia and Peru, and the Retirement Fund Administrator (**Afore**) in Mexico. For that reason on-balance figures for Group companies related to the pension businesses in Latin America have been reclassified under the headings “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale” in the consolidated balance sheet as of 31st December, 2012, and the revenues and expenses of these companies for 2012 have been reclassified under the heading “Profit from discontinued operations” in the accompanying consolidated income statement. In accordance with IFRS 5, and in order to present financial information for all periods on a consistent basis, the Group has reclassified the revenues and expenses from these companies under the heading “Profit from discontinued operations” in the consolidated income statement for 2011 and 2010. This reclassifications has had no impact on the Group's “Profit”.

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## FINANCIAL INFORMATION

The following principles should be noted in reviewing the financial information contained in this Offering Circular:

- Unless otherwise stated, any reference to loans refers to both loans and leases.
- Interest income figures include interest income on non-accruing loans to the extent that cash payments have been received in the period in which they are due.
- Financial information with respect to subsidiaries may not reflect consolidation adjustments.
- Certain numerical information in this Offering Circular may not sum due to rounding. In addition, information regarding period-to-period changes is based on numbers which have not been rounded.

## SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27th July (**RD 1065/2007**), as amended by Royal Decree 1145/2011, sets out the reporting obligations applicable to preference shares and debt instruments issued under Additional Provision Two of Law 13/1985 of 25th 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.

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Purchasers of Definitive IAIN Registered Notes (as defined under “*Form of the Notes - Registered Notes*”) will be required to execute and deliver an IAIN Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAIN 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

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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:

- **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
- **U.S. dollars, U.S.\$** and **\$** refer to United States dollars;
- **Sterling** and **£** refer to pounds sterling; and
- **Renminbi, RMB** and **CNY** are to the lawful currency of the People's Republic of China (the **PRC**) which, for the purposes of this Offering Circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.



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## STABILISATION

**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.**

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## RISK FACTORS

*In purchasing Notes, investors expose themselves to the risk that the relevant Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the relevant Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the relevant Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the relevant Issuer's and the Guarantor's control. Each of the Issuers and the Guarantor believes that the factors described below represent the principal factors which could materially adversely affect their businesses and ability to make payments due under the Notes. 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.*

*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 Issuers to fulfil their 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, or which could most significantly affect the Guarantor in the future, include regulations relating to capital and provisions requirements, which have become increasingly more strict in the past two years, steps taken towards achieving a fiscal and banking union in the European Union, and regulatory reforms in the United States. These risks are discussed in further detail below.

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.

## RISK FACTORS

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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 (**Circular 3/2008**) of 22nd May, as amended, on the calculation and control of minimum capital requirements, including amendments introduced by Bank of Spain Circular 4/2011 (**Circular 4/2011**), which implements Capital Requirement Directive III (CRD III). In addition, Law 9/2012 of 14th November, on restructuring and resolution of credit entities (**Law 9/2012**) established a new minimum requirement in terms of core capital on risk-weighted assets which is more restrictive than the one set out in Circular 3/2008, and that must be greater than 9 per cent. This requirement came into force in 2013.

In addition, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including the Guarantor) based on data available as of 30th September, 2011, the European Banking Authority (the **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 still in place.

Moreover, the Guarantor will be subject to the new Basel III capital standards, which are in the process of being phased in 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. For example, the European transposition of these standards will be through CRD IV (including the CRD IV Directive and the CRR) (all such terms as defined in the Conditions of the Notes). The date of entry into force of the CRR and the deadline for implementation of the CRD IV Directive is 1 January 2014. However, the Spanish Government anticipated certain requirements of Basel III in 2011 with Royal Decree-Law 2/2011 (**RD-L 2/2011**) of 18th February, as amended, which was superseded by Law 9/2012, which imposed stricter capital requirements, as noted above. Additionally, the Mexican government introduced the Basel III capital standards in 2012 and the Basel III transposition in the United States is pending to be clarified. 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.

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.

### *Provision requirements*

Royal Decree-Law 2/2012, of 3rd February, and Royal Decree-Law 18/2012, of 11th May, increased coverage requirements (which had to be met by 31st December, 2012) for performing and non-performing real estate assets and required an additional capital buffer. Subsequently, requisites of both Royal Decree-Laws were included in Law 8/2012 of 30th October (Law 8/2012).

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In April 2013 the Bank of Spain clarified the criteria for classification of refinanced loans into the categories of normal, substandard and doubtful. Financial institutions have until September to implement these new criteria, which may have an impact on provisions. As of the date of this Offering Circular, the Guarantor is not in a position to make any estimate as to what such impact may be.

There can be no assurance that additional provision requirements will not be adopted by the authorities of the jurisdictions in which the Group operates (including Spanish authorities).

### ***Contributions for assisting in the restructuring of the Spanish banking sector***

Royal Decree-Law 6/2013 of 22nd March, on protection for holders of certain savings and investment products and other financial measures, includes a requirement for banks, including therefore the Guarantor, to make an exceptional one-off contribution to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) in addition to the annual contribution to be made by member institutions, equal to €3.00 per €1,000 of deposits held as of 31st December 2012. The purpose of such contribution is for the Deposit Guarantee Fund to be able to purchase at market prices the unlisted shares resulting from the compulsory exchange of hybrid capital instruments and subordinated debt of certain Spanish institutions other than the Guarantor that are involved in a restructuring process under Law 9/2012. There can be no assurance that additional funding requirements will not be imposed by the Spanish authorities for assisting in the restructuring of the Spanish banking sector.

### ***Steps taken towards achieving an EU fiscal and banking union***

In June 2012, a number of agreements were reached to reinforce the monetary union, including the definition of a broad roadmap towards a single banking and fiscal union. While support for a banking union in Europe is strong and significant advances will be made in terms of the development of a single-rule book through CRD IV, there is ongoing debate on the extent and pace of integration. It has been decided that the European Central Bank (the **ECB**) will play a key role in supervision; although a consensus on how to dovetail its central position with the role of national supervisors has not yet been agreed. Other issues are still open, such as the asset quality review and stress test to be conducted by the ECB before becoming the single European bank supervisor, representation and voting power of non-Eurozone countries, the accountability of the ECB to European institutions as part of the single supervision mechanism, the final status of the European Banking Authority, the development of a new bank resolution regime and the creation of a common deposit-guarantee scheme. European leaders have also supported the reinforcement of the fiscal union but continue negotiating on how to achieve it.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its future capacity as the Guarantor's main supervisory authority may have a material impact on the Guarantor's business, financial condition and results of operations.

### ***Regulatory reforms initiated in the United States***

The Guarantor's operations may also be affected by other 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. Section 619 of the Dodd-Frank Act, also known as the Volcker Rule, is a key component of this effort. The Volcker Rule prohibits banking entities, which benefit from federal insurance on customer deposits or access to the discount window, from engaging in proprietary trading and from investing in or sponsoring hedge funds and private equity funds, subject to certain exceptions. In addition, in December 2012, the Federal Reserve Bank published new draft regulation on Foreign Banking Organisations, covering issues such as solvency, liquidity, supervision and crisis management. 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.

### *Memorandum of Understanding on the Spanish Financial Sector*

On 25th June, 2012, the Spanish government formally requested the European Union to provide financial aid to recapitalise certain Spanish financial institutions. The details and conditions of the related Memorandum of Understanding on Financial-Sector Policy reached (the **MoU**) were announced on 20th July, 2012. The MoU establishes a series of conditions to be met by all Spanish financial institutions, including those that have no capital deficits. Such conditions include compliance with the EBA's Core Tier 1 ratio of 9 per cent., early intervention and resolution measures, including burden sharing measures from hybrid capital holders and subordinated debt holders in banks receiving public capital, and new financial reporting requirements on capital, liquidity and loan portfolio quality. The Spanish government implemented the agreements reached in the MoU through Royal-Decree Law 24/2012, of 31st August, which was later replaced by Law 9/2012. The MoU, which is due to expire by the end of 2013, can be renewed. The Guarantor cannot predict the impact that the conditions set forth in the MoU or the implementing regulation may have on its business, financial condition or results of operations.

### **Withdrawals of deposits or other sources of liquidity may make it more difficult or costly for the Group to fund its business on favourable terms or cause the Group to take other actions.**

Historically, one of the Group's principal sources of funds has been savings and demand deposits. As of 31st December, 2012, 2011 and 2010, time deposits represented 26 per cent., 27 per cent. and 29 per cent. of its total funding, 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. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds, in connection with the Eurozone crisis, as seen recently in Cyprus). Moreover, there can be no assurance 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 the Group operates, the Group 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, there can be no assurance that the Group 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 or taking additional deleverage measures.

### **The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions.**

Financial markets continue to be subject to significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity, especially during 2012. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions due in part to the decreasing credit quality of hedge counterparties. Severe market events such as the sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

### **The Group faces increasing competition in its business lines.**

The markets in which the Group operates are highly competitive and the Guarantor believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete, some of which have recently received public capital from the European Stability Mechanism.

The Group also faces competition from non-bank competitors, such as payment platforms; ecommerce businesses; 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

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high yields which are being currently offered as a consequence of the sovereign debt crisis, there is a crowding out effect in the financial markets).

There can be no assurance that this competition will not adversely affect the Group's business, financial condition, cash flows and results of operations.

### **The Group's business is particularly vulnerable to volatility in interest rates.**

The Group'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 fiscal and monetary policies of governments and central banks, regulation of the financial sectors in the markets in which it operates, domestic and international economic and political conditions and other factors. Changes in market interest rates can affect the interest rates that the Group receives on its interest-earning assets differently to the rates that it pays for its interest-bearing liabilities. This may, in turn, result in a reduction of the net interest income the Group receives, which could have a material adverse effect on its results of operations.

In addition, the high proportion of loans referenced to variable interest rates (approximately 70 per cent. of the Group's loan to customer portfolio as of 31st December, 2012) makes debt service on such loans more vulnerable to changes in interest rates. In addition, a rise in interest rates could reduce the demand for credit and the Group's ability to generate credit for its clients, as well as contribute to an increase in the credit default rate. As a result of these and the above factors, significant changes or volatility in interest rates could have a material adverse impact on the Group's business, financial condition or results of operations.

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

The Group's commitments with personnel which are considered to be wholly unfunded are recognised under the heading "Provisions—Funds for Pensions and Similar Obligations" in its consolidated balance sheets included in the Consolidated Financial Statements. These amounts include "Post-employment benefits", "Early Retirements" and "Post-employment welfare benefits", which amounted to €2,728 million, €2,758 million and €310 million, respectively, as of 31st December, 2012, €2,429 million, €2,904 million and €244 million, respectively, as of 31st December, 2011 and €2,497 million, €3,106 million and €377 million, respectively, as of 31st, December 2010. These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

The Group 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 (see Note 26 to the Consolidated Financial Statements). 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 Group 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 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 the Group's business, financial condition, cash flows and results of operations.

### Risks Relating to Spain and Europe

***Continuing economic tensions in the European Union and Spain, including as a result of the ongoing European sovereign debt crisis, could have a material adverse effect on the Group's business, financial condition and results of operations.***

The continuing crisis in worldwide financial and credit markets has led to a global economic slowdown in recent years, with many economies around the world showing significant signs of weakness or slow growth. In Europe, there has been a significant reduction in risk premiums. Nevertheless, uncertainty regarding the budget deficits and solvency of several countries persists, together with the risk of contagion to other more stable countries. To a lesser extent than during the height of the financial crisis, there is also the risk of default on the sovereign debt of certain EU countries and the impact this would have on the Eurozone countries, including the potential risk that one or more countries may leave the Eurozone, either voluntarily or involuntarily, which has raised concerns about the ongoing viability of the euro currency and the European Monetary Union (the EMU). These concerns have been further exacerbated by the rise of Euro-scepticism in certain EU countries, including countries that decided not to enter the EMU such as the United Kingdom.

These and other concerns could lead to the re-introduction of individual currencies in one or more EU Member States. The exit of one or more EU Member States from the EMU could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, tensions among Member States of the EU, and growing Euro-scepticism in certain EU countries, could pose additional difficulties in the EU's ability to react to the ongoing economic crisis.

The Spanish economy contracted during 2012 and the Bank of Spain has predicted that the recession will continue in 2013. The recent significant reduction in risk premiums and improved access to funding have not entirely addressed concerns about Spain in the context of the sovereign debt crisis and health of the Spanish banking sector. The prospect of the continued contraction of the Spanish economy could lead, Spanish leaders to consider requesting financial assistance from the European authorities. Any such financial assistance could impose austerity measures and other restrictions on the Spanish government, including enhanced requirements directed toward Spanish banking institutions, which could make it difficult for Spain to generate revenues and raise additional concerns regarding its ability to service its sovereign debt. Any such restrictions, including additional capital requirements applicable to Spanish banking institutions, could also materially affect the Group's financial condition. Furthermore, any such austerity measures could adversely affect the Spanish economy and reduce the capacity of the Group's Spanish borrowers to repay loans made to them, increasing the Group's non-performing loans.

Economic conditions remain uncertain in Spain 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 Group and the quality of the Group's loan portfolio, require the Group to take impairments on its exposures to the sovereign debt of one or more countries in the Eurozone or otherwise adversely affect the Group's business, financial condition and results of operations.

