



## 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**).

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 125 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 19/2003 of 4th July, 2003.

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

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

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

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### Arranger

### **UBS Investment Bank**

#### Dealers

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

**BNP PARIBAS**

**Credit Suisse**

**Deutsche Bank**

**HSBC**

**Merrill Lynch International**

**Nomura International**

**UBS Investment Bank**

**Barclays Capital**

**Citi**

**Commerzbank Corporates & Markets**

**Goldman Sachs International**

**J.P. Morgan**

**Morgan Stanley**

**Société Générale Corporate & Investment Banking**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## SPANISH TAX RULES

Under Spanish law, interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18 per cent., in the case of individual holders (as defined herein) who are resident for tax purposes in Spain.

Law 4/2008 of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (“Law 4/2008”), removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders of securities who are not resident in Spain. Nevertheless, the implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted. For that reason, the Guarantor is still required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Notes. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 18 per cent. Neither the relevant Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (see Condition 8 of the Notes and “*Taxation – Disclosure of Noteholder Information in connection with Interest Payments*”).

### *Clearing Systems*

Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg** and, together with Euroclear, the **European Clearing Systems**) have arranged certain procedures to facilitate the relevant Issuer, the Guarantor and the Principal Paying Agent (as defined on page 22) in the collection of the details referred to above from holders of the Notes. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all Series of the Notes to be cleared through such European Clearing System and this may affect the liquidity of such Notes. Provisions have been made for the Notes, in such a case, to be represented by definitive Notes (see “*Form of the Notes*”). The procedures agreed and described in the Agency Agreement dated 9th June, 2009 (the “**Agency Agreement**”) may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems. The Guarantor and the relevant Issuer may from time to time, at their discretion, appoint an agent to intermediate with the European Clearing Systems in the provision of such information. Details of any such appointment will be set out in the applicable Final Terms.

In the case of any Notes which are held in The Depository Trust Company (**DTC**) the relevant Issuer and the Guarantor may agree procedures with DTC and, if necessary, an intermediary agent appointed by the relevant Issuer and the Guarantor to facilitate the collection of such details. Any such procedures will be summarised in the applicable Final Terms and otherwise made available to holders of the relevant Notes as described in the applicable Final Terms.

### *General*

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems and/or DTC as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.** None of the Issuers, the Guarantor, the Dealers, the Paying Agents, the European Clearing Systems or DTC assume any responsibility therefore.

## 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

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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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

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

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

## NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## AVAILABLE INFORMATION

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

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## 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) (in the case of the Guarantor).

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to United States dollars. In addition, all references to “*Sterling*” and “*£*” refer to pounds sterling and 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 establishing the European Community, as amended.

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**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**

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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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## SUMMARY OF THE PROGRAMME

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

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

### **BSF**

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

### **BSC**

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

### **BUS**

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

### **BBVA**

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

BBVA was incorporated for an unlimited term on 28th January, 2000. BBVA was formed as the result of a merger by absorption of Argentaria into BBV, which was registered on 28th January, 2000.

BBVA's organisational structure is divided into the following business areas:

- Spain and Portugal.
- Global Business (Wholesale Banking and Asset Management).
- Mexico.
- United States.
- South America.
- Corporate Activities.

### Summary Financial Information

As at 31st December, 2008 BBVA's consolidated total assets were €542,650 million and its consolidated net operating income for the year then ended was €6,151 million. Selected consolidated financial information relating to BBVA is included under "Selected Financial Data" and BBVA's audited consolidated financial statements for each of the years ended 31st December, 2008 and 31st December, 2007 are incorporated by reference into this document but not this summary.

### Risk Factors

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

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

### Notes issued under the Programme

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

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

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

## SUMMARY OF THE PROGRAMME

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

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

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

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

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## RISK FACTORS

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

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

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

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

#### **Dependence on other Group members.**

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

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

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

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

The Guarantor has historically developed its lending business in Spain, which continues to be its main place of business. As of 31st December, 2008, business activity in Spain accounted for 61.4 per cent. of its loan portfolio. The Spanish economy has grown rapidly in recent years, with Spanish gross domestic product growing by 3.7 per cent. and 3.9 per cent. in 2007 and 2006, respectively, according to the Bank of Spain. Spanish GDP grew more slowly in 2008, at 1.2 per cent., and is expected to contract to 2.8 per cent. in 2009 according to the Bank of Spain. Because of this, it is expected that economic conditions and employment will continue to deteriorate in 2009, and the rate of growth in gross domestic product, if any, in 2010 will be below that witnessed in 2006 and 2007. Growth forecasts for the Spanish economy are being revised downwards due to lower domestic demand and the impact of the financial crisis. The Spanish economy is affected by the slowdown in global growth, which is especially severe in the most important markets for Spanish goods and services exports, such as the rest of the Euro area. Besides, in these tight international financial market conditions, one of the weaknesses of the Spanish economy is its heightened need for foreign financing, as reflected by the high current account deficit. If the Spanish economy faces difficulties to make the payments associated with this deficit, this will further damage its economic situation.

The Guarantor's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy. For example, substandard loans to other resident sectors in Spain increased in 2008 mainly due to the increase in substandard mortgage loans, which increased sharply to €2,033 million as of 31st December, 2008 from €421 million as of 31st December, 2007. Substandard loans to real estate and

construction customers in Spain increased in 2008 to account for 5.63 per cent. of loans in such category. The Guarantor's total substandard loans to customers in Spain jumped to €5,700 million as of 31st December, 2008, compared to €1,590 million as 31st December, 2007, principally due to an increase in substandard loans to customers in Spain generally as a result of the less favourable macroeconomic environment. As a result of the increase in total substandard loans to customers in Spain described above, the Guarantor's total substandard loans to customers in Spain as a percentage of total loans and receivables to customers in Spain increased to 2.73 per cent. from 0.78 per cent.. The Guarantor's loan loss reserves to customers in Spain as a percentage of substandard loans to customers in Spain as of 31st December, 2008 declined significantly to 66.07 per cent. from 213.51 per cent. as of 31st December, 2007.

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

**A substantial percentage of the Guarantor's customer base is particularly sensitive to adverse developments in the economy, which renders its lending activities relatively riskier than if it lent primarily to higher-income customer segments.**

Medium- and small-size companies and middle and lower middle income individuals typically have less financial strength than large companies and high-income individuals and accordingly can be expected to be more negatively affected by adverse developments in the economy. As a result, it is generally accepted that lending to these segments of the Guarantor's existing and targeted customer base represents a relatively higher degree of risk than lending to other groups.

A substantial portion of the Guarantor's loan portfolio consists of residential mortgages and consumer loans to middle and lower middle income customers and commercial loans to medium and small companies. Consequently, during periods of slowdown in economic activity it may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. The Guarantor cannot be sure that it will not suffer substantial adverse effects on its base loan portfolio to these customer segments in the event of additional adverse developments in the economy.

**Increased exposure to real estate in Spain makes the Guarantor more vulnerable to developments in this market.**

In the years prior to 2008 economic growth, the strength of the labour market and a decrease in interest rates in Spain caused an increase in the demand for mortgage loans. This had repercussions in housing prices, which rose significantly. After this buoyant period, demand started adjusting in mid-2006. In the last quarter of 2008 and first months of 2009, supply of new homes has adjusted more sharply in the residential market in Spain, but a significant excess of unsold homes still exist in the market. In the remainder of 2009, the Guarantor expects housing supply and demand to adjust further, in particular if the current financial situation continues. In addition, in countries where the housing markets have been booming, the ongoing adjustment may intensify. As residential mortgages are one of the Guarantor's main assets, comprising 25 per cent., 26 per cent. and 26 per cent. of its loan portfolio as of 31st December, 2008, 2007 and 2006, respectively, the Guarantor is currently highly exposed to developments in residential real estate markets. The Guarantor expects the worsening financial conditions and the deterioration of the economic activity already underway in Spain to intensify the adjustment process in the Spanish real estate sector. As a result, the Guarantor expects housing prices to decline in the remainder of 2009. Adverse changes in the Spanish real estate sector could have a significant impact on the Guarantor's loan portfolio and, as a result, on its financial condition and results of operations.

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

Spanish households and firms have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable interest rates makes debt service on such loans more vulnerable to changes in interest rates than in the past. In fact, the debt burden of the Spanish households on disposable income has increased substantially from 12.4 per cent. in 2003 to 16.3 per cent. in 2008. Highly indebted households and businesses are more likely to be unable

to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Guarantor's financial condition and results of operations. In addition, the increase in households' and businesses' indebtedness also limits their ability to incur additional debt, decreasing the number of new products the Guarantor may otherwise be able to sell them and limiting its ability to attract new customers in Spain and thus satisfying its credit standards, which in turn could have an adverse effect on its ability to achieve its growth plans.

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

Historically, one of the Guarantor's principal sources of funds has been savings and demand deposits. Time deposits represented 35.8 per cent., 26.7 per cent. and 23.3 per cent. of its total funding as of 31st December, 2008, 2007 and 2006, respectively.

Large-denomination time deposits may, under some circumstances, such as during periods of significant changes in market interest rates for these types of deposit products and resulting increased competition for such funds, be a less stable source of deposits than savings and demand deposits. The crisis triggered by the U.S. subprime market has turned out to be deeper and more persistent than expected. Central banks' interventions have had a limited effect so far. New issuances in wholesale markets have been scarce, expensive and restricted to a few countries, and the interbank markets have limited liquidity, in particular after the Lehman Brothers collapse. The global economic environment is particularly adverse, with a worsening financial crisis that is spreading to previously unaffected countries and areas of the economy. Governments around the world are implementing ambitious fiscal expansion programmes, trying to boost their economies. Announcements in January 2009 amount to a substantial fiscal stimulus for the global economy. Fiscal policy may offer the best chance to limit economic deterioration, but execution risks are large. In this context, the Guarantor cannot provide assurances that it will be able to continue funding its business or, if so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

**The Guarantor faces increasing competition in its business lines.**

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

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

- department stores (for some credit products);
- automatic finance corporations;
- leasing companies;
- factoring companies;
- mutual funds;
- pension funds; and
- insurance companies.

The Guarantor cannot be sure that this competition will not adversely affect its business, financial condition and results of operations.

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

The Guarantor's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-

bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by the EU, national governments, domestic and international economic and political conditions and other factors.

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

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

**The Guarantor's financial statements and periodic disclosure under securities laws may not provide the same information as financial statements prepared under U.S. accounting rules and periodic disclosures provided by domestic U.S. issuers.**

Publicly available information about public companies in Spain is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States. In addition, although the Guarantor is subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of foreign issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Finally, the Guarantor maintains its financial accounts and records and prepares its consolidated financial statements in conformity with International Financial Reporting Standards adopted by the European Union (EU-IFRS), which differs in certain respects from U.S. generally accepted accounting principles, the financial reporting standard to which many investors in the United States may be more accustomed.

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

The Guarantor's commitments with personnel which are considered to be wholly unfunded are recognised under the heading "Provisions—Funds for Pensions and Similar Obligations" in its consolidated balance sheets. These amounts include "Post-employment benefits", "Early Retirements" and "Post-employment welfare benefits", which amounted to €2,638 million, €3,437 million and €284 million, respectively, as of 31st December, 2008 (€2,683 million, €2,950 million and €300 million, respectively, as of 31st December, 2007). These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

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

### Risks Relating to Latin America

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

The Guarantor is substantially dependant on its Mexican operations, with approximately 39 per cent. of the Guarantor's net income attributed to the Group in 2008 being generated in Mexico. The Guarantor

faces several types of risks in Mexico which could adversely affect its banking operations in Mexico or the Group as a whole. Given the internationalisation of the financial crisis, the Mexican economy is feeling the effects of the global crisis and the adjustment process that was underway is accelerating. This process has intensified since the end of the third quarter of 2008 and the Guarantor expects it to continue at least during the first half of 2009 through a lower growth rate in production and employment. The initial effects are in manufacturing and in those areas with a greater degree of exposure to the international environment, although internal demand is also showing clear signs of moderation. The Guarantor cannot rule out the possibility that in a more unfavourable environment for the United States or otherwise growth in Mexico would be negative in 2009.

The Guarantor's mortgage and especially the consumer loan portfolio could start showing higher delinquency rates if there is a persistent increase in unemployment rates, which could arise if there is a more pronounced slowdown in the United States it is likely that such rates will further increase.

In addition, price regulation and competition could squeeze the profitability of the Guarantor's Mexican subsidiary. For example, in order to increase competition and to deepen credit, Mexican financial regulators could elect to introduce price distortions not linked to the true risk premium. If this occurred, the market share of the Guarantor's Mexican subsidiary could decrease given its risk selection standards.

Finally, political instability or social unrest could weigh on the economic outlook, which could increase economic uncertainty and capital outflows.