***The Guarantor is dependent on its credit ratings and any reduction of its or the Kingdom of Spain's credit ratings could materially and adversely affect the Group's business, financial condition and results of operations.***

The Guarantor is rated by various credit rating agencies. The Guarantor's credit ratings are an assessment by rating agencies of its ability to pay its obligations when due. Any actual or anticipated decline in the Guarantor's credit ratings to below investment grade or otherwise may increase the cost of and decrease the Group's ability to finance itself in the capital markets, secured funding markets (by affecting its ability to replace downgraded assets with better rated ones), interbank markets, through wholesale deposits or otherwise, harm its reputation, require it to replace funding lost due to the downgrade, which may include the loss of customer deposits, and make third parties less willing to transact business with the Group or otherwise

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materially adversely affect its business, financial condition and results of operations. Furthermore, any decline in the Guarantor's credit ratings to below investment grade or otherwise could breach certain of agreements or trigger additional obligations under such agreements, such as a requirement to post additional collateral, which could materially adversely affect the Group's business, financial condition and results of operations.

Since the Guarantor is a Spanish company with substantial operations in Spain, its credit ratings may be adversely affected by the assessment by rating agencies of the creditworthiness of the Kingdom of Spain. Moody's, Fitch, Standard & Poor's and DBRS have downgraded Spain's sovereign debt rating since May 2012. In May 2012, DBRS was the first rating agency to downgrade the debt rating of both the Kingdom of Spain, to AH from AAL, and the large Spanish banks. Following DBRS' rating action, Moody's and Fitch downgraded Spain's sovereign debt rating in June 2012 to Baa3 from A3 and to BBB from A, respectively. In June 2012, following their respective downgrade of the Kingdom of Spain, Moody's and Fitch downgraded all of the large Spanish banks, including the Guarantor. In August 2012, DBRS further downgraded the rating of Spain's sovereign debt to AL from AH and the rating of the large Spanish banks. Standard & Poor's announced in October 2012 that it had lowered its long-term sovereign credit rating on the Kingdom of Spain to BBB- from BBB+ and the short-term sovereign credit rating to A-3 from A-2, with a negative outlook on the long-term rating. In October 2012, following its downgrade of the Kingdom of Spain, Standard & Poor's downgraded all of the large Spanish banks, including the Guarantor. Any further decline in the Kingdom of Spain's sovereign credit ratings could, in turn, result in a further decline in the Guarantor's credit ratings.

In addition, the Group holds a substantial amount of securities issued by the Kingdom of Spain, autonomous communities within Spain and other Spanish issuers. Any decline in the Kingdom of Spain's credit ratings could also adversely affect the value of the Kingdom of Spain's and other Spanish issuers' respective securities held by the Group in various portfolios or otherwise materially adversely affect the Group's business, financial condition and results of operations. Furthermore, the counterparties to many of the Group's loan agreements could be similarly affected by any decline in the Kingdom of Spain's credit rating, which could limit their ability to raise additional capital or otherwise adversely affect their ability to repay their outstanding commitments to the Group and, in turn, materially and adversely affect the Group's 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 Group has historically developed its lending business in Spain, which continues to be its main place of business. As of 31st December, 2012, business activity in Spain accounted for 57 per cent. of the Group's loan portfolio.

After rapid economic growth until 2007, Spanish gross domestic product (**GDP**) contracted by 3.7 per cent. and 0.3 per cent. in 2009 and in 2010, respectively, grew by 0.4 per cent. in 2011 and contracted by 1.4 per cent. in 2012. The Guarantor's Economic Research Department (BBVA Research) estimates that the Spanish economy will contract by 1.4 per cent. in 2013. As a result of this expected contraction, it is expected that economic conditions and unemployment in Spain will continue to deteriorate.

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, because of weaker economic activity and, above all, a deterioration in employment in 2012, which is expected to continue in 2013. 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 public deficit. Real or perceived difficulties in making the payments associated with this deficit 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.



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- Spanish domestic demand in 2012 was heavily impacted by fiscal policy both directly, through the progressive contraction of public sector demand (as a result, among other reasons, of tighter fiscal targets), and indirectly, through the impact of fiscal policy reforms on the consumption and investment decisions of private parties (as a result, for example, of increases in various taxes, including income tax and value added tax (VAT), and the elimination of certain tax benefits (including tax benefits on the purchase of a home)).
- Unemployment continued to increase in 2012 and is expected to remain above 27 per cent. during 2013.
- In 2013, 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 2013 will continue to reduce the non-wage component of disposable income, despite the possible increase in the volume of unemployment benefits. Higher personal income taxes are also expected to have a negative effect. Households' nominal disposable income remained constant in 2011 but fell by 2.7 per cent. in 2012 and are estimated to fall by 2 per cent. in 2013.
- Investment in residential real estate contracted by approximately 6.7 per cent. and 8.0 per cent. in 2011 and 2012, respectively, and is expected to contract by 9.3 per cent. in 2013.

The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. The Group's total impaired loans to customers in Spain amounted to €15,152 million, €11,043 million and €10,954 million as of 31st December, 2012, 2011 and 2010, respectively, principally due to the deterioration in the macroeconomic environment. The Group's total impaired loans to customers in Spain as a percentage of total loans and receivables to customers in Spain were 7.3 per cent., 5.5 per cent. and 5.2 per cent. as of 31st December, 2012, 2011 and 2010, respectively. The Group's loan loss reserves to customers in Spain as a percentage of impaired loans to customers in Spain as of 31st December, 2012, 2011 and 2010 were 64 per cent., 43 per cent. and 45 per cent., respectively. Given the concentration of the Group's loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on the Group's loan portfolio and, as a result, on its business, financial condition and results of operations.

### ***Exposure to the Spanish real estate market makes the Group vulnerable to developments in this market.***

In the years prior to 2008, population increase, economic growth, declines in unemployment rates and increases in levels of household disposable income, together with low interest rates within the EU, led to an increase in the demand for mortgage loans in Spain. 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. Spanish real estate prices continued to decline during 2012 in light of deteriorating economic conditions. It is expected that housing demand will remain weak and housing transactions will continue decreasing in 2013.

The Group has substantial exposure to the Spanish real estate market and the continuing deterioration of Spanish real estate prices could materially and adversely affect its business, financial condition and results of operations. The Group is exposed to the Spanish real estate market due to the fact that Spanish real estate assets secure many of its outstanding loans and due to the significant amount of Spanish real estate assets held on its balance sheet, including real estate received in lieu of payment for certain underlying loans. Furthermore, the Group has restructured certain of the loans it has made relating to real estate and the capacity of the borrowers to repay those restructured loans may be materially adversely affected by declining real estate prices. Residential real estate mortgages to individuals represented 23.8 per cent., 21.9 per cent. and 23.1 per cent. of the Group's domestic loan portfolio as of 31st December, 2012, 2011 and 2010, respectively. The Group's loans for the development of real estate and housing construction in Spain amounted to €15,358 million as of 31st December, 2012 (with a provisioning coverage of 36.7 per cent.), and represented 7 per

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cent. of its gross domestic lending as of 31st December, 2012. The Group's non-performing real estate loans represented 44.4 per cent. of its real estate portfolio as of 31st December 2012.

If Spanish real estate prices continue to decline, the Group's business may be materially adversely affected, which could materially and adversely affect its financial condition and results of operations.

### ***Highly-indebted households and corporations could endanger the Group'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 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 Group'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 Group may otherwise be able to sell them and limiting the Group's ability to attract new customers in Spain satisfying its credit standards, which could have an adverse effect on the Group's ability to achieve its growth plans.

### **Risks Relating to Latin America**

#### ***Events in Mexico could adversely affect the Group's operations.***

The Group is substantially dependant on its Mexican operations, with approximately €1,821 million, €1,711 million and €1,683 million of profit attributable to the parent company in 2012, 2011 and 2010, respectively, being generated in Mexico. The Group 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. While the Mexican economy is expected to grow in 2013, there are economic risks due to a possible lower demand from the U.S. In the second half of 2012, signs of weakness in external demand have been observed, among which a slowdown in manufactured exports and a decline in remittance flows to Mexico are particularly significant.

As of 31st December, 2012, 2011 and 2010, the Group's mortgage loan portfolio delinquency rates in Mexico were 6.4 per cent., 4.1 per cent. and 3.3 per cent., respectively, and its consumer loan portfolio delinquency rates were 3.3 per cent., 2.5 per cent. and 2.9 per cent., respectively. The default rate is evolving in line with the increase in the activity of the Guarantor's Mexican subsidiary and the risk premium has stabilised around 3.49 per cent. If there is a further increase in unemployment rates (which were 5.0 per cent. in 2012 as compared to 5.2 per cent. in 2011), 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, inflation was 4.25 per cent. in March 2013, exceeding the target set by the Mexican Central Bank. Any tightening of the monetary policy, including to address upward inflationary pressures, could make it more difficult for customers of the Group'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. In May 2013, Mexico presented its proposed financial reforms, which are based on: i) a new mandate for development banks, ii) the promotion of competition to reduce interest rates, iii) the creation of incentives for banks to give more credit and iv) the strengthening of the banking system. It is expected that the final text will be adopted during the course of 2013. Finally, growing social tensions in Mexico, including as a result of drug-related corruption and escalating violence, could weigh on the economic outlook, which could increase economic uncertainty and capital outflows.

According to the mandate of the Law for Transparent and Ordered Financial Services in place (last modified in 2010), the Mexican National Commission for the Protection and Defense of Financial Services Users

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(Comisión Nacional para la Defensa de los Usuarios de los Servicios Financieros or Condusef) (Condusef) has continued to request that banks send several of their service contracts for revision (for example, credit cards and insurance), in order to check that they comply with the dispositions on transparency and clarity for protecting financial service users. Condusef still does not have systematic ways to evaluate and grade service contracts, and this reflects on a substantial variation in grades from one year to the next and no clear instructions for adequating such contracts. Therefore, the Law Committee of the Banking Association (ABM) is coordinating a working group to propose improvements in the process. In addition, Condusef has asked banks to formulate new procedures so that beneficiaries of deposit accounts can collect the funds in the case of the death of the account owner.

The Money Laundering Law (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*) will become effective in July 2013. The Ministry of Finance (*Secretaría de Hacienda y Crédito Público*) and a special analysis unit within the Federal Attorney's Office (*Unidad Especializada en Análisis Financiero en Contra de la Delincuencia Organizada, de la Procuraduría General de la República*) are in charge of this process. The Law specifies more severe penalties for non compliance and more information requirements for some transactions. However, authorities are working on evaluating the impact of the law before it comes into force.

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 Group 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 Group lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect the Group'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 Group'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 Group recorded a €90 million decrease in its profit attributable to parent company.

Many of the main challenges for the region relate to the evolution of external factors, including the crisis in Europe or the fiscal adjustment measures in the U.S., and the increasing use of macro-prudential measures to control global liquidity, which could deter financial flows to enter in Latin American countries. In addition, inflationary pressure and inflation forecasts have worsened in most countries in the region (with inflation in some countries exceeding the relevant central banks' targets) due to the strength of economic activity and increased food prices. Price overheating is leaving Latin America economies more vulnerable to an adverse external shock since the more important role of exports in their GDP is making them more dependent on the maintenance of high terms of trade. Moreover, uncertainty on the evolution of the global economy in conjunction with upward pressure from domestic demand is expected to make most central banks in the region to remain on hold, leaving interest rates unchanged. This would result in monetary policy being less likely to act as a stabiliser in case of domestic overheating. The region needs to promote reforms to increase productivity and to consolidate growth in the long term, as the sustainable growth of per capita income cannot be based only on capital accumulation and employment growth.

In addition, negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect the Group 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 Group operates.

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While the Group 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 Group operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. The region's growth has decelerated in 2012, registering a growth rate of 3 per cent., in particular due to the economic slowdown of Brazil. 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. BBVA believes that the main global risk for Latin America countries is currently posed by the possible deterioration of the European crisis, which would especially affect countries with less capacity to access international markets to cushion the fall in commodity prices and with less room to use counter-cyclical policies. Any such developments may adversely affect the business, financial condition, operating results and cash flows of the BBVA'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, non-performing loan ratios rose and bank deposits and loans contracted. These trends have been corrected in recent months in most countries. 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, European and U.S. economies intensify, the business, financial condition, operating results and cash flows of the BBVA's subsidiaries in Latin America are likely to be materially adversely affected.

***The Group 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 Group 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 Group 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 Group'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 (with the current foreign exchange position of Latin American countries and Mexico representing approximately 25 per cent. of the total assets of the Group), difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors, or the distribution of dividends. For example, in October 2012, Argentina sharply raised its excess-capital requirements from 30 per cent. to 75 per cent. of minimum capital before banks (including BBVA Banco Francés, S.A.) can distribute dividends. As a result, BBVA Banco Francés, S.A. will not make a dividend payment with respect to 2012. Furthermore, while most Latin American currencies to which the Group is exposed appreciated during 2012, this trend could be reversed. For example, in February 2013, the Venezuelan government decided to devalue the Venezuelan bolivars fuerte for the fifth time in nine years by approximately 32 per cent. (from 4.30 to 6.30 per U.S. dollar), which undermined the dividends of the Group's Venezuelan subsidiary awaiting repatriation.

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The Group's presence in Latin American markets also requires it to respond to rapid changes in market conditions in these countries. There can be no assurance that BBVA 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 Group'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 Group 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 Group'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 Group's business, financial condition, results of operations and cash flows.

### **Risks Relating to the United States**

***Adverse economic conditions in the United States may have a material effect on the Group's business, financial condition, results of operations and cash flows.***

As a result of the business of the Guarantor's subsidiaries in the United States, the Group is 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 had significant effects on the real economy and resulted in significant volatility and uncertainty in markets and economies around the world. The recovery is still weak, as the economy is growing at low rates and unemployment is persistently high. 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 acquisition of BBVA Compass in the aggregate amount of €1,444 million as of 31st December 2011. See Note 20 to the Consolidated Financial Statements. 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 Group's strategic growth in Asia exposes it to increased regulatory, economic and geopolitical risk relating to emerging markets in the region, particularly in China.***

Pursuant to certain transactions completed in the past few years (see Note 17 to the Consolidated Financial Statements), BBVA's ownership interest in members of the CITIC Group, a Chinese banking group, are a 29.7 per cent. stake in CITIC International Financial Holdings Ltd (CIFH) and a 15 per cent. stake in China CITIC Bank Corporation Limited (CCBC). CIFH is a banking entity headquartered in Hong Kong and CCBC is a banking entity headquartered in China. As a result of the Group'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 Group's activity, could have a significant effect on Chinese private sector entities in general, and on CIFH or CCBC 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

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the banking sector generally and CIFH's and CCBC's respective profitability in particular. The Group'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 Group believes long term prospects in both China 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. China's growth momentum continued to slow more than expected in 2012 due to external pressures and lags in the effect of policy stimulus put in place in 2012. 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 Group'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, political 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 Türkiye Garanti Bankası 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 economic, political and other conditions prevailing in or that otherwise affect Turkey. For instance, 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 and 2.2 per cent. in 2012, the Turkish economy is expected to grow by 4.0 per cent. in 2013. In addition, inflation increased by 8.9 per cent. in 2012 on average and is expected to further increase by 6.9 per cent. in 2013. However, the recent civil developments in Turkey could adversely affect economic growth for 2013. Furthermore, Turkey's recent credit boom led to the rapid widening of its current account deficit, which reached a multi-year high of 9.9 per cent. of GDP in 2011 and was 5.9 per cent. by the end of 2012. Despite Turkey's increased political and economic stability in recent years, the recent rating upgrade by Fitch in November 2012 and by Moody's in May 2013 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, as witnessed by the recent civil developments, which may also have an adverse effect on the financial sector. 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 (including as a result of a deterioration in the EU accession process), could dampen capital flows to Turkey and adversely affect the Turkish economy.

In addition, actions taken by the Turkish government could adversely affect Garanti's business and prospects. 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 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. Moreover, political uncertainty or instability within Turkey and in some of its neighbouring countries

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(including as a result of the ongoing civil war in Syria) has historically been one of the potential risks associated with investments in Turkish companies.

Furthermore, 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.

Any of the risks referred to above 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.

***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.

### **Other Risks**

***Weaknesses or failures in the Group's internal processes, systems and security could materially adversely affect its results of operations, financial condition or prospects, and could result in reputational damage.***

Operational risks, through inadequate or failed internal processes, systems (including financial reporting and risk monitoring processes) or security, or from people-related or external events, including the risk of fraud and other criminal acts carried out against Group companies, are present in the Group's businesses. These businesses are dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness in these internal processes, systems or security could have an adverse effect on the Group's results, reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period. In addition, any breach in security of the Group's systems could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure for the Group. Although the Group devotes significant resources to maintain and regularly update its processes and systems that are designed to protect the security of its systems, software, networks and other technology assets, there is no assurance that all of its security measures will provide absolute security. Any damage to the Group's reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in its systems, processes or security could have a material adverse effect on its results of operations, financial condition or prospects.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that any of the Issuers or the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List.

***Compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort.***

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Group companies are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Although the Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that its Group-wide anti-money laundering and anti-terrorism financing policies and procedures completely prevent situations of money laundering or terrorism financing. Any of such events may have severe consequences, including sanctions, fines and notably reputational consequences, which could have a material adverse effect on the Group's financial condition and results of operations.

### *A reduction in expansive monetary policies (“tapering”) could increase exchange rate volatility*

In order to stimulate their economies, the United States and Japan are currently carrying out expansive monetary policies. A reduction of this stimulus (“tapering”, such as that being considered by the United States) could potentially increase exchange rate volatility. This might especially impact emerging economies such as Asia, Latin America and Turkey, which will negatively affect the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries.

## **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:

**If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.**

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.

**If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.**

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts 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 relevant 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 market rates.

**The interest rate on Fixed Reset Notes will reset on each Reset Date, which can be expected to affect interest payments on an investment in Fixed Reset Notes and could affect the market value of Fixed Reset Notes**



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Fixed Reset Notes will initially bear interest at the Initial Interest Rate until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Reset Margin as determined by the Principal Paying Agent on the relevant Reset Determination Date (each such interest rate, a **Subsequent Reset Rate**). The Subsequent Reset Rate for any Reset Period could be less than the Initial Interest Rate or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Reset Notes.

### **Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.**

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) 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.

### **An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency**

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 all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons 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 BSC 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.

### **Subordinated Notes may be subject to loss absorption at the point of non-viability.**

On 6th June, 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the **RRD**). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers provided to resolution authorities in the draft RRD include write down powers to ensure relevant capital instruments (including Tier 2 capital instruments such as the Subordinated Notes) fully absorb losses at the point of non-viability of the issuing institution, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. Accordingly, the draft RRD contemplates that resolution authorities may require the permanent write down in full of such capital instruments (including Tier 2 capital instruments such

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as the Subordinated Notes) or the conversion of them into common equity tier 1 instruments at the point of non-viability (which common equity tier 1 instruments may also be subject to any application of the bail-in tool) and before any other resolution action is taken (the **RRD Loss Absorption Requirement**).

For the purposes of the RRD Loss Absorption Requirement, the point of non-viability under the draft RRD is the point at which the relevant authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes) are written down or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable. The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control. Furthermore, the determination that all or part of the principal amount of any relevant capital instruments (such as the Subordinated Notes) will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the institution's control. This determination will be made by the institution's regulators and there may be many factors, including factors not directly related to the institution, which could result in such a determination. The RRD is further not in final form and there is still scope for changes to be made to the draft RRD before any final legislation is adopted. On the basis of the current proposals, however, European Union member states will be expected to implement the proposed RRD Loss Absorption Requirement on or before 1st January, 2015.

The draft RRD represents the proposed implementation in the European Economic Area of the non-viability requirements set out in the press release dated 13th January, 2011 of the Basel Committee on Banking Supervision (the **Basel Committee**) entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the **Basel III Non-Viability Requirements**). The Basel III Non-Viability Requirements represent part of the broader package of guidance issued by the Basel Committee in the form of the new Basel III capital standards.

The Basel Committee contemplated implementation of the Basel III reforms as of 1st January, 2013. However, implementation of these reforms in the European Economic Area through CRD IV has been delayed. CRD IV contemplates that the Basel III Non-Viability Requirements will be implemented in the European Economic Area by way of the RRD and the RRD Loss Absorption Requirement. If such statutory loss absorption at the point of non-viability is not implemented by 31st December, 2015 CRD IV indicates that the European Commission shall review and report on whether provision for such a requirement should be contained in CRD IV and, in light of that review, come forward with appropriate legislative proposals.

It is currently unclear whether the RRD Loss Absorption Requirement will apply on implementation to capital instruments such as the Subordinated Notes that are already in issue or whether certain grandfathering rules will apply. If and to the extent that the draft RRD is implemented retrospectively so as to apply to Subordinated Notes, the Subordinated Notes will be subject to the provisions of the RRD (including the RRD Loss Absorption Requirement).

In addition to the above, the Spanish government, anticipating the rules to be implemented pursuant to the RRD and implementing the agreements reached in the MoU through Royal-Decree Law 24/2012, of 31st August, which was later replaced by Law 9/2012, has already introduced certain specific loss absorption measures in Spain that may be applied by the Guarantor, the Bank of Spain or the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*, the **FROB**).

The application of such loss absorption measures may be requested by the Guarantor or imposed by the Bank of Spain or the FROB if the Guarantor or its group of consolidated credit entities is in breach of (or there are sufficient objective elements pursuant to which it is reasonable to foresee that they may breach) applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls. In any such case, the Guarantor and, indirectly, the relevant Issuer may be subject to a procedure of "early intervention" (*actuación temprana*), "restructuring" (*reestructuración*) or "resolution" (*resolución*) (as each such term is defined in Law 9/2012). The restructuring and resolution procedures may involve the application of loss absorption measures which may include, among others: (i) the deferment, suspension, elimination or amendment of certain rights, obligations, terms and conditions of any Subordinated Notes, (ii) the repurchase of any Subordinated Notes at a price set by the Bank of Spain or the FROB, (iii) the exchange of any

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Subordinated Notes for capital instruments of the Guarantor, (iv) the write down of any interest and/or principal amount of the Subordinated Notes, and (v) the redemption of any Subordinated Notes. Law 9/2012 does not include any grandfathering provisions and applies equally to those capital instruments such as the Subordinated Notes that are already in issue as well as any future issues of such instruments and Subordinated Notes.

The obligations of BSC under Subordinated Notes and of the Guarantor under the Subordinated Guarantee may, therefore, be subject to write-down or loss absorption at the point of non-viability or otherwise on any bail-in or pursuant to the loss absorption measures under Law 9/2012, which may result in holders of Subordinated Notes losing some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of Subordinated Notes.

The draft RRD is not in final form and changes may be made to it in the course of the legislative process. It is also presently unclear what the implications of its implementation will be for the loss absorption measures introduced in Spain by Law 9/2012 and as to what extent, if any, the provisions of Law 9/2012 may need to change once the draft RRD is implemented. Accordingly, it is not yet possible to assess the full impact of Law 9/2012 or the draft RRD. There can be no assurance that the implementation of the RRD in its current form or in its final form as modified and any actions that may be taken pursuant to the RRD once implemented or Law 9/2012 would not adversely affect the price or value of a Noteholder's investment in Subordinated Notes and/or the ability of BSC to satisfy its obligations under Subordinated Notes or of the Guarantor under the Subordinated Guarantee.

### **Claims of Holders under the Senior Notes are effectively junior to those of certain other creditors and from 1st January, 2018 may also be subject to bail-in.**

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. 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.

In addition, as discussed above (see “- *Subordinated Notes may be subject to loss absorption at the point of non-viability*”), the draft RRD contemplates that resolution authorities will also have the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (which may include the Senior Notes, subject to certain parameters as to which liabilities could be eligible for the bail-in tool). While it is currently proposed that the RRD Loss Absorption Requirement will be implemented on or before 1st January, 2015, it is not contemplated that the bail-in tool (other than in relation to Additional Tier 1 and Tier 2 instruments) will be applied before 1st January, 2018.

As noted above, the draft RRD is not in final form and changes may be made to it in the course of the legislative process. It is also not yet possible to assess the full impact of the draft RRD, including the extent to which the application of the bail-in tool will affect instruments such as Senior Notes. However, the exercise of any such tool or any suggestions of its exercise could materially adversely affect the value of the Notes.

### **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

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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 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 Notes**):

***Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes***

Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Currently, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity.

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 of the PRC (**MOFCOM**) promulgated the "Circular on Certain Issues Concerning Direct Investment Involving Cross-border Renminbi" (the **MOFCOM Circular**). Pursuant to the MOFCOM Circular, MOFCOM and its local counterparts are authorised to approve Renminbi foreign direct investments (**FDI**) in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM. The MOFCOM Circular also states that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement under the PRC strategic regime.

On 13th October, 2011, the People's Bank of China (the **PBoC**) promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment (the **PBoC FDI Measures**) as part of the implementation of the PBoC's detailed FDI accounts administration system. The system covers almost all aspects of 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. On 14th June, 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the

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PBoC FDI Measures, special approval for 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 FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC 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 relevant Issuer to source Renminbi to finance its obligations under Renminbi Notes.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong and Taiwan. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited and Bank of China, Taipei Branch (each an **RMB Clearing Bank**) has entered into settlement agreements with the PBoC to act as the RMB clearing bank in Singapore, Hong Kong and Taiwan respectively.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC only for the purpose of squaring 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. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square 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 agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside of the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi 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 Renminbi Notes may be replaced by an obligation to pay such amount in U.S. dollars if "RMB Currency Event" is specified 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 from time to time 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 will be made with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency

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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 U.S. dollar or other applicable foreign currency terms will decline.

### ***Investment in Notes denominated in Renminbi is subject to interest rate risks***

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

### ***Where Renminbi Currency Event is specified in the applicable Final Terms, if the Renminbi is not available in certain circumstances as described in the Notes, the Issuer can make payments under the Renminbi Notes in the U.S. Dollars***

There can be no assurance that access to Renminbi for the purposes of making payments under the Renminbi Notes by the relevant Issuer or generally will remain or that new PRC regulations will not be promulgated which have the effect of restricting availability of Renminbi outside of the PRC.