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 government default on public debt, in the Latin American countries where they operate.**

The Latin American countries where the Guarantor operates have experienced significant economic volatility in recent decades, characterised by slow growth, declining investment and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Guarantor lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect the Guarantor's profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services.

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

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

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

Financial and securities markets in Latin American countries in which the Guarantor operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America. In particular, the current international financial crisis could end up having a negative impact on Latin American markets as commodities prices have declined significantly and risk



premiums and funding costs have increased. If the global financial crisis continues and, in particular, if the effects on the Chinese and U.S. economies intensify the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America are likely to be materially adversely affected.

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

The Guarantor operates commercial banks in nine Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. The Guarantor is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation of assets. The Guarantor's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. The Guarantor's presence in these markets requires it to respond to rapid changes in market conditions in these countries. It cannot be sure that it will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

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

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

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

### Risks Relating to Other Countries

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

In 2008, the Guarantor further increased its ownership interest in members of the CITIC Group, a Chinese banking group, by increasing its stake in CITIC International Financial Holdings Ltd (CIFH) up to 29.7 per cent. and China CITIC Bank (CNCB) up to 10.07 per cent.. CIFH is a banking entity headquartered in Hong Kong and previously listed on the Hong Kong stock exchange.

As a result of its expansion into Asia, the Guarantor is exposed to increased risks relating to emerging markets in the region, particularly in China. The Chinese government has exercised, and continues to exercise, significant influence over the Chinese economy. Chinese governmental actions concerning the economy and state-owned enterprises could have a significant effect on Chinese private sector entities in general, and on CNCB or CIFH in particular.

The Guarantor is also exposed to regulatory uncertainty and geopolitical risk as a result of its investments in Asia. Changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could adversely affect the Guarantor's investments. Moreover, Asian economies can be directly and negatively affected by adverse developments in other countries in the region and beyond.

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

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

The Guarantor's expansion in the United States makes it more vulnerable to developments in this market, particularly the real estate market. In the year prior to 2008, the sound economic growth, the strength of the labour market and a decrease in interest rates in the United States caused an increase in the demand for mortgage loans. This had repercussions in housing prices, which also rose significantly. During the summer of 2007, the difficulties experienced by the subprime mortgage market triggered a real estate and financial crisis, which has significantly affected the real economy and which has resulted in significant volatility and uncertainty in markets and economies around the world. As the Guarantor has acquired entities in the United States particularly Compass, its exposure to the U.S. market has increased. In addition, adverse changes to the U.S. economy in general, or to the U.S. real estate market in particular, has had and could continue to have a material adverse effect on the business, financial condition, results of operations and cash flows of the Guarantor's subsidiary Compass, which could negatively affect its expected return on its acquisition of Compass.

### Regulatory risks

*Governmental responses to recent market disruptions may be inadequate and may have unintended consequences.*

In response to recent market disruptions, legislators and financial regulators have taken a number of steps to stabilise the financial markets. These steps have included various fiscal stimulus programmes and the provision of direct and indirect assistance to distressed financial institutions, assistance by banking authorities in arranging acquisitions of weakened banks and broker/dealers, implementation of various programmes by regulatory authorities to provide liquidity to various credit markets and temporary prohibitions on short sales of certain financial institution securities. Additional legislative and regulatory measures are under consideration in various countries around the world, including, for example in the United States, where measures with respect to modifications of residential mortgages and an overhaul of the financial regulatory framework are under consideration. The overall effects of these and other legislative and regulatory efforts on the financial markets are uncertain and may not have the intended stabilisation effects. In addition to these actions, various regulatory authorities in member states of the European Union and the United States have taken regulatory steps to support financial institutions, to guarantee deposits and to seek to stabilise the financial markets. Should these or other legislative or regulatory initiatives fail to stabilise the financial markets, the Guarantor's business, financial condition, results of operations, cash flow and business plans could be adversely affected.

In addition, while these measures have been taken to support the markets, they may have unintended consequences on the global financial system or the Guarantor's businesses, including reducing competition, increasing the general level of uncertainty in the markets or favouring or disfavouring certain lines of business, institutions or depositors. The Guarantor cannot predict the effect of any regulatory changes resulting from recent market disruptions and any such changes can have a material adverse effect on the Guarantor's business, financial condition, results of operations, cash flow and business plans.

### Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

*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 should:

- (i) have 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;

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

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

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

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

#### *Notes subject to optional redemption by the Issuers*

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

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

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

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

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- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

### *Partly-paid Notes*

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

### *Variable rate Notes with a multiplier or other leverage factor*

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

### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Fixed/Floating Rate Notes*

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

### *Notes issued at a substantial discount or premium*

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

### *The Issuers' obligations under Subordinated Notes are subordinated*

BSC's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of BSC. Although Subordinated Notes may pay a

higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should BSC and the Guarantor become insolvent.

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

After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, BSC and the Guarantor will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts (including the Subordinated Notes and claims under the Subordinated Guarantee); (iii) interest (including accrued and unpaid interest due on the Notes and under the Subordinated Guarantee); (iv) fines; (v) claims of creditors which are related to the Issuer or the Guarantor; and (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*).

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

The Senior Notes and any guarantee in respect of them (the **Senior Guarantees**) are unsecured and unsubordinated obligations of the relevant Issuer and the Guarantor, respectively. Subject to statutory preferences, the Senior Notes and the Senior Guarantees will rank equally with any of the relevant Issuer's and the Guarantor's other unsecured and unsubordinated indebtedness and, in the case of the Senior Guarantees, senior to the Subordinated Guarantee. However, the Senior Notes and the Senior Guarantees will be effectively subordinated to all of, respectively, the relevant Issuer's and the Guarantor's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Spanish law. As at 31st December, 2006, the book value of BBVA's consolidated assets pledged as security in connection with its obligations was €45.8 billion. 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.

### *Risks related to Notes generally.*

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

#### *Spanish Tax Rules*

Under Spanish law, interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18 per cent., in the case of individual holders who are resident for tax purposes in Spain.

Law 4/2008 of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system, removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders of securities who are not resident in Spain. Nevertheless, the implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted. For that reason, the Guarantor is still required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Notes. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 18 per cent. Neither the relevant Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (see Condition 8 of the Notes and "*Taxation – Disclosure of Noteholder Information in connection with Interest Payments*").

The European Clearing Systems have arranged certain procedures to facilitate the relevant Issuer, the Guarantor and the Principal Paying Agent in the collection of the details referred to above from holders of the Notes. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all Series of the Notes to be cleared through such European Clearing System and this may affect the liquidity of such Notes. Provisions have been made for the Notes, in such a case, to be represented by definitive Notes (see “*Form of the Notes*”). The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems. The Guarantor and the relevant Issuer may from time to time appoint an agent to intermeditate with the European Clearing Systems in the provision of such information. Details of any such appointment will be set out in the applicable Final Terms.

In the case of any Notes which are held in DTC the relevant Issuer and the Guarantor may agree procedures with DTC and, if necessary, an intermediary agent appointed by the relevant Issuer and the Guarantor to facilitate the collection of such details. Any such procedures will be summarised in the applicable Final Terms and otherwise made available to holders of the relevant Notes as described in the applicable Final Terms.

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems and/or DTC as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.** None of the Issuers, the Guarantor, the Dealers, the Paying Agents, the European Clearing Systems or DTC assume any responsibility therefor.

### *Meetings of Noteholders, Modification and Waiver*

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

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15th September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission’s advice on the need for changes to the Directive. On 13th November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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

### *Change of law*

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

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

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

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

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

### *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 depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Regulation S Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Regulation S Global Note. While the Notes are represented by the Regulation S Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

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

### *Risks related to the market generally.*

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

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuers will pay principal and interest on the Notes and the Guarantor will make any payments under the relevant Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

#### *Interest rate risks*

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

#### *Credit ratings may not reflect all risks*

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

#### *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 (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) 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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## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited annual financial statements for the financial years ended 31st December, 2007 and 31st December, 2008 (including the audit reports issued in respect thereof) prepared in accordance with Spanish generally accepted accounting principles of each of BSF, BUS and BSC;
- (b) the Guarantor's annual report on Form 20-F for the fiscal year ended 31st December, 2008 filed with the U.S. Securities and Exchange Commission (the SEC) on 2nd April, 2009 (which includes, on pages F-1 to F-184 thereof, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31st December, 2008, 31st December, 2007 and 31st December, 2006 provided that Exhibits 1.1, 4.1, 4.2 and 4.3 to the Form 20-F, which are incorporated by reference therein, shall not be incorporated in, or form part of, this Offering Circular);
- (c) the published interim financial statements of the Guarantor (on a consolidated basis) for the three month period ending 31st March, 2009; and
- (d) the terms and conditions of the Notes contained in the previous Offering Circular dated 18 January 2005, pages 27 to 61 (inclusive); 18 July 2005, pages 43 to 75 (inclusive); 13 June 2006, pages 43 to 75 (inclusive); 11 June 2007, pages 45 to 78 (inclusive) and 9 June 2008, pages 61 to 95 (inclusive).

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

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

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

## OVERVIEW OF THE PROGRAMME

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

**Description:** Global Medium Term Note Programme

**Arranger:** UBS Limited

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

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

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

### **Notes with a maturity of less than one year**

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

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

**Registrar:** Deutsche Bank Trust Company Americas

**Programme Size:** Up to €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at

	any time. The Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<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>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
<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 on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<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> ”. 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>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be

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

**Denomination of Notes:**

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 admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$100,000 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 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Payments in respect of the Notes and under the Guarantee will be subject to Spanish withholding tax in the circumstances described below. In such circumstances, neither the relevant Issuer nor the Guarantor will be required to pay additional amounts in respect of such withholding tax.

Under Spanish law interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18 per cent., in the case of individual holders who are resident for tax purposes in Spain. In addition, holders who fail to provide information regarding their identity and tax residence will also receive payments subject to Spanish withholding tax, see Condition 8 of the Notes.

**Disclosure of Identity of Holders:**

Although, Law 4/2008 of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system, removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning Noteholders who are not resident in Spain, at the date of this Offering Circular, such secondary legislation had not yet been adopted. For that reason, the Guarantor is still obliged to disclose to the Spanish tax and supervisory authorities the identity of holders of the Notes.

The European Clearing Systems have arranged certain procedures to facilitate the Principal Paying Agent in the collection of the information referred to above from Noteholders. If the European Clearing Systems are, in the future, unable to follow these procedures, they may refuse to clear all or any Series of the Notes and this will

affect the liquidity of the relevant Notes. In such a case, Global Notes will be exchanged for Notes in definitive form, see “*Form of the Notes*”. The Guarantor and the relevant Issuer may from time to time appoint an agent to intermediate with the European Clearing Systems in the provision of such information. Details of any such appointment will be set out in the applicable Final Terms.

In the case of any Notes which are held in DTC the relevant Issuer and the Guarantor may agree procedures with DTC and, if necessary, an intermediary agent appointed by the relevant Issuer and the Guarantor to facilitate the collection of such details. Any such procedures will be summarised in the applicable Final Terms and otherwise made available to holders of the relevant Notes as described in the applicable Final Terms.

The procedure described in this Offering Circular is a summary only and is subject to review and amendment by the European Closing Systems and/or DTC as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.** None of the Issuers, the Guarantor, the Dealers, the Paying Agents, the European Clearing Systems or DTC assumes any responsibility therefor.

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

**Cross Default:**

The terms of the Notes will contain a cross default provision as further described in Condition 10.

**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*”. Perpetual Subordinated Notes may also be issued under the Programme and the terms and conditions applicable to such Notes will be set out in the applicable Final Terms.

**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 rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change 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 (i) the appointment of the representative for that Series named in the applicable public deed of issuance, (ii) become a member of the syndicate of Noteholders of that Series and (iii) accept the syndicate regulations referred to in the applicable Final Terms.

**Listing and Admission to Trading:**

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes will not be issued under the Programme.

The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.

**Governing Law:**

The Conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except that the provisions of Condition 3 (and any non-contractual obligations arising out of or in connection with it) will be, and each Guarantee is, governed by, and will be construed in accordance with, Spanish law. In addition, the provisions of Condition 15 (and any non-contractual obligations arising out of or in connection with it) relating to the appointment of a Noteholder representative and meetings of Noteholders will be governed by Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.