Although the relevant Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where Renminbi Currency Event is specified in the applicable Final Terms, in the event access to Renminbi becomes restricted to the extent that, by reason of Renminbi Inconvertibility, Renminbi Non-Transferability or Renminbi Illiquidity (each as defined in the conditions of Notes), the relevant Issuer is unable to make any payment in respect of the Renminbi Notes in Renminbi, the terms of the Renminbi Notes permit the relevant Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in the conditions of the Notes. The value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place.

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

Investors may be required to provide certification 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 or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in the conditions of the Renminbi Notes, the Bank 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 Renminbi Notes 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 Renminbi Notes 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.

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In addition, there is uncertainty as to whether gains realised on the transfer of the Renminbi 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 Renminbi Notes 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, holders of Renminbi Notes who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Renminbi Notes.

If a holder of Renminbi Notes, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Renminbi Notes, the value of the relevant holder's investment in the Renminbi 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:

#### **Noteholders will not be able to exercise their rights on an event of default in the event of the adoption of any resolution measure under Law 9/2012**

As discussed above (see “- *Risks related to the structure of a of a particular issue of Notes - Subordinated Notes may be subject to loss absorption at the point of non-viability*”), the Guarantor and, indirectly, the relevant Issuer may be subject to a procedure of early intervention, restructuring or resolution under Law 9/2012 if the Guarantor or its group of consolidated credit entities is in breach of (or there are sufficient objective elements pursuant to which it is reasonable to foresee that they may breach) applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls.

Pursuant to Law 9/2012 the adoption of any early intervention, restructuring or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the relevant Issuer or Guarantor to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 9/2012.

Accordingly, while the Notes are governed by English law and each of the Issuers and the Guarantor submit to the exclusive jurisdiction of the English courts, the above provisions of Law 9/2012 may limit the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default (as defined in Condition 9). In addition, pursuant to Directive 2001/24/EC on the reorganisation and winding up of credit institutions in EU Member States, Law 9/2012 and The Credit Institutions (Reorganisation and Winding up) Regulations 2004 of the United Kingdom, any resolution procedure is specified under Law 9/2012 to be a “reorganisation measure” for the purposes of Directive 2001/24/EC and, as such, will be effective in the United Kingdom in relation to any Notes as if it were part of the general law of insolvency of the United Kingdom. Given the absence of any grandfathering provisions under Law 9/2012, this is the case both for those Notes already in issue as well as any Notes issued in the future.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any resolution procedure will, therefore, be subject to the relevant provisions of Law 9/2012 in relation to the exercise of the relevant measures and powers pursuant to such procedure, which may include, among others, the sale of BBVA's business, the transfer of assets or liabilities of BBVA to a bridge bank and/or the transfer of assets or liabilities of BBVA to an asset management company. Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 9/2012. There can be no assurance that the taking of any such action would

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not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the relevant Issuer and/or the Guarantor to satisfy its obligations under the Notes or the Guarantee and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

### **Spanish tax rules**

Article 44 of RD 1065/2007, as amended by the RD 1145/2011, 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.

According to Article 44.5 RD 1065/2007, the Issuers and the Guarantor 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 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 were 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.

As at the date of this Offering Circular, the Guarantor has entered into an agreement 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.

### **General**

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and none of the Issuers, the Guarantor or the Dealers, assumes any responsibility therefore. In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the relevant Issuer will notify the holders of such information procedures and their implications, as



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the relevant Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

### **The conditions of the notes contain provisions which may permit their modification without the consent of all investors**

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.

### **The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.**

#### *U.S. Foreign Account Tax Compliance Withholding*

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the clearing systems (see “*Taxation - U.S. Foreign Account Tax Compliance Withholding*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the common depository for the clearing systems (as bearer or registered holder of the Notes, as the case may be) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

#### *Withholding under the 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). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. 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 (as defined in the Conditions of the Notes) nor any other person would be obliged to pay

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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.

**The value of the Notes could be adversely affected by a change in English law or administrative practice.**

The Conditions (except for Condition 3 and Condition 14) 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 and any such change could materially adversely impact the value of any Notes affected by it.

### **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 material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

**An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes**

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.

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**If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.**

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 or the ability of the relevant Issuer or Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.**

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

**Credit ratings assigned to the relevant Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.**

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, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under 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), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. 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). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

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## 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 Conduct 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, 2011 and 31st December, 2012 (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 Form 20-F (which includes on pages F-1 to F-171 and pages A-1 to A-47 thereof, the Consolidated Financial Statements);
- (c) the published unaudited interim report of the Guarantor (on a consolidated basis) for the three month period ending 31st March, 2013; 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) and 15th June 2012, pages 73 to 109 (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 and are available for viewing at <https://www.bbva.com>.

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.*

<b>Description:</b>	Global Medium Term Note Programme
<b>Issuers:</b>	BBVA Senior Finance, S.A. Unipersonal ( <b>BSF</b> ), which issues Senior Notes only, BBVA Subordinated Capital, S.A. Unipersonal ( <b>BSC</b> ), which issues Subordinated Notes only and BBVA U.S. Senior, S.A. Unipersonal ( <b>BUS</b> ), which issues Senior Notes only.
<b>Guarantor:</b>	Banco Bilbao Vizcaya Argentaria, S.A. ( <b>BBVA</b> )
<b>Arranger:</b>	UBS Limited
<b>Dealers:</b>	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 plc 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.
<b>Certain Restrictions:</b>	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 “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”) including the following restrictions applicable at the date of this Offering Circular:  <b>Notes with a maturity of less than one year</b>  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*”.

<b>Issuing and Principal Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>Euro Registrar and Paying Agent:</b>	Deutsche Bank Luxembourg S.A.
<b>U.S. Registrar and Paying Agent:</b>	Deutsche Bank Trust Company Americas
<b>Programme Size:</b>	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.
<b>Distribution:</b>	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.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
<b>Maturities:</b>	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.
<b>Issue Price:</b>	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	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> ”. BSF and BSC may issue Notes in bearer or registered form. BUS will issue Notes only in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
<b>Fixed Rate Notes:</b>	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.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest at a rate determined:  (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 the reference rate set out in the applicable Final Terms.

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.

Interest on Floating Rate 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.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:**

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.

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.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions: - Notes with a maturity of less than one year*" above.

**Denomination of Notes:**

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 "*Certain Restrictions: - Notes with a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAIN Registered Note will be U.S.\$200,000 or its approximate equivalent in other Specified Currencies.

**Taxation:**

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 7. 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 7, be required to pay additional amounts to cover the amounts so deducted.

According to RD 1145/2011, the Issuers and the Guarantor 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 “*Taxation - Tax Reporting Obligations of the Issuers and the Guarantor*”.

For further information regarding the interpretation of RD 1145/2011 please refer to “*Risk Factors - Spanish tax rules*”.

For further details, see “*Taxation*” below.

**Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 9.

**Negative Pledge:** The terms of the Notes will not contain a Negative Pledge provision.

**Status of the Notes:** Notes may be either Senior Notes or Subordinated Notes as more fully described in “*Terms and Conditions of the Notes - Status of the Notes and the Guarantees*”. BSF and BUS will issue only Senior Notes. BSC will issue only Subordinated Notes.

**Status of the Guarantees:** 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 “*Terms and Conditions of the Notes - Status of the Notes and the Guarantees*”.

**Substitution:** 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 “*Terms and Conditions of the Notes - Substitution*”.

**Rating:** The Programme has been rated BBB- by S&P, Baa3 by Moody’s and BBB+ by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Noteholder Representative and Meetings:** Spanish company law requires that a representative (*Comisario*) 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.

**Listing:**

Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.

**Governing Law:**

The terms and 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 14 (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.

**Selling Restrictions:**

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 “*Subscription and Sale and Transfer and Selling Restrictions*”.

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## 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.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

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.

## FORM OF THE NOTES

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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 9) 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 13 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

## FORM OF THE NOTES

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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.

Registered Global Notes issued in respect of any Tranche and 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 the New Safekeeping Structure for registered global securities, may be intended to be held in a manner which would allow Eurosystem eligibility. This does not necessarily mean that the Notes of such Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life, as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

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 IAIN Registered Notes**). Unless otherwise set forth in the applicable Final Terms, Definitive IAIN 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 IAIN 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 IAIN 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 IAIN 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 5(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 5(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

## FORM OF THE NOTES

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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 13 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 IAIN Registered Note and Definitive IAIN 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 at a point after the Issue Date of the further Tranche, 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 such time as the Tranches are consolidated and form a single Series, which shall not be prior to 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. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. 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

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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 1 July, 2013 and executed by BSF, (in the case of BSC) a deed of covenant dated 1 July, 2013 and executed by BSC and (in the case of BUS) a deed of covenant dated 1 July, 2013 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.

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# APPLICABLE FINAL TERMS

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

Issue of [ ] [ ]  
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 1 July, 2013 [and the supplement[s] to it dated [ ] and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). 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 has been published on the website of the London Stock Exchange.

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 [ ] which are incorporated by reference in the Offering Circular dated 1 July, 2013. 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 dated 1 July, 2013 [and the supplement[s] to it dated [ ] and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer, the Guarantor 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 has been published on the website of the London Stock Exchange .]

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: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ ]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]

## FORM OF FINAL TERMS

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5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from [ ]]
6. (a) Specified Denomination: [ ]  
(b) Calculation Amount [ ]
7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/ Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[Fixed Reset Notes]  
[ ] month [[LIBOR/EURIBOR] +/- [ ] per cent.  
Floating Rate] [Zero Coupon] [Not Applicable]  
(see paragraphs [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs [14], [15],[16] and [17] below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call] [Not Applicable]  
[(see paragraph [18]/[19]/[20] 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]] [Not Applicable]

### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [[ ] per cent. per annum payable in arrear on each



- Interest Payment Date] / [Not Applicable]
- (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[Not Applicable]
- (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount] / [Not Applicable]
- (d) Broken Amount(s): [[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360 or 30/360 (ISDA)] [Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Not Applicable]
- (f) Determination Date(s): [[ ] in each year] [Not Applicable]
- 15. Fixed Reset Provisions:** [Applicable/Not Applicable]
- (a) Initial Interest Rate: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]
- (c) Fixed Coupon Amount to (but excluding) the First Reset Date: [[ ] per Calculation Amount/Not Applicable]
- (d) Broken Amount(s): [[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year][Not Applicable]
- (g) First Reset Date: [ ]
- (h) Second Reset Date: [ ]/[Not Applicable]
- (i) Subsequent Reset Date(s): [ ] [and [ ]]
- (j) Reset Margin: [+/-][ ] per cent. per annum
- (k) Relevant Screen Page: [ ]
- (l) Floating Leg Reference Rate: [ ]
- (m) Floating Leg Screen Page: [ ]
- (n) Initial Mid-Swap Rate: [ ] per cent. per annum (quoted on a[n annual/semi-annual basis])

- 16. Floating Rate Note Provisions** [Applicable/Not Applicable]
- (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/ [ ]]
- (c) Additional Business Centre(s): [ ] / [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [ ] [ ] month [LIBOR/EURIBOR]
- Interest Determination Date(s): [ ]
- Relevant Screen Page: [ ]
- (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)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
- 17. Zero Coupon Note Provisions** [Applicable/Not Applicable]

## FORM OF FINAL TERMS

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- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

### PROVISIONS RELATING TO REDEMPTION

- 18. Issuer Call** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [[ ] days  
Maximum period: [[ ] days]
- 19. Investor Put** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount]
- (c) Notice period (if other than as set out in the Conditions): Minimum period: [[ ] days  
Maximum period: [[ ] days]
- 20.** Final Redemption Amount: [ ] per Calculation Amount
- 21.** Early Redemption Amount payable on redemption for taxation reasons, on an event of default or upon the occurrence of a Capital Event: [ ] per Calculation Amount

### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22.** 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]

[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 IAIN Registered Notes (specify nominal amounts)]]

- |     |  |  |
|-----|--|--|
| 23. | New Global Note (NGN):   | [Applicable][Not Applicable]   |
| 24. | Additional Financial Centre(s):                                      | [Not Applicable/[ ]]   |
| 25. | Talons for future Coupons to be attached to Definitive Bearer Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |
| 26. | Condition 16 applies:  | [Yes] [No]   |
| 27. | RMB Currency Event:  | [Applicable/Not Applicable]  |
| 28. | Spot Rate (if different from that set out in Condition 5(h)):        | [[ ]/Not Applicable]   |
| 29. | Party responsible for calculating the Spot Rate:                     | [[ ] (the <b>Calculation Agent</b> )]  |
| 30. | Relevant Currency (if different from that in Condition 5(h)):        | [[ ]/Not Applicable]   |
| 31. | RMB Settlement Centre(s)   | [[ ]/Not Applicable]   |

**FORM OF FINAL TERMS**

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Signed on behalf of the Issuer:

By: .....  
*Duly authorised*

Signed on behalf of the Guarantor:

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 [the London Stock Exchange's regulated market and to the Official List of the UK Listing Authority] with effect from [ ]].
- (b) Estimate of total expenses related to admission to trading: [ ]

**2. RATINGS**

[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].]