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

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

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

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



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

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

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

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

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

### **Registered Notes**

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

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

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

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on

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

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

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

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

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable, in each case. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

### General

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

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

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

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## FORMS OF APPLICABLE FINAL TERMS

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

[Date]

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

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.  
under the €40,000,000,000  
Global Medium Term Note Programme

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

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

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

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

### 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 9th June, 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

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

## FORMS OF APPLICABLE FINAL TERMS

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 9th June, 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 9th June, 2009 and [*original date*]. Copies of such Offering Circulars are available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

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

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

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

1. (a) Issuer: [BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]
- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.
2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6. (a) Specified Denomination: [ ]  
(Notes may only have a single Specified Denomination.)  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €1,000 minimum denomination is not required.)*

## FORMS OF APPLICABLE FINAL TERMS

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

14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*

(a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi annually/quarterly/other (*specify*)] in arrear]  
*(If payable other than annually, consider amending Condition 5)*

(b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[*specify other*]  
*(N.B. This will need to be amended in the case of long or short coupons)*

(c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*

(d) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*

(e) Day Count Fraction: [30/360 or 30/360 (ISDA) or Actual/Actual (ICMA) or Actual/Actual (ISDA) or *specify other*]  
*(See Condition 5 for alternatives)*

(f) Determination Date(s): [ ] in each year  
*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

(g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]

16. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*

(a) Specified Period(s)/Specified Interest Payment Dates: [ ]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]

(c) Additional Business Centre(s): [ ]

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



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

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

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the interest due (if not the Principal Paying Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or adjustment disruption events and settlement provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]
20. Other structured Notes: [Applicable – set out amendments to the Terms and Conditions here/Not applicable]

**PROVISIONS RELATING TO REDEMPTION**

21. Issuer Call [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. Investor Put [Applicable/Not Applicable]  
*(N.B. Not applicable in the case of Subordinated Notes)*  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]

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

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

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

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

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes: [Bearer Notes:  
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]  
[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]  
[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]/Rule 144A Global Note ([ ] nominal amount registered in the name of a nominee for [DTC/ a common depository for Euroclear and

## FORMS OF APPLICABLE FINAL TERMS

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

## DISTRIBUTION

33. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give name, addresses and underwriting commitments] *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)*
- (b) Date of Subscription Agreement: [ ]
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
34. If non-syndicated, name and address of relevant Dealer: [Not Applicable/ give name and address]

35. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
36. U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable]
37. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and *specify names of other financial intermediaries/placers making non-exempt offers, to the extent known* OR consider a generic description of other parties involved in non-exempt offers (e.g. “other parties authorised by the Managers”) or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Offering Circular and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (**Public Offer Jurisdictions**) during the period from [*specify date*] until [*specify date or a formula such as “the Issue Date” or “the date which falls [ ] Business Days thereafter”*] (**Offer Period**). See further Paragraph 3 of Part B below.
- (N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)
38. Additional selling restrictions: [Not Applicable/give details]
39. Condition 17 applies: [Yes] [No]

### SYNDICATE REGULATIONS

The pro forma regulations of the syndicate of the holders of the Notes are scheduled to the Amended and Restated Agency Agreement dated 9th June, 2009 and relating to the Issuer’s €40,000,000,000 Global Medium Term Note Programme.

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

### PURPOSE OF FINAL TERMS

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

**RESPONSIBILITY**

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:.....  
*Duly authorised*

By:.....  
*Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: [ ]]  
 [Moody’s: [ ]]  
 [Fitch: [ ]]  
 [[Other]: [ ]]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. TERMS AND CONDITIONS OF THE OFFER

- Offer Price: [Issue Price/Not applicable/specify]
- Conditions to which the offer is subject: [Not applicable/give details]
- Description of the application process: [Not applicable/give details]
- Details of the minimum and/or maximum amount of application: [Not applicable/give details]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
- Details of the method and time limits for paying up and delivering the Notes: [Not applicable/give details]
- Manner and date in which results of the offer are to be made public: [Not applicable/give details]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [Not applicable/*give details*]

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

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

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

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

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

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

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



(i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

6. **YIELD** (*Fixed Rate Notes only*)

Indication of yield:

[ ]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**10. OPERATIONAL INFORMATION**

- (i) Intended to be held in a manner which would allow Eurosystem eligibility:  [Yes]  [No]  
*(Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.)*  
*[Include this text if “yes” selected in which case the Notes must be issued in NGN form.)*
- (ii) ISIN Code:  [ ]
- (iii) Common Code:  [ ]
- (iv) CUSIP:  [ ]
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and the Depository Trust Company and the relevant identification number(s):  [Not applicable/give name(s) and number(s)]
- (v) Delivery:  Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any):  [ ]

**11. ADDITIONAL SPANISH TAX PROVISIONS**

[Not Applicable/Describe]

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## FORM OF FINAL TERMS

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

[Date]

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

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.  
under the €40,000,000,000  
Global Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 9th June, 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 9th June, 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 9th June, 2009 and [original date]. Copies of such Offering Circulars are available for viewing at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

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

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

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

1. (a) Issuer: [BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal]

- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.
2. (a) Series Number: [ ]  
 (b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
 (a) Series: [ ]  
 (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (if applicable)
6. (a) Specified Denomination: [ ]  
*Notes may only have a single Specified Denomination.)*  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)*  
 (b) Calculation Amount [ ]  
*(Insert the Specified Denomination.)*
7. (a) Issue Date: [ ]  
 (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: *[Fixed rate - specify date/*  
*Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]

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

11. Change of Interest Basis or Redemption/  
Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put] *(N.B. Not applicable in the case of Subordinated Notes)*  
[Issuer Call]  
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (b) Status of the Guarantee: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14. Method of distribution: [Syndicated/Non-syndicated]

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

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

- (f) Determination Date(s):  in each year  
 [(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)  
*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes:  [None/Give details]
16. Floating Rate Note Provisions  [Applicable/Not Applicable]  
 (If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates:  [ ]
- (b) Business Day Convention:  [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (c) Additional Business Centre(s):  [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined:  [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):  [ ]
- (f) Screen Rate Determination:  [Applicable/Not Applicable]
- Reference Rate:  [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)*
- Interest Determination Date(s):  [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page:  [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:  [Applicable/Not Applicable]

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

- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [ ]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (f) Additional Business Centre(s): [ ]
- (g) Minimum Rate of Interest: [ ] per cent. per annum
- (h) Maximum Rate of Interest: [ ] per cent. per annum
- (i) Day Count Fraction: [ ]

19. Dual Currency Interest Note Provisions

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

- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give or annex details*]
- (b) Party, if any, responsible for calculating the interest payable (if not the Principal Paying Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

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



PROVISIONS RELATING TO REDEMPTION

21. **Issuer Call** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. **Investor Put** [Applicable/Not Applicable] *(N.B. Not applicable in the case of Subordinated Notes)*  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
23. **Final Redemption Amount:** [[ ] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

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

GENERAL PROVISIONS APPLICABLE TO

THE NOTES

25. Form of Notes:  Bearer Notes:  
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]  
 [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
 [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]  
 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]/Rule 144A Global Note ([ ] nominal amount registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg])/Definitive IAI Registered Notes (specify nominal amounts)]
26. New Global Note (NGN):  [Yes][No]
27. Additional Financial Centre(s) or other special provisions relating to Payment Days:  [Not Applicable/*give details*]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)*
28. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):  [Yes/No. *If yes, give details*]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:  [Not Applicable/*give details. N.B. new forms of Global Note may be required for Partly Paid issues.*]
30. Details relating to Instalment Notes:

## FORM OF FINAL TERMS

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

## DISTRIBUTION

33. (a) If syndicated, names of Managers: [Not Applicable/*give names*]  
(*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.*)
- (b) Date of Subscription Agreement: [ ]  
(*The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)
- (c) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
34. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
35. U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable]
36. Additional selling restrictions: [The [Dealer/Managers] shall only offer the Notes to investors who acquire the Notes for a total consideration of at least euro 50,000 (or its equivalent) per investor/Not Applicable/*give details*]
37. Condition 17 applies: [Yes] [No]

## SYNDICATE REGULATIONS

The pro forma regulations of the syndicate of the holders of the Notes are scheduled to the Amended and Restated Agency Agreement dated 9th June, 2009 and relating to the Issuer’s €40,000,000,000 Global Medium Term Note Programme.

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

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue and admission to trading on [*specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant*]

*listing on an official list (for example, the Official List of the UK Listing Authority)] of the Notes described herein pursuant to the Issuer's €40,000,000,000 Global Medium Term Note Programme.*

**RESPONSIBILITY**

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:.....  
*Duly authorised*

By:.....  
*Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: [ ]]  
[Moody’s: [ ]]  
[Fitch: [ ]]  
[[Other]: [ ]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

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

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

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

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

- (i) Reasons for the Offer: [ ]
- (ii) Estimated net proceeds: [ ]
- (iii) Estimated total expenses: [ ]

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

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ]

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

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

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

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

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

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

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

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

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

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

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

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

8. OPERATIONAL INFORMATION

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

[Yes][No]

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

(ii) ISIN Code:

[ ]

**FORM OF FINAL TERMS**

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

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

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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 in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

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

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

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 9th June, 2009 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. (the **Guarantor**) as 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 Trust Company Americas as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

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

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



The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to, if this is a Senior Note, a senior guarantee (the **Senior Guarantee**) or, if this is a Subordinated Note, a subordinated guarantee (the **Subordinated Guarantee** and, together with the Senior Guarantee, the **Guarantees**) dated 9th June, 2009 and executed by the Guarantor. The original of the Guarantees are held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

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

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

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

Copies of the Guarantee, 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, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing at the offices of the Issuers and the Guarantor, Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantees, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

### 1. FORM, DENOMINATION AND TITLE

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

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

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

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

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

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

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

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

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

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) Transfers of interests in Registered Global Notes**

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

**(b) Transfers of Registered Notes in definitive form**

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

**(c) Registration of transfer upon partial redemption**

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

**(d) Costs of registration**

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

**(e) Transfers of interests in Regulation S Global Notes**

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

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

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

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

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

**(f) Transfers of interests in Legended Notes**

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

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the 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 Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the 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 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, as amended by the Royal Decree Law 3/2009 of 27th March, 2009 on urgent measures in connection with tax, finance and insolvency in view of changes in the economy. Certain provisions in the Insolvency Law could affect the ranking of certain Notes on an insolvency of the Issuer or the Guarantor.*

*In particular, from the entry into force of the Insolvency Law, and in accordance with the insolvency procedures regulated therein, creditors whose rights arise from a Spanish public document, including Noteholders, do not have a preference to enforce their rights and do not rank ahead of other creditors whose rights may be recognised by virtue of a document not so witnessed.*

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

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

*In the event of insolvency (concurso) of the Issuer, under the Insolvency Law (as defined below), 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.*

### **(b) Status of the Subordinated Notes**

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

*After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, the Issuer 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); (iii) interest (including accrued and unpaid interest due on the Notes at the commencement of the insolvency); (iv) fines; (v) claims of creditors which are related to the Issuer; (vi) detrimental claims against the Issuer 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.*

### **(c) Status of the Senior Guarantee**

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

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

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

### **(d) Status of the Subordinated Guarantee**

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

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

*After payment in full of all unsubordinated claims but before distributions to shareholders, under article 92 of the Insolvency Law, the Guarantor will meet subordinated claims in the following order and pro rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debt (including claims under the Guarantee); (iii) interest; (iv) fines; (v) claims of creditors which are related to the Guarantor; (vi) detrimental claims against 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.*

*The Guarantor may apply to Banco de España for the subscription amount of Subordinated Notes to qualify as tier 2 capital for capital adequacy purposes in compliance with the provisions of Royal Decree 216/2008, of 15th February of own funds of financial entities, Bank of Spain Circular 3/2008, of 22nd May, and subsidiary regulations.*

#### **4. REDENOMINATION**

##### **(a) Redenomination**

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

The election will have effect as follows:

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

Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (a) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
  - (b) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

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

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

### (b) Definitions

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

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

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

**Treaty** means the Treaty establishing the European Community, as amended.



**5. INTEREST**

**(a) Interest on Fixed Rate Notes**

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

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

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

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

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

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

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

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
- (iii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (iv) if “30/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day a month, or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

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

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

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

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

(i) *Interest Payment Dates*

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

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

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date

should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

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

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

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

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

“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;

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

(vi) *Certificates to be final*

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

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

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

(d) **Interest on Partly Paid Notes**

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

(e) **Accrual of interest**

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

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

### 6. PAYMENTS

#### (a) Method of payment

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

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

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

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

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



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

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all 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, Dual Currency Note, Index Linked 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 and otherwise in the manner specified in the relevant Global Note 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 against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

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

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

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

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

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the 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 Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

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

**(e) General provisions applicable to payments**

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

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

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

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

**(f) Payment Day**

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

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

**(g) Interpretation of principal and interest**

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

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

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

**7. REDEMPTION AND PURCHASE**

**(a) Redemption at maturity**

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

Subordinated Notes will have a maturity of not less than five years from their date of effective disbursement (unless otherwise permitted by Spanish legislation or regulation, *Banco de España* requirements or requirements of any other applicable regulatory authority).

**(b) Redemption for tax reasons**

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

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

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

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

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

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

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

- (i) not less than 7 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 or such lesser period specified in the applicable Final Terms; and
- (ii) not less than 5 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar or such lesser period specified in the applicable Final Terms,

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

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 60 days' notice (or such lesser period specified in the applicable Final Terms) (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem in whole but not in part, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms. No such redemption option will be applicable to any Subordinated Notes, unless as permitted under *Banco de España's* requirements.

To exercise the right to require redemption of this Note the holder of this Note must if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the 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 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 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, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly.

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

**(e) Early Redemption Amounts**

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

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

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

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield expressed as a decimal;

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

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

(f) **Instalments**

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

(g) **Partly Paid Notes**

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

(h) **Purchases**

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

(i) **Cancellation**

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

(j) **Late payment on Zero Coupon Notes**

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

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

## 8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax (**Spain**) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or

deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (c) presented for payment by or on behalf of a holder in respect of whom the Issuer or the Guarantor (or the Principal Paying Agent on its behalf) has not received all details concerning such holder's identity and tax residence as it requires in order to comply with Spanish Law 13/1985, of 25th May as amended by Law 19/2003 of 4th July, 2003 and Law 23/2005 of 18th November, 2005, Spanish Royal Decree 1065/2007 of 27th July and Spanish Order of 22nd December, 1999, no later than 10.00 a.m. (CET) on the second business day before the 10th calendar day of the month following the relevant date upon which the payment was due (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
- (d) 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
- (e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

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

*See "Taxation – Disclosure of Noteholder Information in connection with Interest Payments" for a fuller description of certain tax considerations (particularly in relation to holders which are resident in Spain) relating to the Notes, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Guarantor relating to the identity and tax residence of holders of Notes. Holders should note that if certain required information is not supplied in a timely fashion, they will not receive the full amount of interest due but may be entitled to obtain a refund of amounts withheld. See "Taxation".*

## 9. PRESCRIPTION

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

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



**10. EVENTS OF DEFAULT**

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

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

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

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 21 days or more in the payment of any interest due in respect of any of the Notes; or
- (ii) a default is made in the performance by the Issuer or the Guarantor of any other obligation under the provisions of the Notes or under the provisions of the Guarantee relating to the Notes and such default continues for more than 30 days following service by a Noteholder on the Issuer and the Guarantor of a notice requiring the same to be remedied; or
- (iii) any Capital Markets Indebtedness of the Issuer or the Guarantor 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 or any guarantee by the Issuer or the Guarantor of any Capital Markets Indebtedness of any other person is not (in the case of Capital Markets Indebtedness) paid when due (after whichever is the longer of 30 days after the due date and any applicable grace period therefor) or becomes prematurely due and repayable following a default on the part of, or an event of default with reference to, the Issuer or the Guarantor, or (in the case of a guarantee) honoured when called upon (after whichever is the longer of 30 days after the due date and any applicable grace period therefor);
- (iv) an order of any competent court or administrative agency is made or any resolution is passed by the Issuer for the winding-up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders); or
- (v) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (Entidad de Crédito according to article 1°-2 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, or any order of any competent court or administrative agency is made for, or any resolution is passed by Issuer or the Guarantor to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or of a substantial part of the assets of either of them (unless in the case of an order for a temporary appointment, such appointment is discharged within 30 days); or
- (vii) the Issuer or the Guarantor stops payment of its debts generally; or
- (viii) the Issuer (except for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders) or the Guarantor (except (i) for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation will have a rating for long-term senior debt assigned by Standard & Poor’s Rating Services or Moody’s Investor Services

equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation) ceases or threatens to cease to carry on the whole or substantially the whole of its business; or

- (ix) an encumbrancer takes possession of the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor or an application is made for the appointment of an administrative or other receiver, manager, administrator or similar official in relation to the Issuer or the Guarantor or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or the Guarantor, or a distress or execution is levied or enforced upon or sued out against any substantial part of the undertaking or assets of the Issuer or the Guarantor and is not discharged within 30 days; or
- (x) the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

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

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

### (b) Events of Default relating to Subordinated Notes

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

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

- (i) an order is made declaring the Issuer insolvent or an order is made or an effective resolution is passed for the dissolution or winding up of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders of this Series); or
- (ii) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (as defined in Condition 10(a)) and will have a rating for long-term subordinated debt assigned by Standard & Poor’s Rating Services or Moody’s Investors Services equivalent to or higher than the rating for long-term subordinated debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation),

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the Registrar, as the case may be, effective upon receipt thereof by the Principal Paying Agent or the Registrar, as the case may be, (in the case of paragraph (ii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall

become immediately due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment.

(c) **As used herein:**

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

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

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

**11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

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

**12. AGENTS**

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination,

appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 provided that no such variation, termination, appointment or changes shall take effect (except in the case of insolvency) within 7 days before any due date for the payment of any Note or any related Receipt or Coupon. Notice of all changes in the identities or specified offices of any Agent will be given promptly by the Issuer to Noteholders in accordance with Condition 14.

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

### 13. EXCHANGE OF TALONS

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

### 14. NOTICES

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

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

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

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

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

### 15. MEETINGS OF NOTEHOLDERS

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

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

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

### 16. MODIFICATION AND WAIVER

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

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

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

### 17. FURTHER ISSUES

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

### 18. SUBSTITUTION

#### (a) Substitution of the Issuer

- (i) The Issuer may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by the Guarantor or any other company of which 100 per cent. of the shares or other equity interests (as the case may be)

carrying the right to vote are directly or indirectly owned by the Guarantor as principal debtor (in such capacity, the **Substituted Debtor**) in respect of the Notes provided that:

- (A) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor, the Representative, the Issuer and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;
- (B) without prejudice to the generality of Condition 18(a)(i)(A), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (C) the Documents shall contain a warranty and representation by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be, that each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) of its obligations under the Documents and that all such approvals and consents are in full force and effect;
- (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
- (E) the Issuer shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the 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 Registrar;

- (F) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the 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 Registrar;
  - (G) the Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the 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 Registrar;
  - (H) the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
  - (I) there is no outstanding Event of Default in respect of the Notes;
  - (J) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
  - (K) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 18(a)(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.
  - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
  - (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14.

(b) **Substitution of the Guarantor**

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



- (F) the Substituted Guarantor shall have delivered or procured the delivery to the Representative, the Principal Paying Agent and the 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 Registrar;
  - (G) the Substituted Guarantor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
  - (H) there is no outstanding Event of Default in respect of the Notes;
  - (I) the Substituted Guarantor has ratings for long-term senior and subordinated debt assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or Moody's Investors Service, Inc. which are the same as or higher than the credit rating for long-term senior and subordinated debt of the Guarantor or any previous Substituted Guarantor immediately prior to such substitution; and
  - (J) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 18(b)(i) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor in place of the Guarantor (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes and the Guarantees.
  - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
  - (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with Condition 14.

### **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

### **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

#### **(a) Governing law**

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

appointment of the Representative and meetings of Noteholders are governed by Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

**(b) Submission to jurisdiction**

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

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

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

**(c) Appointment of Process Agent**

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

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## USE OF PROCEEDS

The net proceeds from each issue of Notes will, in accordance with law 19/2003 of 4th July, 2003 on foreign capital movements and financial transactions and on certain measures to prevent money laundering which amends law 13/1985 of 25th May, 1985 on investment ratios, capital adequacy and information requirements for financial intermediaries, be deposited on a permanent basis with the Guarantor and will be used for the Group's general corporate purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

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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:

Name	Position at BSF	Present Principal Occupation Outside BSF
Pedro Maria Urresti Laca .....	Director/President	Deputy Chief Financial Officer of BBVA
Ana Fernández Manrique .....	Director	Corporate Development Manager 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 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 the BSC are as follows:

Name	Position at BSC	Present Principal Occupation Outside BSC
Pedro Maria Urresti Laca .....	Director/President	Deputy Chief Financial Officer of BBVA
Ana Fernández Manrique .....	Director	Corporate Development Manager 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 Gogeoasca ....	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:

Name	Position at BUS	Present Principal Occupation Outside BUS
Pedro Maria Urresti Laca .....	Director/President	Deputy Chief Financial Officer of BBVA
Ana Fernández Manrique .....	Director	Corporate Development Manager of BBVA
Juan Carlos García Pérez.....	Director	Manager of BBVA
Tomás Sanchez Zabala .....	Director	Manager of BBVA
Juan Isusi Garteiz Gogeaosca ....	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

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

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or "S.A.") under the Spanish Corporations Law on 1st October, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Paseo de la Castellana, 81, 28046, Madrid, Spain telephone number 34-91-3746201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Jose Maria Garcia Meyer (15 South 20th Street, Birmingham, AL 35233, telephone number 1-205-297-3000). BBVA is incorporated for an unlimited term.

## Recent Developments

Directors of Banco de Crédito Local de España, S.A. and BBVA Factoring E.F.C., S.A. (both sole shareholder companies), in their respective board meetings held on 26th January, 2009, and BBVA, in its board meeting of 27th January, 2009, approved the proposal to merge Banco de Crédito Local de España, S.A. and BBVA Factoring E.F.C., S.A. into BBVA and the subsequent transfer of all their assets and obligations to BBVA. The merger agreement was approved at the annual general meeting of shareholders on 13th March, 2009.

## Capital Expenditures

During 2008, there were no significant changes in the Group, except for the merger of its banking subsidiaries in Texas (Laredo National Bank, Inc., Texas National Bank, Inc., and State National Bank, Inc.) into Compass.

In 2008, BBVA further increased its ownership interest in members of the CITIC Group, a Chinese banking group, by increasing its stake in CIFH up to 29.7 per cent. and CNCB up to 10.07 per cent.. CIFH is a banking entity headquartered in Hong Kong and previously listed on the Hong Kong stock exchange. Pursuant to an agreement between BBVA and Gloryshare Investments Limited (the controlling shareholder of CIFH), CIFH's shares were delisted from the Hong Kong Stock Exchange on 5th November, 2008.

## Capital Divestitures

In March, 2008, BBVA sold its 5.01 per cent. interest in the Brazilian bank, Banco Bradesco, S.A. ("Bradesco") to Bradesco's principal shareholders, Cidade de Deus – Companhia Comercial de Participações and Fundação Bradesco, for a market price of €863 million. This sale gave rise to a gain of €727 million.

## 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 a portfolio of investments in some of Spain's leading companies.

## Business Areas

In December 2007, BBVA's board of directors approved a new organisational structure for the BBVA Group, which was implemented as of 1st January, 2008 and is the basis for the financial statements included herein: Spain and Portugal; Global Businesses (also named Wholesale Banking and Asset Management); Mexico;

the United States; South America; and Corporate Activities. The transition from the 2007 Business Areas to the 2008 Business Areas has affected principally the Mexico and United States business area, which is now split into respective business areas and the Spain and Portugal area and the Global Businesses area which exchanged certain portfolios and units.

In 2008, the Group focused its operations on six major business areas: which are further broken down into business units, as described below:

- Spain and Portugal
  - Spanish retail network
  - Corporate and business banking
  - Other units: Consumer finance, European insurance, BBVA Portugal and Dinero Express
- Global Businesses (Wholesale Banking and Asset Management)
  - Corporate and investment banking
  - Global markets
  - Asset management
  - Industrial and real estate holdings
  - Asia
- Mexico
  - Banking businesses
  - Pensions and insurance
- The United States
  - BBVA Compass banking group
  - Other units: BBVA Puerto Rico, BTS and BBVA Bancomer USA
- South America
  - Banking businesses
  - Pensions and insurance
- Corporate Activities

The foregoing description of BBVA's business areas is consistent with BBVA's current internal organisation. The financial information for BBVA's business areas for 2008, 2007 and 2006 presented below has been prepared on a uniform basis, consistent with BBVA's organisational structure in 2008. Unless otherwise indicated, the financial information provided below for each business area does not reflect the elimination of transactions between companies within one business area or between different business areas, since BBVA considers these transactions to be an integral part of each business area's activities.



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

The following table provides information relating to income attributed to BBVA's business areas for the years ended 31st December, 2008, 2007 and 2006.

	Income/(Loss) Attributed to the Group			% of Income/(Loss) Attributed to the Group		
	(in millions of euro)					
	Year ended December 31,					
	2008	2007	2006	2008	2007	2006
Spain and Portugal .....	2,625	2,381	1,884	52%	39%	40%
Global Businesses (Wholesale Banking and Asset Management) .....	754	896	859	15%	15%	18%
Mexico .....	1,938	1,880	1,711	39%	31%	36%
The United States .....	211	203	64	4%	3%	1%
South America .....	727	623	509	15%	10%	11%
<b>Subtotal</b> .....	<b>6,255</b>	<b>5,983</b>	<b>5,027</b>	<b>125%</b>	<b>98%</b>	<b>106%</b>
Corporate Activities.....	(1,235)	143	(291)	(25)%	2%	(6)%
<b>Net income attributed to parent company</b> .....	<b>5,020</b>	<b>6,126</b>	<b>4,736</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The following provides information relating to net interest income for each of BBVA's business areas for the years ended 31st December, 2008, 2007 and 2006.