**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. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business]

**4. 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.

**5. OPERATIONAL INFORMATION**

- (a) Intended to be held in a manner which would allow Eurosystem eligibility: [Applicable][Not Applicable]
- (b) ISIN Code: [ ]
- (c) Common Code: [ ]
- (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/[ ]]
- (f) Delivery: Delivery [against/free of] payment

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

**6. THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

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## 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 (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Final Terms” 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 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 1 July, 2013 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, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, 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. Registered Notes and Global Notes do not have 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 (the **Conditions**). 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 1 July, 2013 and executed by the Guarantor (the **Senior Guarantee**) or, if this is a Subordinated Note, a subordinated guarantee dated 1 July, 2013 and executed by the Guarantor



## TERMS AND CONDITIONS OF THE NOTES

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(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 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 **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 and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 1 July, 2013 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**). If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders 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.

In the Conditions, **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.

### 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 currency (the **Specified Currency**) and the denomination (the **Specified Denomination(s)**) specified in the applicable Final Terms. 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 Fixed Reset Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest 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.

## TERMS AND CONDITIONS OF THE NOTES

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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 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 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

## TERMS AND CONDITIONS OF THE NOTES

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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 6, 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 **IAIN 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

## TERMS AND CONDITIONS OF THE NOTES

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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) below, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) below, 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 IAIN 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 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 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.

The Subordinated Notes are also subject to any Statutory Loss Absorption Regime applicable to the Subordinated Notes.

In the Conditions:

**Statutory Loss Absorption Regime** means any statutory regime implemented or directly effective in Spain which provides any administrative agency or governmental authority (including, without limitation, *Fondo de Reestructuración Ordenada Bancaria (FROB)*), or any successor authority with the powers to implement any loss absorption measures in respect of capital instruments (such as the Subordinated Notes), including, but not limited to, Spanish Law 9/2012 of 14th November, on restructuring and resolution of credit entities (**Law 9/2012**) and any such regime which is implemented pursuant to the RRD or which otherwise contains provisions analogous to those regarding the implementation of loss absorption measures in respect of capital instruments contained in Chapter IV of the draft text of the RRD published on 6th June, 2012; and

**RRD** means any relevant laws and regulations applicable to the Issuer at the relevant time pursuant to, or which implement, or are enacted within the context of, a directive or regulation of the European Parliament and/or of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (a first draft of which was published on 6th June, 2012) or such other resolution or recovery rules which may from time to time be applicable to the Issuer.

### (c) Status of the Senior Guarantee

The payment of principal and interest in respect of the Senior Notes and any relative Coupons and all amounts due under the Deed of Covenant in respect of the Senior Notes and any relative Coupons 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 all amounts due under the Deed of Covenant in respect of the Subordinated Notes and any relative Coupons 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).

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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. 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.



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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
- (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 4(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);

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- (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 Fixed Reset Notes

Each Fixed Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date at the rate per annum equal to the Initial Interest Rate;
- (ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if none, the Maturity Date (the **First Reset Period**) at the rate per annum equal to the First Reset Rate; and
- (iii) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each a **Subsequent Reset Period**) at the rate per annum equal to the relevant Subsequent Reset Rate,

(in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) (each a **Rate of Interest**) payable, in each case, in arrear on the Interest Payment Date(s) in each year up to and including the Maturity Date.

The provisions of this Condition 4(b) shall apply, as applicable, in respect of any determination by the Principal Paying Agent of the Rate of Interest for a Reset Period in accordance with this Condition 4(b) as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with the provisions of this Condition 4(b). Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 4(a) shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

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In these Conditions:

**First Reset Rate** means the sum of the Reset Margin and the Mid-Swap Rate for the First Reset Period;

**Mid-Swap Rate** means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the rate for the Reset Date of, in the case of semi-annual or annual Interest Payment Dates, the semi-annual or annual swap rate, respectively (with such semi-annual swap rate to be converted to a quarterly rate in accordance with market convention, in the case of quarterly Interest Payment Dates) for swap transactions in the Specified Currency maturing on the last day of such Reset Period, expressed as a percentage, which appears on the Relevant Screen Page as of approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date. If such rate does not appear on the Relevant Screen Page, the Mid-Swap Rate for the Reset Date will be the Reset Reference Bank Rate for the Reset Period;

**Reference Banks** means five leading swap dealers in the interbank market for swap transactions in the Specified Currency with an equivalent maturity to the Reset Period as selected by the Bank;

**Relevant Screen Page** means the display page on the relevant service as specified in the applicable Final Terms or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Principal Paying Agent, for the purpose of displaying the relevant swap rates for swap transactions in the Specified Currency with an equivalent maturity to the Reset Period;

**Representative Amount** means an amount that is representative for a single transaction in the relevant market at the relevant time;

**Reset Date** means the First Reset Date, the Second Reset Date and each Subsequent Reset Date, as applicable;

**Reset Determination Date** means the second Business Day immediately preceding the relevant Reset Date;

**Reset Period** means the First Reset Period or any Subsequent Reset Period, as the case may be;

**Reset Period Mid-Swap Rate Quotations** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on the day count basis customary for fixed rate payments in the Specified Currency), of a fixed-for-floating interest rate swap transaction in the Specified Currency with a term equal to the Reset Period commencing on the Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg (in each case calculated on the day count basis customary for floating rate payments in the Specified Currency), is equivalent to the Rate of Interest that would apply in respect of the Notes if (a) Screen Rate Determination was specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, (b) the Reference Rate was the Floating Leg Reference Rate and (c) the Relevant Screen Page was the Floating Leg Screen Page; and

**Reset Reference Bank Rate** means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the percentage determined on the basis of the Reset Period Mid-Swap Rate quotations provided by the Reference Banks at approximately 11.00 in the principal financial centre of the Specified Currency on the Reset Determination Date. The Principal Paying Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the

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quotation provided. If no quotations are provided, the Mid-Swap Rate will be the Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate.

### (c) Interest on Floating Rate Notes

#### (i) Interest Payment Dates

Each Floating Rate 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. In these Conditions, **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.

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 4(c)(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 TransEuropean 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 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 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 the day 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 (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) 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.

(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 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.

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

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating 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 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 4:

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- (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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

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“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30;

“D<sub>2</sub>” 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 D<sub>2</sub> 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:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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 D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>2</sub> 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 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 13 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 are for



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the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. 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 4(b) by the Principal Paying 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 and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(d) Accrual of interest**

Each 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 13

## 5. 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 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.

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 7, 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 (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

**(b) Presentation of definitive Bearer Notes and Coupons**

## TERMS AND CONDITIONS OF THE NOTES

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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)).

Fixed Rate Notes in definitive bearer form (other than 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 7) in respect of such principal (whether or to such Coupon would otherwise have become void under Condition 8) 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 unmatured 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, Fixed Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured 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 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

## TERMS AND CONDITIONS OF THE NOTES

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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.

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;

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- (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 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 8) 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 7;
- (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 Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(f)); and
- (vi) 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 7.

**(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 or Coupon, the 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 Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 13 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 Issuer cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the 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 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 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 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 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 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 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 or Coupon in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as RMB Settlement Centre(s) 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 Renminbi in Hong Kong or any relevant RMB Settlement Centre(s)).

**6. REDEMPTION AND PURCHASE**

**(a) Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

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**

Subject to Condition 6(f), 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, and subject to the prior consent of *Banco de España*, if required, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13, 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 7 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 7) 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 to make available at its specified office to the Noteholders (i) 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, and (ii) 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 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (f) 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 as being applicable 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 Spanish capital adequacy regulations then in force and subject to the prior consent of the *Banco de España*, if required, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice 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 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 13 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 13 at least five days prior to the Selection Date.

### (d) **Redemption at the option of the Issuer (Capital Event)**

If a Capital Event occurs as a result of a change in Spanish law, applicable Spanish banking or capital adequacy regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date (including as a result of the implementation or applicability in Spain on or after the Issue Date of CRD IV and/or any applicable Statutory Loss Absorption Regime), the Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the applicable Spanish capital adequacy regulations then in

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force, and subject to the prior consent of *Banco de España* if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

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

a **Capital Event** means the determination by the Guarantor after consultation with *Banco de España* that the Subordinated Notes are not eligible for inclusion in whole or in part in the Tier 2 capital of the Group pursuant to Spanish capital adequacy regulations or any other regulations applicable in Spain from time to time (other than as a result of any applicable limitation on the amount of such capital as applicable to the Guarantor);

**Group** means the Guarantor and its consolidated subsidiaries;

**CRD IV** means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

**CRD IV Directive** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013;

**CRD IV Implementing Measures** means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Guarantor (on a stand alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Guarantor (on a stand alone or consolidated basis);

**CRR** means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

References in the Conditions to applicable Spanish capital adequacy regulations or applicable capital adequacy regulations of *Banco de España* and any related or similar such references shall be construed as including any laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Spain including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Guarantor or the Group) and references to *Banco de España* shall be construed as references to the Regulator. The **Regulator** means *Banco de España* or such other governmental authority which assumes or performs the functions of the Bank of Spain, as at the Issue Date of the first Tranche of the Subordinated Notes, or such other or successor authority exercising primary bank supervisory authority, in each case with respect to prudential matters in relation to BBVA and/or the Group.

Subordinated Notes redeemed pursuant to this Condition 6(d) will be redeemed at their Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### (e) **Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice 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, such Note on



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the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. 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 6(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 6(d) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

### (f) **Early Redemption Amounts**

For the purpose of paragraphs (b) and (d) above and Condition 9, 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) 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 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 the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be 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 will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days 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 will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days 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 will be 365. .

### **(g) 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 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 must be surrendered for cancellation.

### **(h) Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured 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 (g) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### **(i) 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 9 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 (f)(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 13.

## **7. TAXATION**

All payments of principal and interest in respect of the Notes 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 unless such withholding or deduction is required by law. In the event that any withholding or deduction is 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**), the Issuer

## TERMS AND CONDITIONS OF THE NOTES

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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 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 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 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 or Coupon by reason of his having some connection with Spain other than the mere holding of such Note 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 5(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 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 13.

*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".***

## 8. PRESCRIPTION

Claims for payment in respect of Notes (whether in bearer or registered form) 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 7) therefore.

## TERMS AND CONDITIONS OF THE NOTES

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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 5(b) or any Talon which would be void pursuant to Condition 5(b).

### 9. EVENTS OF DEFAULT

#### (a) Events of Default relating to Senior Notes

This Condition 9(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 therefore) 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 therefore);
- (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

## TERMS AND CONDITIONS OF THE NOTES

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- (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, (v), (vi), (viii) and (ix) 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 6(f)), together with accrued interest (if any) to the date of repayment.

For the purpose of Condition 9(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 9(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 9(a)) and will have a rating for long-term subordinated debt assigned by Standard & Poor's Rating Services or

## TERMS AND CONDITIONS OF THE NOTES

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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 6(f)), 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.*

## 10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, 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 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, Coupons or Talons must be surrendered before replacements will be issued.

## 11. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

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

## TERMS AND CONDITIONS OF THE NOTES

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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 5(e). Notice of any variation, termination, appointment or change in Agents will be given promptly by the Issuer to the Noteholders in accordance with Condition 13.

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 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.

### 12. 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 8.

### 13. 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

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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.

### 14. 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.

### 15. MODIFICATION AND WAIVER

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

- (a) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, 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 or Couponholders in accordance with Condition 13.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless notified prior to the relevant modification, be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

### 16. 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 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.

### 17. 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 17(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 7 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

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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 17(a)(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place

## TERMS AND CONDITIONS OF THE NOTES

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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 13.

### (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

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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 17(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

## TERMS AND CONDITIONS OF THE NOTES

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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 13.

### 18. 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.

### 19. 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), 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, 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 construed in accordance with, Spanish law. In addition, the provisions of Condition 14 (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.

*Pursuant to Directive 2001/24/EC on the reorganisation and winding up of credit institutions in EU Member States, Spanish Law 9/2012 and The Credit Institutions (Reorganisation and Winding up) Regulations 2004 of the United Kingdom, any resolution procedure under Law 9/2012 is specified to be a “reorganisation measure” for the purposes of Directive 2001/24/EC and, accordingly, will be effective in the United Kingdom as if it were part of the general law of insolvency of the United Kingdom.*

#### (b) Submission to jurisdiction

- (i) Subject to Condition 19(b)(iii) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this Condition 19, each of the Issuer and any Noteholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (iii) This Condition 19(b)(iii) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

#### (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 in any proceedings before the English courts in relation to any Dispute, and agrees

## **TERMS AND CONDITIONS OF THE NOTES**

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that, in the event of the Guarantor being unable or unwilling for any reason so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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## 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.

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# 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:

<b>Name</b>	<b>Position at BSF</b>	<b>Present Principal Occupation Outside BSF</b>
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 Gogearco.....	Director	Institutional Funding Manager of BBVA
Raúl Moreno Camero .....	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.



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# 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:

<b>Name</b>	<b>Position at BSC</b>	<b>Present Principal Occupation Outside BSC</b>
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 Gogearco.....	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.