	Net interest income (in millions of euro)		
	Year ended December 31,		
	2007	2006	2005
Spain and Portugal .....	4,828	4,391	3,800
Global Businesses (Wholesale Banking and Asset Management) .....	745	(7)	18
Mexico .....	3,716	3,505	3,220
The United States.....	1,332	763	280
South America .....	2,199	1,746	1,376
<b>Subtotal</b> .....	<b>12,820</b>	<b>10,398</b>	<b>8,694</b>
Corporate Activities.....	(1,134)	(770)	(556)
<b>Net interest income</b> .....	<b>11,686</b>	<b>9,628</b>	<b>8,138</b>

### Spain and Portugal

The Spain and Portugal business area focuses on providing banking services and consumer finance to private individuals and businesses in Spain and Portugal.

The business units included in the Spain and Portugal business area are:

- Spanish Retail Network: this unit manages individual customers, high net-worth individuals and small companies and businesses in the Spanish market;
- Corporate and Business Banking: this unit manages business with small and medium sized entities (SMEs), large companies and institutions in the Spanish market;
- Consumer Finance;
- European Insurance: this unit handles the insurance business in Spain and Portugal;

- BBVA Portugal: this unit manages the banking business in Portugal; and
- Dinero Express: this unit specialises in the immigrant section.

The principal figures relating to this business area as of 31st December, 2007 and 31st December, 2006 were:

- Total net lending was €199,297 million, as of 31st December, 2008, an increase of 0.4 per cent. from €198,524 as of 31st December, 2007, reflecting the significant slowdown in lending growth in Spain.
- Total customer deposits were €100,893 million as of 31st December, 2008 compared to €91,546 million as of 31st December, 2007, an increase of 10.2 per cent.
- Mutual funds under management were €31,270 million as of 31st December, 2008, a decrease of 26.4 per cent. from €42,469 million as of 31st December, 2007, reflecting declines in portfolio volumes and withdrawals of mutual fund assets.
- Pension fund assets under management were €9,603 million as of 31st December, 2008, a decrease of 4.7 per cent. from €10,072 million as of 31st December, 2007.

### *Spanish Retail Network*

The Spanish Retail Network unit services the financial and non-financial needs of households, professional practices, retailers and small businesses. It also manages the high-net-worth segment of private customers. As of 31st December, 2008, the loan portfolio of this unit was €100,906 million and customer funds were €112,528 million.

In order to offer better customer service, in 2008 BBVA engaged in a thorough reorganisation process of the commercial network, making it possible for it to increase commercial capacity and work more closely with its customers. To this end, each group of offices has been given a pool of managers specialised in given units, and the quality of the operating processes has been improved by concentrating these administrative tasks in Retail Banking Centers, thereby enhancing its efficiency.

In 2008, BBVA launched several new products and promotions aimed at the Spanish retail customer, including loans with pre-authorised limits for the self-employed and mortgage loans directed towards younger customers. In 2008, it also carried out the *Ven a Casa-200* campaign whereby BBVA offered €200 per month for one year to customers who transferred their mortgage from one of its competitors to BBVA. BBVA also offered a wide variety of deposits to its existing customers, including BBVA *Depósito Doble* (Double Deposit), the *Depósito Creciente* BBVA (Growing Deposit) and the *Depósito Fortaleza* (Strength Deposit) and broadened BBVA's range of guaranteed products to include BBVA Top 4, BBVA Top 5, BBVA inflation and *Fondplazo 2009 B*.

BBVA Patrimonios, directly manages high net worth private clients, and has continued to increase its range of products particularly those products designed for business people who are also clients of the corporate and business banking unit. BBVA Patrimonios has also launched new products related to (structured) deposits as well as lending (portfolio-financing plan). In addition, it has opened two new wealth management centres, in the Canary Islands and Galicia. In the family office sphere, tourism projects have been approved within the Real Estate Mexico I, II and III mutual funds, and rights have been issued by these funds. In addition, BBVA Patrimonios has provided its clients with many investment opportunities in the solar energy industry.

BBVA Patrimonios launched the *Más Cobertura Profesional* (More Professional Coverage) insurance plan, which provides disability coverage for independent contractors and risk coverage with the three-year Stockpyme plan for small businesses, as well as the PoS Voucher for merchants and the *Compromiso Negocios* (Business Commitment) and *Compromiso Autónomos* (Independent Contractor Commitment) plans.

### *Corporate and Business Banking*

The corporate and business banking unit handles SMEs, large companies and institutions in Spanish domestic market through specialised networks. As of 31st December, 2008, the loan portfolio had risen 1.8 per cent. to €87,651 million and customer funds were €31,292 million (up 6.8 per cent. from 31st December, 2007).

In the sphere of corporate and business banking, BBVA has marketed new lines of financing in collaboration with the Instituto de Crédito Oficial (“ICO”), including the ICO SME 2008 Line, and the range of products related to risk coverage has been broadened. The most noteworthy of the new products and services include financing for solar energy facilities (leasing and renting), new types of payment cards including Ingreso Express (Express Entry), Tarjeta Recarga Empresas (Business Recharge Card) and Tarjeta Solred Empresas (Business Solred Card), new solutions in electronic banking such as factoring and Autocobro Express (Express Auto-Collection), and nonfinancial services for enterprises (BBVA Solutions Catalog): Activo a RRHH (Human Resources Assets), management subsidies for innovation, environmental consulting and Solium and new forms of customer relationships (such as the Premium Human Resources Program and Enterprise Newsletter).

### *Consumer Finance*

This unit manages online banking, consumer finance, credit cards and leasing plans. These activities are conducted by Uno-e, Finanzia and other companies in Spain, Portugal and Italy.

In Consumer Finance, the BBVA acquired 50 per cent. of Rentrucks, an industrial vehicle rental company, complementing its business renting and financing business. In terms of forms of payment, the BBVA launched a credit card for Inditex Portugal, the first co-branded card launched by BBVA outside of Spain. In terms of deposit-related products, the BBVA launched a promotion featuring a cash refund of 20 per cent. of the payroll of current and new clients who domicile their payroll and three receipts, with the advantages of an account without fees and with all transaction services. BBVA has also launched several new deposit products with varying maturity and interest rate features.

### *European Insurance*

BBVA's European insurance activities are conducted through various insurance companies that provide direct insurance, reinsurance and insurance brokering services in Spain and Portugal and market products for different types of customers (private individuals, SMEs, retailers, professional service firms and providers and self-employed individuals) through this unit's branch offices.

The European Insurance unit has broadened its portfolio of products in 2008, both in non-life insurance, with the launching of the BBVA Auto Insurance and Family Protection insurance and Más Cobertura Profesional (More Professional Coverage), as well as life-savings insurance, with the Systematic Savings Plans, individual savings products with tax advantages, and variable yield income products, which offer yields according to the market situation at any given time, with a guaranteed minimum.

### *BBVA Portugal*

BBVA Portugal manages the banking business in Portugal.

As of 31st December, 2008, BBVA Portugal's customer loans amounted to €5,736 million, an increase of 15.1 per cent. from €4,983 million in 2007 supported by an increase in lending to SME's. Customer funds increased 16.3 per cent. from 31st December, 2007, as customers moved their money from mutual funds to deposits.

### *Dinero Express*

The Dinero Express branch network, which specialises in the immigrant segment in Spain, was set up to attract new customers who make money transfers and to provide them with products and services suited to their needs. It has proved an effective entry point for new customers. As part of a strategy adopted at the

start of 2008, BBVA has been gradually closing branches of Dinero Express with the goal of integrating immigrants into the Spanish retail network as an additional customer segment. Although it now has fewer outlets the unit increased the number of money transfers 10 per cent. in terms of euro amount transferred to €543 million in 2008 despite unfavourable market conditions associated with the adverse economic situation.

### **Global Businesses (Wholesale Banking and Asset Management)**

The Global Businesses (Wholesale Banking and Asset Management) area focuses on providing services to large international companies and investment banking, capital markets and treasury management services to clients.

The business units included in the Global Businesses (Wholesale Banking and Asset Management) area are:

- *Corporate and Investment Banking*: this unit coordinates origination, distribution and management of a complete catalogue of corporate and investment banking products (corporate finance, structured finance, syndicated loans and debt capital markets) and provides global trade finance and global transaction services with coverage of large corporate customers specialised by sector (industry bankers);
- *Global Markets*: this unit handles the origination, structuring, distribution and risk management of market products, which are placed through the Group's trading rooms in Europe, Asia and the Americas;
- *Asset Management*: this unit designs and manages the products that are marketed through the Group's different branch networks including traditional asset management, alternative asset management and Valanza (the Group's private equity unit);
- *Industrial and Real Estate Holdings*: this unit helps to diversify the area's businesses with the aim of creating medium- and long-term value through active management of a portfolio of industrial holdings and real estate projects (Anida and the Duch Project);
- *Asia*: this unit represents BBVA's increased stakes in CIFH in Hong Kong (approximately 30 per cent.) and in CNCB (approximately 10 per cent.) and its commitment to China as demonstrated by aggregate investments that now exceed €2,000 million.

The principal figures relating to this business are as of 31st December, 2008 and 31st December, 2007 were:

- Total net lending was €48,683 million, an increase of 30.4 per cent. from €37,337 million as of 31st December, 2007.
- Total customer deposits were €62,568 million as of 31st December, 2008 compared to €42,243 million as of 31st December, 2007, an increase of 48.1 per cent..
- Mutual funds under management were €4,014 million as of 31st December, 2008, an increase of 65.5 per cent. from €2,425 million as of 31st December, 2007.
- Pension fund assets under management were €6,810 million as of 31st December, 2008, a decrease of 7.5 per cent. from €7,363 million as of 31st December, 2007.

### *Corporate and Investment Banking*

Within the Corporate and Investment Banking unit, in 2008 BBVA opened a Frankfurt office, launched the Investment Banking Client for enterprises, institutions and corporations as a mid-term growth project; segmented its global clients at all offices in Europe (Madrid, London, Paris, Milan and Frankfurt) and streamlined the management model of the unit with five differentiated industries. BBVA also implemented a new relationship model in the Asia-Pacific region, with special emphasis on high-value-added products, project finance, and trade finance. In addition, within the Corporate and Investment Banking unit, Global Clients and Investment Banking in America have been reorganised, in order to be closer to customers and

place greater emphasis on products, with a matrix structure that combines product managers with the managers responsible for each geographic area.

Through the Global Transaction Services business BBVA launched several new products, technologies and services in Spain and Portugal in 2008, including *AutoCobro Express* (Express Auto-Collection), e factoring, Spain-Brussels centralisation, file-normalisation and double “Token Plus” security for BBVA net cash. In addition, in Portugal BBVA introduced Single Euro Payments Area (“SEPA”) transfers and offered customers the ability to pay taxes and bills through BBVA net cash. In Mexico, Bancomer launched several new products, technologies and services to better serve customers and comply with new Mexican regulations, including TIB 2.0 integral treasury, SIT dispersion, check protection with beneficiary, transparency law-compliant statements, expanded host-to-host and SWIFT services and increased functionality at Bancomer.com. Through the Global Transaction Services business, BBVA also introduced several new products, services and technologies to better serve its customers in Puerto Rico and Colombia.

### *Global Markets*

In 2008, the Global Markets unit demonstrated notable commercial activity in its new treasury desks in Dusseldorf (inaugurated in January 2008), where a team of sales persons provide specialised coverage in market products to institutional clients; and Hong Kong, where market teams have been formed that will broaden the range of global markets services with Asian assets. The commercial activity of the Hong Kong treasury desk has focused primarily on Asian clients, while also servicing clients in Europe and Latin America.

In Latin America in 2008, the Regional Derivatives Center commenced operations and the Riskpyme Latam project has been implemented throughout the region to promote the marketing of derivatives through the Group’s networks as the Group does in Spain and Mexico. In addition, in Mexico the first listed exchange traded fund (ETF) of the leading companies that are traded on the International Market of Latin American Securities (Latibex) was launched by the Global Markets unit.

### *Asset Management*

In the Asset Management unit, the following product launches were made in 2008; BBVA Bonos Corto Plazo Gobiernos and Fondo Liquidez, which are short-term fixed-income funds; BBVA Estructurado Finanzas BP and BBVA Estructurado Telecomunicaciones BP, which are global funds that primarily target private banking clients and the FTSE 4Good Ibox ETF variable income listed fund. Among the new guaranteed mutual funds offered in 2008, *BBVA Inflación* (the first guaranteed fund with the Spanish inflation rate as the underlier), *BBVA Elite Protegido*, *BBVA Top 4 Guaranteed*, and *BBVA Top 5 Guaranteed*, as well as 11 BBVA fixed-income guaranteed funds such as Fon-plazo 2009 and 2009 D and E.