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# 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:

<b>Name</b>	<b>Position at BUS</b>	<b>Present Principal Occupation Outside BUS</b>
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.

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# DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

## HISTORY AND DEVELOPMENT OF THE GUARANTOR

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or S.A.) under the Spanish Corporations Law on 1 October 1988. BBVA was formed following the merger of Argentaria into BBV, which was approved by the shareholders of each entity on 18 December 1999 and registered on 28 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 Emiliano Salcines, (1345 Avenue of Americas, 45th Floor New York, NY 10105, telephone number +1-212-728-2405). BBVA is incorporated for an unlimited term.

## CAPITAL EXPENDITURES

BBVA's principal investments are financial investments in its subsidiaries and affiliates. The main capital expenditures in 2013, 2012 and 2011 were the following:

### 2013

#### *Acquisition of Unnim Vida.*

On 4 February 2013, Unnim Banc, S.A. reached an agreement with Aegon Spain Holding B.V. to acquire its 50 per cent. stake in Unnim Vida, S.A. de Seguros y Reaseguros (**Unnim Vida**). As a result the Group's total holding in the share capital of Unnim Vida is 100 per cent.

### 2012

#### *Acquisition of Unnim*

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

In addition, BBVA, the FGD, the FROB and Unnim 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 incurred by a predetermined asset portfolio of Unnim for a period of 10 years following the transaction.

On 27th July, 2012, following the completion of the transaction, BBVA became the holder of 100 per cent. of the capital of Unnim.

As of 31st December, 2012, Unnim's assets amounted to €24,756 million, of which €15,932 million corresponded to Loans and advances to customers. Customer deposits amounted to €11,083 million as of the same date.

Pursuant to the acquisition method of accounting, as of 31st December, 2012, BBVA recorded the difference between the fair values assigned to the assets acquired and the liabilities assumed from Unnim, on one hand, and the cash payment made to the FROB in consideration of the transaction on the other hand, which totalled €376 million, under the heading "Negative goodwill in business combinations" in its consolidated income

## **DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

statement for the year ended 31st December, 2012 included in the Consolidated Financial Statements. As of the date of preparation of the Consolidated Financial Statements, this amount is provisional, since IFRS 3 grants a period of one year to make a definitive determination on this negative consolidation difference; however, BBVA does not expect any significant changes in the valuations of the assets and liabilities related to this acquisition. See Note 20.1 to the Consolidated Financial Statements for additional information.

### **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 authorisations, 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 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 U.S.\$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 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 Group were to exercise this option, it would have effective control of Garanti. For additional information, see Note 3 to the Consolidated Financial Statements.

#### ***Purchase of Credit Uruguay Banco***

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

#### ***Capital increase in CCBC***

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

### **2010**

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

## **CAPITAL DIVESTITURES**

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

### **2013**

On 24th May, 2012, BBVA announced its decision to conduct a study on strategic alternatives for its pension business in Latin America. The alternatives considered in this process include the total or partial sale of the businesses of the Pension Fund Administrators (ASP) in Chile, Colombia and Peru, and the Retirement Fund Administrator (Afore) in Mexico. For additional information, see Note 3 to the Consolidated Financial Statements.

- On 9th January, 2013, after having obtained the necessary approvals, BBVA announced that it had completed the sale of its stake in the Mexican company, Administradora de Fondos para el Retiro Bancomer, S.A. de C.V., to Afore XXI Banorte, S.A. de C.V. The purchase price agreed upon was U.S.\$1,735 million. The capital gain (net of taxes) arising from this transaction amounted to approximately €800 million.

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

- On 1st February, 2013, BBVA reached an agreement (the **Agreement**) with MetLife, Inc. for the sale of its stake in the Chilean pension fund manager, Administradora de Fondos de Pensiones Provida S.A. (**ASP Provida**), representing 64.3 per cent. of the share capital of ASP Provida.

Pursuant to the terms of the Agreement and subject to the satisfaction of the conditions set forth therein:

- MetLife, Inc. has agreed to cause one or more of its wholly-owned affiliates to commence, both in the Republic of Chile and in the United States of America, a tender offer in cash (the **Tender Offer**) for 100 per cent. of the issued and outstanding shares of ASP Provida; and
- BBVA has agreed to transfer the entirety of its 64.3 per cent. interest in ASP Provida to such affiliates of MetLife, Inc. either (i) directly through the Tender Offer, or (ii) partially directly through the Tender Offer and partially indirectly through the sale to MetLife, Inc. of a newly incorporated BBVA affiliate in Chile. In this case, BBVA shall be paid the same price that it would be paid by the transfer of the shares of ASP Provida through the Tender Offer.

The purchase price set forth in the Agreement for a 100 per cent. interest in ASP Provida, U.S.\$2 billion, shall be supplemented by a fixed amount for each day having elapsed between the date of the most recent month-end balance sheet of ASP Provida available prior to the commencement of the Tender Offer and the date of publication of the Tender Offer's results (as determined pursuant to the Agreement). In addition to the purchase price, the Agreement permits ASP Provida, subject to the prior approval of ASP Provida's governing bodies, to make certain dividends prior to the commencement of the Tender Offer.

The commencement of the Tender Offer and the subsequent closing of the transaction are subject, among other conditions, to receipt of regulatory approvals both in Chile and Ecuador. It is anticipated that the closing of the transaction will take place in the second half of 2013 and that the capital gain net of taxes arising from the transaction will amount to approximately €500 million.

- On 18th April, 2013, after having obtained the necessary approvals, BBVA announced that it had completed the sale of the total stake that it held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A. (**Horizonte**) to Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A. The adjusted total purchase price was U.S.\$541.4 million. The capital gain net of taxes arising from the transaction amounted to approximately €263 million.
- On 23rd April, 2013, BBVA executed the transfer of 100 per cent. of the share capital it held directly or indirectly in the Peruvian company ASP Horizonte, S.A. (**ASP Horizonte**) to ASP Integra S.A. and Profuturo ASP, S.A., who each acquired 50 per cent. of ASP Horizonte. The total consideration paid for the shares was approximately U.S.\$544 million, composed of a price of approximately U.S.\$516 million and a dividend distributed prior to closing. The capital gain net of taxes arising from the transaction amounted to approximately €208 million.

This sale completed the above process of reviewing the strategic alternatives for BBVA's pension business in Latin America announced on 24th May, 2012.

## 2012

In June 2012, BBVA reached an agreement to sell its business in Puerto Rico to Oriental Financial Group Inc. The sale price was U.S.\$500 million (approximately €385 million at the exchange rate on the date of the transaction). Gross capital losses from this sale amounted to approximately €15 million (taking into account the exchange rate at the time of the transaction and the earnings of the sold companies up to the closing of the transaction, on 18th December, 2012).

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### 2011 and 2010

During 2011 and 2010, 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.

#### Operating Segments

The main change in the reporting structure of the Group's operating segments in 2012 relates to the transfer of the assets and liabilities of a branch located in Houston from its Mexico operating segment to its United States operating segment. This was done to reflect the increasingly geographical orientation of the Group's reporting structure. Despite this change and other insignificant changes, the composition of the operating segments in 2012 has remained very similar to their composition in 2011. Nevertheless, operating segment data relating to 2011 and 2010 set out below has been presented on a uniform basis consistent with the Group's organisational structure in 2012 to ensure like-for-like comparisons.

Set forth below are the Group's five operating segments. As indicated above, the composition of its operating segments in 2012 is very similar to that in 2011:

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

In addition to these operating segments, BBVA continues to have a separate "Corporate Activities" segment. This segment handles the Group'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 segment 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 breakdown of the Group's total assets by operating segments as of 31st December, 2012, 2011 and 2010 is as follows:

	As of 31st December		
	2012	2011	2010
	<i>(in millions of euro)</i>		
Spain.....	317,151	311,987	299,186
Eurasia.....	48,282	53,354	45,980
Mexico.....	82,432	72,488	73,321
South America.....	78,419	63,444	51,671
United States.....	53,850	57,207	59,173
<b>Subtotal assets by operating segments.....</b>	<b>580,134</b>	<b>558,480</b>	<b>529,331</b>
Corporate activities.....	57,652	39,208	23,407
<b>Total assets .....</b>	<b>637,786</b>	<b>597,688</b>	<b>552,738</b>

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The following table sets forth information relating to the profit attributable to parent company by each of BBVA's operating segments for the years ended 31st December, 2012, 2011 and 2010.

	Profit/(loss) attributable to Parent Company			% of profit/(loss) attributable to parent company		
	For the year ended 31st December					
	2012 <sup>(1)</sup>	2011 <sup>(2)</sup>	2010	2012 <sup>(1)</sup>	2011 <sup>(2)</sup>	2010
	<i>(in millions of euro)</i>			<i>(in percentage)</i>		
Spain.....	(1,267)	1,352	2,210	(38.1)	30.7	39.3
Eurasia.....	950	1,031	575	28.6	23.4	10.2
Mexico <sup>(*)</sup> .....	1,821	1,711	1,683	54.8	38.8	30.0
South America <sup>(*)</sup> .....	1,347	1,007	889	40.5	22.8	15.8
United States.....	475	(691)	260	14.3	(15.7)	4.6
<b>Subtotal operating segments.....</b>	<b>3,326</b>	<b>4,410</b>	<b>5,617</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Corporate activities.....	(1,649)	(1,405)	(1,011)			
<b>Profit attributable to parent company .....</b>	<b>1,677</b>	<b>3,004</b>	<b>4,606</b>			

(1) Profit/(Loss) attributable to parent company for the year ended 31st December, 2012 has been affected by the significant loan-loss provisions made to reflect the steady impairment of our real estate portfolios in Spain.

(2) Profit/(Loss) attributable to parent company 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 operating segments.

(\*) Information of BBVA's pension business for 2011 and 2010 has been reclassified for comparative purposes. See "Presentation of Financial Information—Accounting Principles".

The following table sets forth information relating to the income of each operating segment for the years ended 31st December, 2012, 2011 and 2010:

	Operating segments						
	Group	Spain	Eurasia	Mexico <sup>(*)</sup>	South America <sup>(*)</sup>	United States	Corporate activities
	<i>(in millions of euro)</i>						
<b>2012</b>							
Net interest income.....	15,122	4,836	847	4,164	4,291	1,682	(697)
Operating profit /(loss) before tax.....	1,659	(1,841)	1,054	2,225	2,240	667	(2,686)
<b>Profit .....</b>	<b>1,676</b>	<b>(1,267)</b>	<b>950</b>	<b>1,821</b>	<b>1,347</b>	<b>475</b>	<b>(1,649)</b>
<b>2011</b>							
Net interest income.....	13,152	4,391	802	3,776	3,164	1,635	(614)
Operating profit /(loss) before tax.....	3,446	1,897	1,176	2,146	1,671	(1,020)	(2,425)
<b>Profit .....</b>	<b>3,004</b>	<b>1,352</b>	<b>1,031</b>	<b>1,711</b>	<b>1,007</b>	<b>(691)</b>	<b>(1,405)</b>
<b>2010</b>							
Net interest income.....	13,316	4,898	333	3,648	2,494	1,825	117
Operating profit /(loss) before tax.....	6,059	3,127	660	2,137	1,424	336	(1,625)
<b>Profit .....</b>	<b>4,606</b>	<b>2,210</b>	<b>575</b>	<b>1,683</b>	<b>889</b>	<b>260</b>	<b>(1,011)</b>

(\*) Information of BBVA's pension business for 2011 and 2010 has been reclassified for comparative purposes. See "Presentation of Financial Information—Accounting Principles".

Given the business model of the Group, the economic capital allocated to its operating segments is mainly determined by the credit risk arising from loans and advances to customers. Accordingly, changes in the amounts of allocated economic capital to each operating segment are mainly related to the evolution of such portfolios. A brief explanation of changes in the amounts of allocated economic capital to each operating segment is included in the segmental discussions that follow.

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Spain

The Spain operating segment 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 operating segment 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; 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.

The following table sets forth information relating to the activity of this operating segment for the years ended 31st December, 2012, 2011 and 2010:

	<b>As of 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
<b>Total assets</b> .....	<b>317,151</b>	<b>311,987</b>	<b>299,186</b>
<b>Loans and advances to customers</b> .....	<b>210,982</b>	<b>214,277</b>	<b>218,620</b>
<i>Of which:</i> .....			
Residential mortgages .....	84,886	77,167	78,936
Consumer finance.....	7,663	8,077	8,106
<i>Loans</i> .....	6,043	6,500	6,453
<i>Credit cards</i> .....	1,620	1,577	1,653
Loans to enterprises.....	56,335	70,867	71,045
Loans to public sector .....	24,937	25,006	23,198
<b>Total customer deposits</b> .....	<b>129,640</b>	<b>109,421</b>	<b>106,073</b>
Current and savings accounts.....	45,325	41,613	41,471
Time deposits .....	61,055	48,447	48,116
Other customers funds.....	23,260	19,361	16,486
<b>Off-balance sheet funds</b> .....	<b>53,735</b>	<b>51,159</b>	<b>53,559</b>
Mutual funds .....	19,937	20,357	23,393
Pension funds .....	18,313	17,224	16,811
Other placements.....	14,486	13,578	13,355
<b>Economic capital allocated</b> .....	<b>12,110</b>	<b>10,558</b>	<b>10,100</b>

As of 31st December 2012, the balance of loans and advances to customers was €210,982 million, a 1.5 per cent. decrease from the €214,277 million recorded as of 31st December, 2011, 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, 2012, outstanding payment protection insurance policies amounted to €39 billion and insured approximately 19 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 5.5 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 BBVA's own consumer and mortgage portfolio. Upon the occurrence of the insured event, BBVA's insurance subsidiary pays the entire outstanding principal amount,



## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

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, 2012, total on-balance and off-balance sheet customer deposits and funds, including mutual funds, pension funds and customer portfolios, were €182,375 million, a 13.6 per cent. increase from €160,580 million posted as of 31st December, 2011.

Customer deposits were €129,640 million as of 31st December, 2012 compared to €109,421 million as of 31st December, 2011, an increase of 18.5 per cent., mainly due to the high percentage of renewals of time deposits during the period and, to a lesser extent, the integration of Unnim in 2012.

Mutual fund assets under management were €19,937 million as of 31st December, 2012, a 2.1 per cent. decrease from the €20,357 million recorded as of 31st December, 2011 as a result of a reduction in assets under management due to turmoil in the markets.

As of 31st December, 2012, BBVA's outstanding guaranteed mutual fund products amounted to €11,423 million (approximately 59.8 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 recognised on BBVA's balance sheet. BBVA account for these products as deposits or derivative contracts.

Pension fund assets under management were €18,313 million as of 31st December, 2012, a 6.3 per cent. increase from the €17,224 million recorded as of 31st December, 2011, as a result of the positive management of renewals and new accounts.

The economic capital allocated was €12,110 million as of 31st December, 2012, a 14.7 per cent. increase from the €10,558 million recorded as of 31st December, 2011. This increase was mainly related to the incorporation of Unnim, the recalibration of BBVA's internal model in mid-2012 based on back-testing results and the increased market risk resulting from the application of capital requirements currently applicable to BBVA.

### *Eurasia*

This operating segment 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, and the retail and wholesale activity carried out within the various regions comprised in this operating segment. It also includes the Group's interest in Garanti, which is proportionally consolidated, and its equity-accounting holdings in CCBC and CIFH.

The importance of this segment is increasing both in terms of earnings and BBVA's balance sheet and, as the rest of the franchises, it has 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 CCBC are significant in this regard.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2012, 2011 and 2010:

	As of 31st December		
	2012	2011	2010
	<i>(in millions of euro)</i>		
<b>Total assets</b> .....	<b>48,282</b>	<b>53,354</b>	<b>45,980</b>
<b>Loans and advances to customers</b> .....	<b>30,228</b>	<b>34,740</b>	<b>23,909</b>
<i>Of which:</i> .....			
Residential mortgages .....	4,291	4,025	2,961

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	<b>As of 31st December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
Consumer finance.....	4,281	3,421	913
<i>Loans</i> .....	3,069	2,400	903
<i>Credit cards</i> .....	1,212	1,021	10
Loans to enterprises.....	19,804	25,851	11,534
Loans to public sector .....	102	107	113
<b>Total customer deposits</b> .....	<b>16,484</b>	<b>21,142</b>	<b>20,788</b>
Current and savings accounts .....	3,098	3,162	1,358
Time deposits .....	9,576	10,012	2,380
Other customer funds .....	3,810	7,968	17,050
<b>Off-balance sheet funds</b> .....	<b>1,195</b>	<b>1,036</b>	<b>566</b>
Mutual funds .....	587	562	194
Pension funds .....	608	474	372
<b>Economic capital allocated</b> .....	<b>4,607</b>	<b>4,245</b>	<b>2,546</b>

As of 31st December, 2012, the loans and advances to customers was €30,228 million, a 13.0 per cent. decrease from the €34,740 million recorded as of 31st December, 2011, mainly due to the reduced loan portfolio with wholesale clients, due to the deleveraging process under way in Europe as a result of difficult economic conditions.

As of 31st December, 2012 customer deposits were €16,484 million, a 22 per cent. decrease from the €21,142 million as of 31st December, 2011. While Turkey performed well, wholesale deposits in the Paris, London and Brussels branches fell as a result mainly of the difficult economic conditions in the Eurozone, which have resulted in wholesale financial markets being affected by the high volatility of the risk premiums of certain EU peripheral countries (and, correspondingly, wholesale deposit flight from banks incorporated in such countries, including BBVA) and by the successive downgrades of sovereign ratings, which have also had an impact on the ratings of the financial institutions located in such countries.

The economic capital allocated was €4,607 million as of 31st December, 2012, an 8.5 per cent. increase from the €4,245 million recorded as of 31st December, 2011. This increase was mainly attributable to the increase in credit activity in Turkey and the increase in the value of BBVA's stake in CCBC, which increased BBVA's equity risk.

### *Mexico*

The Mexico operating segment 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. On 9th January, 2013, after having obtained the necessary approvals, BBVA completed the sale of its stake in Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (Afore Bancomer).

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The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December 2012, 2011 and 2010:

	As of 31st December		
	2012	2011	2010
	<i>(in millions of euro)</i>		
<b>Total assets</b> .....	<b>82,432</b>	<b>72,488</b>	<b>73,321</b>
<b>Loans and advances to customers</b> .....	<b>38,937</b>	<b>34,084</b>	<b>34,754</b>
<i>Of which:</i> .....			
Residential mortgages .....	9,399	8,854	9,538
Consumer finance .....	9,675	8,129	7,162
<i>Loans</i> .....	4,311	3,643	2,907
<i>Credit cards</i> .....	5,364	4,486	4,256
Loans to enterprises .....	12,494	11,435	12,372
Loans to public sector .....	3,590	2,871	2,957
<b>Total customer deposits</b> .....	<b>34,071</b>	<b>31,097</b>	<b>32,054</b>
Current and savings accounts .....	23,707	21,129	20,963
Time deposits .....	7,157	6,792	7,770
Other customer funds .....	3,207	3,177	3,322
<b>Off-balance sheet funds</b> .....	<b>40,805</b>	<b>35,317</b>	<b>34,895</b>
Mutual funds .....	17,492	15,612	15,341
Pension funds .....	16,390	13,132	12,781
Other placements .....	6,922	6,572	6,773
<b>Economic capital allocated</b> .....	<b>4,991</b>	<b>4,236</b>	<b>3,290</b>

As of 31st December, 2012, the balance of loans and advances to customers was €38,937 million, a 14.2 per cent. increase from the €34,084 million as of 31st December, 2011 which was attributable in part to the year-on-year appreciation of the Mexican peso against the euro as of 31st December, 2012.

As of 31st December, 2012, customer deposits were €34,071 million, a 9.6 per cent. increase from the €31,097 million recorded as of 31st December, 2011, which was attributable to the year-on-year appreciation of the Mexican peso against the euro as of 31st December, 2012 and increased retail network activity. The retail portfolio increased by 9.6 per cent. whereas the wholesale portfolio increased by 7.4 per cent. year-on-year.

Mutual fund assets under management were €17,492 million as of 31st December, 2012, a 12.0 per cent. increase from the €15,612 million recorded as of 31st December, 2011.

Pension fund assets under management were €16,390 million as of 31st December, 2012, a 24.8 per cent. increase from the €13,132 million recorded as of 31st December, 2011 due to the positive performance of Afore Bancomer. On 9th January, 2013, after having obtained the necessary approvals, BBVA completed the sale of its stake in Afore Bancomer. See “—*Capital divestures—2013*”.

The economic capital allocated was €4,991 million as of 31st December, 2012, a 17.8 per cent. increase from the €4,236 million recorded as of 31st December, 2011. This increase was mainly attributable to the recalibration of the Group’s internal model in mid-2012 based on back-testing results and lending growth.

### **South America**

The South America operating segment manages the BBVA Group’s banking, pension and insurance businesses in the region.

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The business units included in the South America operating segment 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. On 18 April 2013, after having obtained the necessary approvals, BBVA completed the sale of its stake in the Columbian company, Horizonte and sold its stake in the Peruvian company ASP Horizonte on 23 April 2013. BBVA has entered into an agreement to sell its stake in the Chilean pension fund manager, ASP Provida.
- Insurance businesses: includes insurance businesses in Argentina, Chile, Colombia, and Venezuela.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2012, 2011 and 2010:

	<b>As of 31st December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
<b>Total assets</b> .....	<b>78,419</b>	<b>63,444</b>	<b>51,671</b>
<b>Loans and advances to customers</b> .....	<b>48,721</b>	<b>40,219</b>	<b>31,512</b>
<i>Of which:</i> .....			
Residential mortgages .....	8,653	7,047	5,851
Consumer finance .....	12,888	9,888	6,608
<i>Loans</i> .....	9,564	7,454	5,029
<i>Credit cards</i> .....	3,325	2,434	1,579
Loans to enterprises .....	16,896	17,76	14,569
Loans to public sector .....	623	914	681
<b>Total customer deposits</b> .....	<b>56,937</b>	<b>45,279</b>	<b>35,963</b>
Current and savings accounts .....	34,352	26,131	19,341
Time deposits .....	17,107	15,094	12,958
Other customer funds .....	5,478	4,054	3,664
<b>Off-balance sheet funds</b> .....	<b>57,820</b>	<b>50,855</b>	<b>51,744</b>
Mutual funds .....	3,355	3,037	2,944
Pension funds .....	54,465	47,818	48,800
<b>Economic capital allocated</b> .....	<b>3,275</b>	<b>2,912</b>	<b>2,423</b>

As of 31st December, 2012, the loans and advances to customers were €48,721 million, a 21.1 per cent. increase from the €40,219 million recorded as of 31st December, 2011. All countries in this operating segment have seen growth, with significant increases in the retail segment (where loans and advances to customers grew by 38.6 per cent. year-on-year from 2010 to 2012), consumer loans and credit cards. In Venezuela, loans and advances to customers grew by almost 50 per cent. year-on-year principally as a result of increased consumer finance activity.

As of 31st December, 2012, customer deposits were €56,937 million, a 25.7 per cent. increase from the €45,279 million recorded as of 31st December, 2011. In 2012, there has been strong growth in lower-cost transactional items (such as checking and savings accounts), which have increased by 30.6 per cent. In Venezuela, customer deposits grew by over 50 per cent. year-on-year.

As of 31st December, 2012, off-balance sheet funds were €57,820 million, a 13.7 per cent. increase from the €50,855 million recorded as of 31st December, 2011 principally due to the increase in assets of pension funds. As indicated above, BBVA completed the sale of its stake in Horizonte on 18 April 2013 and sold its stake in ASP Horizonte on 23rd April, 2013. BBVA has entered into an agreement to sell ASP Provida and BBVA expects the sale ASP Provida to close during the second half of 2013. See “*Capital divestitures—2013*”.

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The economic capital allocated was €3,275 million as of 31st December, 2012, a 12.5 per cent. increase from the €2,912 million recorded as of 31st December, 2011. This increase was principally the result of the general and strong lending growth in all the countries in the region and the appreciation of the currencies in the region against the euro.

### *United States*

This operating segment encompasses the Group's business in the United States. BBVA Compass accounted for approximately 95 per cent. of the operating segment's balance sheet as of 31st December, 2012. Given its weight, most of the comments below refer to BBVA Compass. This operating segment also covers the assets and liabilities of the BBVA office in New York, which specialises in transactions with large corporations. Until December 2012, this operating segment also encompassed the Group's business in Puerto Rico. In December 2012, the Group closed the sale of its business in Puerto Rico to Oriental Financial Group Inc. See "*Capital divestitures—2012*".

The business units included in the United States operating segment are:

- BBVA Compass Banking Group, and
- Other units: Bancomer Transfers Services (**BTS**).

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2012, 2011 and 2010:

	<b>As of 31st December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
<b>Total assets</b> .....	<b>53,850</b>	<b>57,207</b>	<b>59,173</b>
<b>Loans and advances to customers</b> .....	<b>36,892</b>	<b>41,819</b>	<b>41,127</b>
<i>Of which:</i> .....			
Residential mortgages .....	9,107	8,487	6,762
Consumer finance .....	4,406	5,399	5,551
<i>Loans</i> .....	3,926	4,949	5,151
<i>Credit cards</i> .....	480	450	400
Loans to enterprises .....	19,199	21,450	17,213
Loans to public sector .....	1,961	1,979	1,339
<b>Total customer deposits</b> .....	<b>37,721</b>	<b>37,137</b>	<b>41,702</b>
Current and savings accounts .....	29,060	27,716	25,216
Time deposits .....	7,885	8,569	9,596
Other customer funds .....	775	852	6,890
<b>Economic capital allocated</b> .....	<b>2,638</b>	<b>3,379</b>	<b>2,827</b>

As of 31st December, 2012, loans and advances to customers were €36,892 million, an 11.8 per cent. decrease from the €41,819 million recorded as of 31st December, 2011, principally due to the sale of BBVA's business in Puerto Rico and, to a lesser extent, due to the fall in real estate construction in the United States. If loans and advances to customers contributed by BBVA's Puerto Rico business were disregarded both as of 31st December, 2012 and 31st December, 2011 in order to ensure like-for-like comparisons, loans and advances to customers would have decreased by 4.9 per cent. In 2012, 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 (which increased by 24.5 per cent. year-on-year) and reducing higher risk portfolios such as construction real estate loans (which decreased by 48.2 per cent. year-on-year principally as a result of the sale of certain loan portfolios).