### *Industrial and Real Estate Holdings*

The Industrial and Real Estate Holdings business unit also handles the Group’s real estate business, through the Anida Group, as well as its private equity business.

As of 31st December, 2008, the industrial holdings portfolio had latent capital gains of €120 million.

### *Asia*

In 2008 BBVA increased its stake in CIFH of Hong Kong and in CNCB. BBVA has thereby further consolidated its position in the region, reinforcing its commitment to China.

### **Mexico**

The business units included in the Mexico area are:

- Banking Businesses; and

- Pensions and Insurance Businesses in Mexico.

The principal figures relating to this business area as of 31st December, 2008 and 31st December, 2007 were:

- Total net lending was €25,543 million as of 31st December, 2008, a decrease of 5.0 per cent. from €26,899 million as of 31st December, 2007.
- Total customer deposits were €29,677 million as of 31st December, 2008 compared to €31,408 million as of 31st December, 2007, a decrease of 5.5 per cent.
- Mutual funds under management were €9,180 million as of 31st December, 2008, a decrease of 18.1 per cent. from €11,214 million as of 31st December, 2007.
- Pension fund assets under management were €7,196 million as of 31st December, 2008, a decrease of 16.8 per cent from €8,648 million as of 31st December, 2007.

The Mexican peso fell against the euro in 2008, with a resulting negative impact on BBVA's consolidated financial statements as of and for the year ended 31st December, 2008.

### *Banking Businesses*

Bancomer, BBVA's subsidiary in Mexico, has continued to expand its distribution network. In 2008, 20 offices were opened, 761 ATMs and more than 20,000 point-of-sale terminals were installed, special offices were inaugurated for the foreign-client segment, and efforts were made to promote a specialised network for the small-business segment, with ten business centres opened and close to 140 specialised executives dedicated to related activities.

As part of the strategy designed to attract customers' funds, the now-traditional *Libretón* (Passbook) promotions were conducted including the, *Quincenas del Ahorro* (Two-Weeks of Savings), through which record levels of prizes were given away to the bank's customers. In addition, efforts were made to promote products such as the Winner Card, to encourage saving among young people and children through a commercial partnership with a leading cereal brand. Also noteworthy in 2008 were the promotions aimed at incorporating new payroll accounts, such as a specialised campaign in the small-business segment.

To promote credit, technology-based solutions and products have been launched, intended to facilitate the process for customers, such as Mortgage Banking Remote Sale, immediate service, and telephone advice, which make it possible to channel clients interested in a mortgage loan to specialised offices. For housing promoters, a Multiproduct Simulator has been created which makes it possible to calculate a desired credit for an entire range of mortgage products.

In assets management, B+Real has been launched, which is a fund that seeks to pay yields above inflation, as well as the BBVABRIC fund, which invests in stock markets in Brazil, Russia, India and China. For its part, the investment banking unit has handled an initial public offering on the Mexican Stock Exchange and the refinancing and coverage of a convertible bond of Petróleos-Mexicanos.

In 2008, Bancomer conducted an ambitious debt-placement programme on local markets, which has included subordinated debt, stock certificates, and securitisations, and has become a point of reference for the Mexican market.

### *Pensions and Insurance Businesses*

In Mexico, the BBVA Group operates in the pensions business through Afore Bancomer, in insurance through Seguros Bancomer, in annuities through Pensiones Bancomer and in health through Preventis. BBVA's pensions and insurance unit in Mexico generated net income attributed to parent company of €210 million in 2008, an increase of 35.1 per cent. from 2007.

### The United States

The business units included in the United States area are:

- BBVA Compass banking group
- *Other units*: BBVA Puerto Rico, BTS and BBVA Bancomer USA

The principal figures relating to this business area as of 31st December, 2008 and 31st December, 2007 were:

- Total net lending was approximately €31,066 million as of 31st December, 2008, an increase of 18.7 per cent. from €26,161 million as of 31st December, 2007.
- Total customer deposits were €26,240 million as of 31st December, 2008 compared to €23,784 million as of 31st December, 2007, an increase of 10.3 per cent.

The dollar appreciated against the euro in 2008, with a resulting positive impact on the Group's consolidated financial statements as of and for the year ended 31st December, 2008.

During 2008, the four U.S. banks of the Group in the sunbelt region have been successfully integrated into the Compass group. In the first quarter of 2008, a legal merger was carried out and State National Bank was integrated into Compass. In the third quarter of 2008, Texas State Bank was integrated into Compass, and in the fourth quarter of 2008 Laredo National Bank was integrated into Compass. Within this process, some 500,000 accounts and 50,000 preferred customers have been integrated into the Compass platform.

In 2008 the Group decided to implement a new brand, BBVA Compass. Moreover, in the fourth quarter of 2008, a new management team was appointed to further the integration of BBVA's organisational and business model in the United States and continue developing the strategic plan.

A new customer relations programme was implemented in 2008, which provides employees information on the opportunities to sell additional products and services to each client by enabling such employees to send clients messages through different channels, in order to carry out cross sales and help ensure customer retention. BBVA have continued to improve the service and the range of products for preferred clients, and have created a preferred client programme for businesses. In addition, a mobile bank programme has been launched, using the online banking platform and an electronic check-transfer system has been implemented, making it possible for companies to make deposits without visiting a branch.

#### *BBVA Compass banking group*

As of 31st December, 2008, BBVA Compass banking group's loan portfolio had risen 14.2 per cent. to €27,982 million from 31st December, 2007 and customer funds were €24,712 million (up 4.1 per cent. from 31st December, 2007).

#### *Other units*

*BBVA Puerto Rico* managed customer loans of €3,023 million as of 31st December, 2008, a decrease of 3.7 per cent. from 31st December, 2007. Customer funds amounted to €1,445 million as of 31st December, 2008 an increase of 6.9 per cent. from 31st December, 2007.

*BTS* processed €28.4 million transfers during 2008. This was 7.8 per cent. more than during 2007. Of these, €22.5 million went to Mexico and 5.8 million to other countries.

*BBVA Bancomer USA* deposits increased 13.0 per cent. as of 31st December, 2008 from 31st December, 2007 and opened 21,000 new accounts during 2008, handling over 495,000 money transfers.

### South America

The South America business area includes the banking, insurance and pension businesses of the Group in South America.

The business units included in the South America business area are:

- Banking Businesses, including banks in Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela;
- Pension Business in Argentina, Bolivia, Chile, Colombia, Ecuador, Peru and Dominican Republic; and
- Insurance Business in Argentina, Chile, Colombia, Dominican Republic and Venezuela.

The principal figures relating to this business area as of 31st December, 2008 and 31st December, 2007 were:

- Total net lending was €24,475 million as of 31st December, 2008, an increase of 12.0 per cent. from €21,845 million as of 31st December, 2007.
- Total customer deposits were €29,382 million as of 31st December, 2008, an increase of 15.1 per cent. from €25,525 million as of 31st December, 2007.
- Mutual funds under management were €1,300 million as of 31st December, 2008, a decrease of 24.6 per cent. from €1,725 million as of 31st December, 2007.
- Pension fund assets under management were €24,531 million as of 31st December, 2008, a decrease of 29.6 per cent. from €34,826 million as of 31st December, 2007.

Local currencies in South America fell against the euro in 2008, with a resulting negative impact on the Group's consolidated financial statements as of and for the year ended 31st December, 2008.

Economic conditions in all the region's countries were favourable in 2008, which provided for substantially improved key variables in the Latin-American financial-services industry, most notably profitability and solvency.

The following is a brief description of the Group's operations, on a country-by-country basis, in the South America business area. The operating results described below refer to each individual unit's contribution to the South America business area's operating results, unless otherwise stated.

### *Banking Businesses*

#### *Argentina*

BBVA Banco Francés in Argentina obtained income attributed to the Group of €140 million an increase of 4.2 per cent. from 2007.

In Argentina, most of the growth of BBVA Banco Francés has taken place as a result of sales of products and services to individuals (personal loans, guaranteed loans, and credit cards); whereas, products and services sold to business customers, have been primarily related to advance payments, documents, and foreign-trade operations.

#### *Chile*

BBVA Chile's income attributed to the Group for 2008 amounted to €63 million an increase of 81.4 per cent. compared to 2007, due to growth in BBVA Chile's loan portfolio and the active management of spreads.

Chile had a very dynamic year in the retail-segment, especially in consumer credit and auto financing (including loans to acquire industrial vehicles and the "Instant Purchase" product). In terms of savings, the *Plan Preferente Remunerado* (Remunerated Preferential Plan), as well as several funds with guaranteed investments, have been launched: *Ultradepósito*, *Top Markets II*, *Siempre Ganas* (which invests in commodities) and *Panda II*, which invests in China.



### *Colombia*

BBVA Colombia's income attributed to the Group for 2008 amounted to €133 million an increase of 25.2 per cent. compared to 2007, due to strong growth in its loans portfolio and the active management of spreads.

Sales of retain products have also been fundamental for BBVA Colombia in 2008. BBVA launched the *Cuoto regalo* product in the consumer credit segment which allows the customer to make only 11 payments a year. Nearly 200,000 new cards were issued in 2008. In addition, BBVA also launched the VIS mortgage credit in pesos for the mortgage segment and Paquete Blue for the youth segment. At the end of 2008, BBVA Colombia securitised a mortgage portfolio.

### *Panama*

BBVA Panama's income attributed to the Group for 2008 amounted to €27 million an increase of 25.2 per cent. compared to 2007.

### *Paraguay*

BBVA Paraguay's income attributed to the Group for 2008 amounted to €25 million an increase of 26.3 per cent. compared to 2007.

### *Peru*

BBVA Banco Continental's income attributed to the Group for 2008 was €86 million, an increase of 37.0 per cent. compared to 2007.

At BBVA Banco Continental de Perú, the Group's Peruvian subsidiary, the priorities in investments in 2008 were credit cards, consumer credit (including auto financing and *Tu préstamo* product for low-income workers, as well as *Préstamo 60*, a 60-month loan) and mortgage loans. In terms deposits, products such as *Ahorro Cero Mantenimiento* (Zero Maintenance Savings), *Tasa Creciente* (Growing Rate), *Super Tasa* (Super Rate), *Super Regalo* (Super Gift), and the *Vuela Vuela* and *Mundo Sueldo* campaigns have been launched.

### *Uruguay*

BBVA Uruguay's income attributed to the Group for 2008 increased 57.6 per cent. to €9 million compared to 2007.

### *Venezuela*

BBVA Banco Provincial's income attributed to the Group for 2008 increased 77.4 per cent. to €205 million compared to 2007, due to strong growth in its loan portfolio and the efficient management of costs. BBVA Banco Provincial de Venezuela, BBVA's Venezuelan subsidiary, has conducted a policy aimed at raising its profitability and optimising the cost of resources.

Among lending products, priority has been given to products for private parties, especially consumer credit and credit cards (most notably, the launching of the 365-protection debit card). Regarding savings products, the certificate of deposit product was launched in 2008. This is a short-term instrument aimed at customers who handle large volumes of cash.

### *Pension and Insurance*

The pension and insurance unit in South America achieved an income attributed of €67 million in 2008. This was 43.3 per cent. down on the previous year. The decrease was due to the performance of pension funds, which contributed €18 million in 2008, 74.1 per cent. less than in the previous year.

In the pension and insurance unit, 2008 was a year of intense commercial activity, which translated into a substantial increase in revenue and policies issued. Alternative selling channels also demonstrated increased importance in 2008, despite the fact that during the year the performance of the financial markets was not favourable, especially for voluntary pension products. Near the end of 2008, the Argentine government nationalised the private pension business in which the BBVA Group participated through Consolidar AFJP, and in the insurance business, the Group sold its stake in Consolidar Salud.

### **Corporate Activities**

The Corporate Activities area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity management and shareholders' funds.

The business units included in the Corporate Activities business area are:

- Financial Planning, carried out by the Assets and Liabilities Committee (ALCO) which administers the Group's interest- and exchangerate structure as well as its overall liquidity and shareholders' funds; and
- Holdings in Industrial and Financial Companies. This unit manages the Group's investment portfolio in industrial and financial companies applying strict criteria for risk-control, economic capital consumption and return on investment, with diversification over different industries.

### *Financial Planning*

The ALCO manages the Group's overall financing needs and interest and exchange rate risks. ALCO also manages the Group's investments and capital resources in an effort to improve the return on capital for BBVA's shareholders.

### *Holdings in Industrial and Financial Companies*

The Holdings in Industrial and Financial Companies business unit manages the Group's investment portfolio in companies operating in the telecommunications, media, electricity, oil, gas and finance sectors, principally Telefónica, S.A. BBVA applies strict requirements to this portfolio regarding risk-control procedures, economic-capital consumption and return on investment, diversifying investments over different sectors. It also applies dynamic monetisation and coverage management strategies to holdings.

In 2008, it invested €1,259 million and divested €2,382 million. The largest single transaction was the sale of the Group's 5.01 per cent. holding in Bradesco in March 2008 with capital gains of €727 million.

As of 31st December, 2008, the market value of the holdings in industrial and financial companies was €4,067 million, with unrealised capital gains of €995 million before tax.

### **Organisational Structure**

Below is a simplified organisational chart of BBVA's significant subsidiaries as of 31st December, 2008. Additionally approximately 330 companies are domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Cayman Islands, Chile, Colombia, Ecuador, France, Germany, Ireland, Italy, Luxembourg, Mexico, Netherlands, Netherlands Antilles, Panama, Peru, Portugal, Puerto Rico, Spain, Switzerland, United Kingdom, United States of America, Uruguay and Venezuela.

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

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Owner- ship	Total Assets
			<i>(percentages)</i>		<i>(in millions of euro)</i>
BBVA BANCOMER, S.A. DE C.V.....	Mexico	Bank	100.00	99.97	59,174
COMPASS BANK.....	U.S.A.	Bank	100.00	100.00	46,843
BANCO DE CREDITO LOCAL, S.A. ....	Spain	Bank	100.00	100.00	11,312
BBVA SEGUROS, S.A. DE SEGUROS Y REASEPUROS .....	Spain	Insurance	99.94	99.94	11,474
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A. ....	Chile	Bank	68.18	68.16	8,587
BANCO PROVINCIAL S.A. – BANCO UNIVERSAL.....	Venezuela	Bank Financial	55.60	55.60	9,495
BBVA FACTORING E.F.C., S.A. ....	Spain	Services	100.00	100.00	6,786
FINANZIA, BANCO DE CREDITO, S.A. ..	Spain	Bank	100.00	100.00	7,403
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A. ....	Portugal	Bank	100.00	100.00	6,903
BBVA COLOMBIA, S.A. ....	Colombia	Bank	95.43	95.43	6,505
BBVA BANCO DE FINANCIACION S.A. ..	Spain	Bank	100.00	100.00	5,765
BANCO CONTINENTAL, S.A. ....	Peru	Bank Financial	92.08	46.04	7,699
COMPASS CAPITAL MARKETS, INC. ....	U.S.A.	Services	100.00	100.00	5,138
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO .....	Puerto Rico	Bank	100.00	100.00	4,318
BBVA BANCO FRANCES, S.A. ....	Argentina	Bank Financial	76.00	76.00	4,486
BBVA IRELAND PUBLIC LIMITED COMPANY .....	Ireland	Services	100.00	100.00	2,302
COMPASS SOUTHWEST, LP .....	U.S.A.	Bank	100.00	100.00	3,631
BBVA INTERNATIONAL INVESTMENT CORPORATION .....	Puerto Rico	Financial Services	100.00	100.00	2,144
BANCO DEPOSITARIO BBVA, S.A. ....	Spain	Bank	100.00	99.99	899
UNO-E BANK, S.A. ....	Spain	Bank	100.00	100.00	1,297

**Trend Information**

The European financial services sector is facing a significant number of difficulties to overcome the current crisis. Further consolidation in the sector (through mergers, acquisitions or alliances) is likely as the other major banks look to increase their market share or combine with complementary businesses or more probably via acquisitions of distressed entities. It is foreseeable that regulatory changes will take place in the future that will diminish barriers to such consolidation transactions. However, some of the hurdles that should be dealt with are the result of local preferences, such as consumer protection rules. If there are clear local consumer preferences, leading to specific local consumer protection rules, the same products cannot be sold across all the jurisdictions in which the Group operates, which reduces potential synergies. Certain challenges, such as the Value Added Tax regime for banks, do not however, relate to the interest or preferences of consumers.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material effect on BBVA or that would cause the financial information disclosed herein not to be indicative of its future operating results or financial condition:

- uncertainties relating to economic growth expectations and interest rate cycles, especially in the United States and in the Euro area. The Spanish economy entered into recession in December 2008;

- the ongoing market turmoil triggered by defaults on subprime mortgages and related asset-backed securities in the United States which have significantly disrupted the liquidity of financial institutions and markets and which could be further exacerbated by worsening economic conditions in the real economy worldwide or by the collapse of a systemic financial institution;
- the downturn in the Spanish economy could be worse than expected, if it is further exacerbated by the current international financial crisis or if Government measures are not successful in cushioning the adjustment;
- the downward adjustment in the housing sector in Spain could be prolonged and negatively affect credit demand and households wealth, disposable income and consumer confidence. The existence of a significant over supply in the housing market in Spain and the pessimistic expectations about house price growth are likely to postpone investment decisions, therefore negatively affecting mortgage growth rates. Besides, the difficulties that some financial entities are facing may have a negative impact on credit granting;
- the ongoing slowdown in the U.S. financial sector, which is having negative effects on the U.S. economy and consequently in the global markets;
- a further downturn in capital markets or a downturn in investor confidence, linked to factors such as geopolitical risk, particularly given the environment in the Middle East. Continued or new crises in the region could cause an additional increase in oil prices, generating inflationary pressures that will have a negative effect on interest rates and economic growth in particular:
  - (i) an increase in inflation after the end of the crisis caused by the ambitious fiscal programmes and other aid measures implemented by governments worldwide; and
  - (ii) a deflationary spiral caused by the depressed confidence of agents and the low consumption levels;
- the effect that an economic slowdown may have over Latin American markets (and in particular Mexico) and fluctuations in local interest and exchange rates; and
- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, BBVA plans for expansion into other European markets could be affected by entry barriers in such countries and by protectionist policies of national governments, exacerbated by the current crisis.

#### Selected Financial Data

##### EU-IFRS Data

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

##### Consolidated statement of income data

	Year ended December 31,		
	2008	2007	2006
	<i>(in millions of euro)</i>		
Net interest income .....	11,686	9,628	8,138
Gross income .....	18,978	17,271	15,143
Net operating income .....	6,151	7,303	5,545
Income attributed to the Group .....	5,020	6,126	4,736

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

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**Consolidated balance sheet data**

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	<b>2008</b>	<b>Year ended December 31, 2007</b>	<b>2006</b>
		<i>(in millions of euro)</i>	
Total assets .....	542,650	501,726	411,663
Loans and receivables .....	369,494	337,765	279,658
Deposits from other creditors .....	255,236	219,610	186,749
Marketable debt securities and subordinated liabilities .....	121,144	117,909	100,079
Minority interests .....	1,049	880	768
Shareholders' equity.....	26,586	24,811	18,209

## DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than five and no more than 15 members. All members of the board of directors are elected to serve five-year terms.

The Board of Directors has created the Executive Committee, the Audit and Compliance Committee, the Appointments and Compensation Committee and the Risk Committee. All the Board of Directors Committees were formed on 28th June, 2002.

BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors, which, under BBVA's Regulations of the Board of Directors, must be comprised of at least half plus one independent director. 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 13 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 arms-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 <sup>(1)</sup>	Chairman and Chief Executive Officer	28th January, 2000	26th February, 2005	Chairman and CEO, BBVA, since January 2000; Director of BBVA Bancomer Servicios, S.A.; Grupo Financiero BBVA Bancomer, S.A. C.V. and BBVA Bancomer S.A..
José Ignacio Goirigolzarri Tellaache <sup>(1)</sup>	President and Chief Operating Officer	18th December, 2001	14th March, 2008	President and Chief Operating Officer BBVA, since 2001. Director of BBVA Bancomer Servicios, S.A.; Director, Grupo Financiero BBVA Bancomer and BBVA Bancomer, S.A. and Citic-Bank board member.
Tomás Alfaro Drake <sup>(2)</sup>	Independent Director	18th March, 2006		Director of Business Management and Administration and Business Sciences programmes at Universidad Francisco de Vitoria, since 1998.
Juan Carlos Álvarez Mezquíriz <sup>(1)(3)</sup>	Independent Director	28th January, 2000	18th March, 2006	Managing Director, Grupo Eulen S.A.
Rafael Bermejo Blanco <sup>(2)(4)</sup>	Independent Director	16th March, 2007		Chairman of the Audit & Compliance Committee of BBVA since 28th March, 2007. Technical Secretary General of Banco Popular, 1999-2004.
Ramón Bustamante y de la Mora <sup>(2)(4)</sup>	Independent Director	28th January, 2000	26th February, 2005	Chairman of Unitaria

## DIRECTORS AND SENIOR MANAGEMENT

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José Antonio Fernández Rivero <sup>(4)</sup>	Independent Director	28th February, 2004	13th March, 2009	Chairman of Risks Committee since 30th March, 2004; appointed Group General Manager, 2000-2003; from 2003 to 2005 Deputy Chairman of Telefónica and Member of its Audit and Regulation Committees. Member of the Board and Executive Committee of Iberdrole, Director of Bancode Credito Local and Chairman of Adquira.
Ignacio Ferrero Jordi <sup>(1)(3)</sup>	Independent Director	28th January, 2000	26th February, 2005	Chairman and COO, Nutrexpa, S.A. and La Piara S.A.;
Román Knörr Borrás <sup>(1)</sup>	Independent Director	28th May, 2002	14th March, 2008	Chairman, Carbónicas Alavesas, S.A.; Director, Mediasal 2000, S.A. and President of the Alava Chamber of Commerce; Chairman, Confebask (Basque Business Confederation) from 1999 to 2005; Director of Aguas de San Martín de Veri, S.A. until January 2006. Plenary member and Chairman of the Training Committee of the Supreme Council of Chambers of Commerce.
Carlos Loring Martínez de Irujo <sup>(2)(3)</sup>	Independent Director	28th February, 2004	18th March, 2006	He was a partner of J&A Garrigues, from 1977 until 2004; Director of the Department of Mergers and Acquisitions, of Banking and Capital Markets, Member of the Management Committee since 1985.
José Maldonado Ramos <sup>(4)(5)</sup>	Director and General Secretary	28th January, 2000	13th March, 2009	Director and General Secretary, BBVA, since January 2000.
Enrique Medina Fernández <sup>(1)(4)</sup>	Independent Director	28th January, 2000	13th March, 2009	Deputy Chairman of Gines Navarro Construcciones until it merged to become Grupo ACS.
Susana Rodríguez Vidarte <sup>(2)(3)</sup>	Independent Director	28th May, 2002	18th March, 2006	Dean of Deusto “La Commercial” University since 1996.

(\*) 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 and Compensation Committee

(4) Member of the Risk Committee

(5) Secretary of the Board of Directors

### Major Shareholders

As of 26th March, 2009, so far as BBVA is aware, no other person, corporation or government holds beneficially, directly or indirectly, five 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 it, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As at 26th March, 2009, there were 920,279 registered holders of BBVA's shares, with a total of 3,474,858,121 shares of which 216 shareholders with registered addresses in the United States hold a total of 716,709,286 shares (including shares represented by American Depositary Receipts (ADRs)). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders. BBVA's directors and executive officers did not own any ADRs as at 26th March, 2009.

### Legal Proceedings

On 15th March, 2002, the Bank of Spain initiated a proceeding against BBVA and 16 of its former directors and executives, as a result of the existence of funds (approximately €225million) belonging to BBV that were not included in the entity's financial statements until they were voluntarily regularised by being

recorded in the 2000 consolidated income statement as extraordinary income, for which the related corporation tax was recorded and paid. BBVA notified the Bank of Spain on these matters on 19th January, 2001.

On 22nd May, 2002, the Council of the Spanish Securities and Exchange Commission (CNMV) commenced a proceeding against BBVA for possible contravention of the Securities Market Law (under Article 99 thereof) in relation to the same events as those which gave rise to the Bank of Spain's proceeding.

The commencement of proceedings to determine an eventual criminal liability of the individuals involved in those events, triggered the suspension of the above mentioned proceedings until a definitive criminal resolution was issued. These criminal proceedings finished by definitive court resolutions in 2007 without criminal liability for any person involved in them. The end of these criminal proceedings has allowed the re-opening of the proceedings: on 13th June, 2007 the Bank of Spain, and on 26th July, 2007 the CNMV, notified the end of the proceeding development suspension.

On 18th July, 2008, the board of the Bank of Spain sanctioned BBVA with a fine of one million euros for a serious breach as typified in article 5.p) of the "Ley de Disciplina e Intervención de las Entidades de Crédito" (law regulating the conduct of financial entities) and also imposed various sanctions on the managers and executives responsible for such conduct none of whom are presently members of the Board of Directors or hold executive office at BBVA.