As of 31st December, 2012, customer deposits were €37,721 million, a 1.6 per cent. increase from €37,137 million as of 31st December, 2011. If deposits contributed by BBVA's Puerto Rico business were

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

disregarded both as of 31st December, 2012 and 31st December, 2011 in order to ensure like-for-like comparisons, customer deposits would have increased by 7.2 per cent. In 2012, demand deposits grew by 12.3 per cent. and accounted for 29.1 per cent. of the customer deposits in BBVA Compass as of 31st December, 2012.

The economic capital allocated was €2,638 million as of 31st December, 2012, a 21.9 per cent. decrease from the €3,379 million recorded as of 31 December 2011, principally due to the sale of BBVA's business in Puerto Rico.

### Organisational Structure

As of 31st December, 2012, the Group was made up of 320 fully consolidated and 29 proportionately consolidated companies, as well as 102 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, Spain, Switzerland, United Kingdom, United States of America, Uruguay and Venezuela. In addition, BBVA has an active presence in Asia.

Below is a simplified organisational chart of BBVA's most significant subsidiaries as of 31st December, 2012.

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	99.97	75,845
COMPASS BANK .....	United States	Bank	100.00	100.00	56,622
UNNIM BANC. S.A.....	Spain	Bank	100.00	100.00	28,044
BANCO PROVINCIAL S.A. – BANCO UNIVERSAL.....	Venezuela	Bank	55.60	55.60	19,977
BANCO CONTINENTAL, S.A. ....	Peru	Bank	46.12	46.12	14,762
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.....	Chile	Bank	68.18	68.18	14,742
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS .....	Spain	Insurance	99.95	99.95	14,117
BBVA COLOMBIA, S.A.....	Colombia	Bank	95.43	95.43	13,099
BBVA BANCO FRANCES, S.A. ....	Argentina	Bank	75.99	75.99	6,816
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.....	Portugal	Bank	100.00	100.00	6,203
PENSIONES BANCOMER, S.A. DE C.V. SEGUROS BANCOMER, S.A. DE C.V.....	Mexico	Insurance	100.00	99.98	2,969
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.....	Panama	Bank	98.92	98.92	1,609
BBV SUIZA, S.A. (BBVA SWITZERLAND).....	Switzerland	Bank	100.00	100.00	1,355
UNO-E BANK, S.A. ....	Spain	Bank	100.00	100.00	1,312
BBVA PARAGUAY, S.A. ....	Paraguay	Bank	100.00	100.00	1,252

### Selected Financial Data

The historical financial information set forth below has been selected from, and should be read together with, the Consolidated Financial Statements, which are incorporated by reference herein.

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### Consolidated statement of income data

	Year ended 31st December		
	2012	2011	2010
	<i>(in millions of euro)</i>		
Net interest income.....	15,122	13,152	13,316
Net profit .....	2,327	3,485	4,995
Net profit attributable to parent company.....	1,676	3,004	4,606

### Consolidated balance sheet data

	As at 31st December		
	2012	2011	2010
	<i>(in millions of euro)</i>		
Total assets .....	637,785	597,688	552,738
Loans and receivables (net).....	383,410	381,076	364,707
Customers' deposits.....	292,716	282,173	275,789
Debt certificates and subordinated liabilities.....	99,043	97,349	102,599
Non-controlling interests .....	2,372	1,893	1,556
Total equity.....	43,802	40,058	37,475

### RECENT DEVELOPMENTS

The Supreme Court of Spain issued on 9th May, 2013 a decision regarding the legality of "floor" clauses in mortgage loans to consumers by various financial entities (including BBVA) which limit any decrease in variable interest rates on such loans. The decision of the Supreme Court was that:

- as a general principle, floor clauses of this nature may be effective but where included in general terms and conditions of certain consumer loan agreements, the Supreme Court imposed specific transparency requirements before this would be the case. The mortgage loan agreements of BBVA were included in those considered by the Supreme Court not to have disclosed the floor arrangements with sufficient transparency;
- BBVA and the other financial entities party to this process must cease to apply such floor clauses under any loan agreements already in place, which will survive in all other terms, and must cease to use such floor clauses in future consumer loan agreements; and
- there was to be no retroactive application of the Supreme Court's decision to any position previously settled by a final judicial decision or payments already made at the time the decision was published.

In accordance with this decision of the Supreme Court, BBVA ceased to apply such floor clauses to consumer mortgage loans with effect from 9th May, 2013, although it reserves its right to possible appeals.

On the basis of the present reference rate most commonly used in the determination of the interest rate to apply to such mortgage loans (one year EURIBOR), the application of this decision to the applicable mortgage loan portfolio of BBVA is estimated to have a negative impact on its net attributable profit for the month of June (the first full month when the decision will be applied) of €35 million. The impact of such application in future months will depend on the level of the reference rate from time to time.

## 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 5 and no more than 15 members. All members of the Board of Directors are elected to serve three-year terms. BBVA's Board Regulations state that the Board of Directors must try to ensure that it is comprised of a majority of external directors.

BBVA's corporate governance system is based on the distribution of functions between the Board of Directors, the Executive Committee and other specialised 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. 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 <sup>(*)</sup>
Francisco González Rodríguez(1)	Chairman and Chief Executive Officer	28th January, 2000	15th March, 2013	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	15th March, 2013	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., and director of China Citic Bank Corporation Limited and Türkiye Garanti Bankasi A.Ş. 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 the Appointments Committee of BBVA since 25th May, 2010. Director of Internal Development and Professor in the Finance department of Universidad Francisco de Vitoria.
Juan Carlos Álvarez Mezquíriz(1)(3)	Independent Director	28th January, 2000	11th March, 2011	Managing Director of Grupo El Enebro, S.A. Former Manager Director of Grupo Eulen, S.A. until 2010.
Ramón Bustamante y de	Independent Director	28th January,	15th March, 2013	Was Director and General Manager and Non-Executive Vice-President of Argentaria and



## DIRECTORS AND SENIOR MANAGEMENT

Name	Current position	Date nominated	Date re-elected	Present principal outside occupation and five-year employment history <sup>(*)</sup>
la Mora(2)(5)		2000		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; on 2001 was appointed Group General Manager 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	15th March, 2013	Chief Operating Officer of Nutrexpa, S.A. and Chairman and Chief Operating Officer of La Piara S.A. Chairman of Aneto Natural.
Belén Garijo López(2)	Independent Director	16th March, 2012	Not applicable	Chair of the International Executive Committee of PhRMA, ISEC (Pharmaceutical Research and Manufacturers of America) and Chief Operating Officer of Merck Serono, S.A. (Geneva, Switzerland) since 2011.
José Manuel González-Páramo Martínez-Murillo	Executive Director	29th May, 2013	Not applicable	Executive Director of BBVA since 29th May 2013. Member of the European Central Bank (ECB) Governing Council and Executive Committee since 2004 until 2012. Chairman of European DataWarehouse GmbH since 2013.
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). Was Partner of J&A Garrigues, from 1977 until 2004.
José Maldonado Ramos(1)(3)(4)	External Director	28th January, 2000	16th March, 2012	Appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009.
José Luis Palao García-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 Arthur Andersen, from 1979 until 2002. Independent Consultant from 2002 to 2010.
Juan Pi Llorens(4)(5)	Independent Director	27th July, 2011	16th March, 2012	Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Finance department at GMU (Growth Markets Units) in China. He was executive chairman of IBM Spain.
Susana Rodríguez Vidarte(2)(3)(4)	Independent Director	28th May, 2002	11th March, 2011	Full-time professor of Strategy at the School of Economics and Business Studies at Universidad de Deusto. Member of the Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute) and PhD degree from Universidad de Deusto.

(\*) 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 and Share Capital

As of 18 June, 2013, no person, corporation or government beneficially owned, directly or indirectly, 5 per cent. 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 BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 18

## **DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

June, 2013, there were 990,853 registered holders of BBVA's shares, with an aggregate of 5,532,243,259 shares, of which 473 shareholders with registered addresses in the United States held a total of 1,490,475,833 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.

### **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 in the ordinary course of business. BBVA considers that none of such actions is material, individually or in the aggregate, and none of such actions is expected to result in a material adverse effect on the Group's financial position, results of operations or liquidity, either individually or in the aggregate. Management believes that adequate provisions have been made in respect of the actions arising in the ordinary course of business. BBVA has not disclosed to the markets any contingent liability that could arise from said legal actions as it does not consider them material.

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## 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 bookentry 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.

## **BOOK-ENTRY CLEARANCE SYSTEMS**

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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 depositaries 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.

## **BOOK-ENTRY CLEARANCE SYSTEMS**

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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.

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# TAXATION

## SPAIN

*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.

According to RD 1145/2011, the Issuers and the Guarantor are not obliged to withhold any tax amount on income derived from payment of interest, redemption or repayment of the Notes 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 “*Taxation - Tax Reporting Obligations of the Issuers and the Guarantor*”.

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.

### ***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.

According to RD 1145/2011, the Issuers and the Guarantor 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 2013 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 2013.

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 are 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.

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, as amended by RD 1145/2011, 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.

## **TAXATION**

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As at the date of this Offering Circular, the Guarantor has entered into an agreement 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*".

### **THE PROPOSED FINANCIAL TRANSACTIONS TAX**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **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). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. 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.

### **U.S. FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING**

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "Recalcitrant Holder"). The Issuer is classified as an FFI.

## TAXATION

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The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the 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. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depository, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR**

**TAXATION**

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**MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

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## 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 1 July, 2013, 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 IAIN 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;

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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- (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 IAIN 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

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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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 SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS 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 THEREFORE, 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 IAIN Investment Letter. Upon execution and delivery of an IAIN Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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The IAIN 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;
- (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 Treasury regulations.

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



## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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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).

### ***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,

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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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, the 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.

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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### ***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.

### ***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,

## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

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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**) and accordingly, 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 (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act), 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) otherwise 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,

the shares, debentures and units of shares and debentures 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 pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- to an institutional investor (under Section 274 of the Securities and Futures Act) or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) 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 therefore.

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.

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## 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 3 July, 2013.

### 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, 2011 and 2012, and the consolidated and non-consolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2011 and 2012 (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 reports 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 Coupons and the Talons;

## GENERAL INFORMATION

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- (e) a copy of this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda, supplements to this Offering Circular and Final Terms 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 “*Description of Banco Bilbao Vizcaya Argentaria, S.A - Recent Developments*” on page 111, there has been no material adverse change in the prospects of any of the Issuers, the Group since 31st December, 2012.

There has been no significant change in the financial position of the Group since 31st March, 2013 and there has been no significant change in the financial or trading position of any of the Issuers since 31st December, 2012.

### Litigation

Except as disclosed in the section entitled “*Description of Banco Bilbao Vizcaya Argentaria, S.A - Recent Developments*” on page 111, there are no, and have not been, 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, 2011 and 31st December, 2012.

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, 2011 and 31st December, 2012 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.

## **GENERAL INFORMATION**

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### **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.



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## ISSUERS

### **BBVA Senior Finance, S.A. Unipersonal**

Gran Vía, 1  
Bilbao  
Spain

### **BBVA Subordinated Capital, S.A. Unipersonal**

Gran Vía, 1  
Bilbao  
Spain

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

Gran Vía, 1  
Bilbao  
Spain

## GUARANTOR

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Plaza de San Nicolas, 4  
48005 Bilbao  
Spain

## PRINCIPAL PAYING AGENT

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **U.S. REGISTRAR, PAYING AGENT, EXCHANGE AGENT AND TRANSFER AGENT**

### **Deutsche Bank Trust Company Americas**

60 Wall Street  
New York  
New York 10005  
United States

## **EURO REGISTRAR AND TRANSFER AGENT**

### **Deutsche Bank Luxembourg S.A**

2 Boulevard Konrad Adenauer  
L-115, Luxembourg

## PAYING AGENT AND TRANSFER AGENT

### **Deutsche Bank Luxembourg SA**

2 Boulevard Konrad Adenauer  
L-1115 Grand Duchy of Luxembourg

## LEGAL ADVISERS

*To the Issuers and the Guarantor  
as to the laws of England and Wales*

### **Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom

*To the Issuers and the Guarantor  
as to the laws of Spain*

### **GARRIGUES**

Hermosilla, 3  
28003 Madrid  
Spain

*To the Dealers as to the laws of England and Wales and as to the laws of Spain*

### **Clifford Chance, S.L.**

Paseo de la Castellana 110  
28046 Madrid  
Spain

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## AUDITORS

*To the Issuers and the Guarantor*

### **Deloitte, S.L.**

Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid  
Spain

## DEALERS

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Víade los Poblados s/n 2a Planta,  
28033, Madrid  
Spain

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### **Commerzbank Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JF  
United Kingdom

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Société Générale**

29, boulevard Hausmann  
75009 Paris  
France

### **Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

### **UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

### **Wells Fargo Securities LLC**

550 South Tryon Street  
Charlotte, NC 28202  
United States of America