On 18th July, 2008, the Ministry of Economy and Finance sanctioned BBVA with a fine of two million euros, as a result of the proceeding initiated by the Spanish Securities and Exchange Commission, for a very serious breach as typified in Article 99, ñ) of the "Ley del Mercado de Valores" (law regulating securities markets).

Both sanctions have been appealed within the Ministry of Economy and Finance, but no decisions have been issued as of the date of this report.

### *Other Proceedings*

#### *BBVA Privanza Bank Ltd. (Jersey)*

A proceeding was initiated alleging that certain employees of BBVA Privanza Bank Ltd. (Jersey) cooperated in the creation of accounts and financial products in Jersey which were allegedly used by Spanish individuals to avoid Spanish tax obligations. The proceedings also included an allegation of a tax offence due to the purported non-consolidation of a fully-owned subsidiary. This proceeding is ongoing and charges have not been brought against any BBVA employee or director and at this moment no current or former BBVA Privanza Bank Ltd (Jersey) employee is party in this proceeding.

In light of the surrounding events and circumstances, BBVA's legal advisers do not expect that the proceedings described above will have a material effect on BBVA.



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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 book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or

maintain a custodial relationship with an account holder of either system. For further information on Euroclear and Clearstream, Luxembourg relating to the Notes, please see “*Taxation*”.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of a Regulation S Global Note, the respective 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 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 Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the 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

*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 4/2004 of 5th March, 2004 approving the consolidated text of the Corporate Income Tax Law (Impuesto sobre Sociedades), Law 35/2006 of 28th November, 2006 approving the Individuals Income Tax Law (Impuesto sobre la Renta de las Personas Físicas) and Royal Legislative Decree 5/2004 of 5th March, 2004 approving the consolidated text of the Non-Resident Income Tax Law (Impuesto sobre la Renta de los no Residentes), as amended by Royal Decree Law 2/2008 of 21st April, on measures to promote the economy, Law 19/1991 of 6th June, 1991 approving the Wealth Tax Law (Impuesto sobre el Patrimonio), and Law 29/1987 of 18th December, 1987 approving the Inheritance and Gift Tax Law. Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1777/2004 of 30th July, 2004 approving the Corporate Income Tax Regulations, Royal Decree 439/2007 of 30th March, 2007 approving the Individuals Income Tax Regulations and Royal Decree 1776/2004 of 30th July, 2004 approving the Non-Resident Income Tax Regulations).

On 6th July, 2003, new legislation came into force in Spain relating to, *inter alia*, the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary (Additional Provision Two of Law 13/1985 of 25th May, 1985 on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003 of 4th July, 2003 on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005 of 18th November, 2005 on certain measures to promote productivity) and Law 4/2008, of 23rd December, 2008 abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008). Consideration has also been given to Royal Decree 1065/2007 of 27th July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes.

### **Individuals or entities with tax residency in Spain**

#### *Individuals Income Tax*

Income obtained by Noteholders who are Individuals Income Tax payers, 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 own capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law (IRPF) and therefore will be taxed as savings income at the current rate of 18 per cent.

In this sense, in the event of revenues derived from receipt of Notes, the aggregate income shall be determined by the amount of interest received, including the withholding tax made, as the case may be.

Furthermore, in the event of transfer, redemption or repayment of the Notes, the income on investment shall be deemed to be the difference between the transfer, redemption or repayment value (less properly supported ancillary disposal expenses) and the acquisition or subscription value (plus properly supported ancillary acquisition expenses). Expenses corresponding to discretionary or individual portfolio management are not computed for these purposes.

Both types of income received shall be subject to an 18 per cent. withholding tax on account of the individuals' final IRPF tax liability.

### *Corporate Income Tax*

Income obtained both as interest and in connection with the transfer, redemption or repayment of the Notes by Corporate Income Tax payers, shall be computed as taxable income in accordance with the rules set out in Title IV of the Corporate Income Tax Law and will therefore be taxed at the current rate of 30 per cent.

The aforesaid income 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 – as Notes issued under the Programme are expected to do – laid down by the reply to the consultation of the Directorate General for Taxation (Dirección General de Tributos), on 20th July, 2004, indicating that in the case of issues made by entities resident in Spain, as with the Issuer, application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries.

### **Individuals or entities with no tax residency in Spain**

Income obtained by Noteholders who are Non-Resident Income Tax payers, both on 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 5th March, 2004 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 obtained through a permanent establishment in Spain*

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 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 has been set out for Spanish Corporate Income Tax payers.

### *Income not obtained through a permanent establishment in Spain*

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain are exempt from such Non-Resident Income Tax.

On the other hand, Law 4/2008, of 23 December abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008) was published in the Spanish Official Gazette on 25 December 2008. Law 4/2008 amends, among other things, Additional Provision Two of Law 13/1985, which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities.

Notwithstanding, because the implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation, it is still necessary to fulfil certain disclosure obligations relating to the identity and tax residence of the Noteholders, as described below under “*Disclosure of Noteholder information in connection with interest payments*”, in accordance with Section 44 of Royal Decree 1065/2007 of 27th July. If these disclosure obligations are not complied with in the required manner, the

Issuer will apply a withholding of 18 per cent. and neither the relevant Issuer nor the Guarantor will, as a result, be under any obligation to pay additional amounts.

### **Wealth Tax**

The Spanish Wealth Tax has been abolished by law 4/2008 with effect from 1 January 2008 with no declare obligations.

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, range 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.

### **Disclosure of Noteholder Information in connection with Interest Payments**

#### **(a) *Notes held in DTC***

In the case of any Notes which are held in DTC the relevant Issuer and the Guarantor may agree procedures with DTC and, if necessary, an intermediary agent appointed by the relevant Issuer and the Guarantor to facilitate the collection of such details. Any such procedures will be summarised in the applicable Final Terms and otherwise made available to holders of the relevant Notes as described in the applicable Final Terms.

#### **(b) *Tax Reporting Obligations of the Issuers and the Guarantor***

The Issuers or the Guarantor, as the case may be, are currently required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to payments made in respect of the Notes. The Spanish tax authorities may rely on such returns in order to assess whether or not the Issuer has correctly withheld tax on payments made by it under the Notes. The Issuers or the Guarantor, as the case may be, completes each annual return on the basis of the information provided to it by, or on behalf of, Noteholders.

Law 4/2008, of 23 December abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008) was published in the Spanish Official Gazette on 25th December 2008. Law 4/2008 amends, among other things, Additional Provision Two of Law 13/1985, which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities. This reporting obligation was typically satisfied, by the collection of certain information from investors at the time of each payment of interest or principal. Spanish issuers, Euroclear and Clearstream, Luxembourg (among others) developed certain procedures to enable the timely delivery of such information.

Notwithstanding, Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning Noteholders who are

not resident in Spain. The amended wording of Additional Provision Two of Law 13/1985, therefore, continues to apply the reporting obligation only in respect of Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted.

Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate of Taxation dated 20th January 2009, the current procedures relating to the identity of Noteholders as laid down in section 44 of Royal Decree 1065/2007, remain applicable irrespective of whether or not the Noteholders are resident in Spain, and both Euroclear and Clearstream, Luxembourg, require compliance with such obligations, and consequently the current obligation to provide information concerning the Noteholders who are not resident in Spain continues to apply.

The following is a summary of the procedures implemented by the European Clearing Systems to facilitate collection of the relevant Noteholder information necessary to enable the Issuer to comply with its reporting obligations pursuant to Additional Provision Two of Law 13/1985, prior to its amendment by Law 4/2008. Pending the enactment of secondary legislation to implement the amendments to Additional Provision Two of Law 13/1985 contemplated by Law 4/2008 and in accordance with the consultations from the General Directorate of Taxation dated 20 January 2009, the European Clearing Systems have informed the Issuer that they will continue to require compliance with the current procedures until such secondary legislation is enacted.

The procedure summarised below is subject to review and amendment by the European Clearing Systems as well as to further requirements of the Spanish tax authorities. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

None of the Issuers, the Guarantor, the Dealers, the Paying Agent, the European Clearing Systems assumes any responsibility therefore.

Each Noteholder is therefore deemed to be aware of the obligations set out below regarding the disclosure of Noteholder information and the consequences of non-compliance. Specifically, Noteholders are deemed to be aware of the application of Spanish withholding tax if certain information is not provided in a timely manner.

(c) *Individuals and Legal Entities without tax residency in Spain*

In accordance with sub-section 44(1) of Royal Decree 1065/2007, each annual return filed by the Issuers and the Guarantor with the Spanish tax authorities must include the following information with respect to the relevant Notes:

- (i) the identity and country of residence of the recipient of the income from the Notes or, when such income is received on behalf of the Noteholder by a third party, the identity and country of residence of that third party;
- (ii) the amount of income received; and
- (iii) details identifying the Notes.

In accordance with sub-section 44(2) of Royal Decree 1065/2007, the November rulings and the January rulings, for the purpose of preparing the return referred to in sub-section 44(1), certain documents with information regarding the identity and country of residence of each non-Spanish resident Noteholder must be received by the relevant Issuer and the Guarantor at the time of each payment in respect of the Notes. In particular, non-Spanish resident Noteholders must provide (or arrange to be provided on their behalf by their legal representatives<sup>1</sup>) the documents described below:



- (i) a non-Spanish resident Noteholder who acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities resident in an OECD country or in a country with which Spain has entered into a treaty for the avoidance of double-taxation subject to a specific administrative registration or supervision scheme, must certify its name and tax residency in accordance with Annex I of the Order of 16 September 1991 (the Order), the form of which is attached hereto as Annex I;
- (ii) in the case of transactions in which any of the entities indicated in the foregoing paragraph (i) is not the Noteholder but acts as an intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each non-Spanish resident Noteholder in accordance with Annex II of the Order, the form of which is attached hereto as Annex II;
- (iii) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by the law of another OECD member country (for example, Euroclear and Clearstream, Luxembourg), the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each non-Spanish resident Noteholder on the relevant payment date in accordance with Annex II of the Order, the form of which is attached hereto as Annex II;
- (iv) in all other cases,<sup>2</sup> the relevant non-Spanish resident Noteholder must arrange annually for the delivery of a tax residency certificate issued by the tax authorities of the country in which it is resident for tax purposes.

The certificates referred to in (i), (ii) and (iii) above must include the identity and country of residence of each Noteholder entitled to receive payment on the relevant payment date. In accordance with the current procedures of Euroclear and Clearstream, Luxembourg, Noteholders entitled to receive payment on the relevant payment date are those persons holding Notes at the close of business on the day preceding the relevant payment date. Such certificates may therefore not be dated and may not be submitted to the Principal Paying Agent prior to close of business on the day preceding the relevant payment date.

In accordance with sub-section 44(3) of Royal Decree 1065/2007, on the relevant payment date the relevant Issuer and the Guarantor must arrange for the net amounts payable after deduction of Spanish withholding tax at the applicable rate (currently 18 per cent.) to be transferred to the entities referred to in paragraphs (i), (ii) and (iii). Withholding tax will be applied to the whole amount of the interest payable on the relevant Notes on the relevant payment date.

The documents referred to in (i), (ii) and (iii) must be accurately completed, delivered to and received by the European Clearing Systems or, as the case may be, completed by Euroclear or Clearstream, Luxembourg if appointed as legal representative in respect of the Noteholder, by the relevant time (as determined by the relevant European Clearing System) on the relevant payment date, and received by the Principal Paying Agent (as common depository). The relevant European Clearing System would need to arrange for a provision of a global confirmation of the total amount of securities held by each of its qualified participants (i.e. those participants possessing the qualifications mentioned in article 44.2(a) of Royal Decree 1065/2007) for the purposes of complying with the provision contained in article 44.1(a) of Royal Decree 1065/2007.

Those non-Spanish resident Noteholders in respect of whom the procedures of Euroclear and Clearstream, Luxembourg have been complied with and in respect of whom Euroclear or Clearstream, Luxembourg has been appointed as legal representative, are entitled to receive payments free of withholding and should receive a refund of amounts withheld on the relevant payment date.

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1 The principle of legal representative could permit, in the appropriate cases, Euroclear and/or Clearstream, Luxembourg to prepare, issue and sign the relevant Annexes under a power of attorney on behalf of their Participants/Customers.

2 A tax residence certificate will be required in circumstances where Notes are not cleared and settled through Euroclear, Clearstream, Luxembourg or any other clearing system recognised as such by the laws of Spain or of an OECD country.

Payments made to non-Spanish resident Noteholders in respect of whom the above European Clearing Systems' procedures are not complied with or in respect of whom Euroclear or Clearstream, Luxembourg has not been appointed as their legal representative will be made subject to Spanish withholding tax on the relevant payment date at the current rate of 18 per cent., although such Noteholders may be entitled to a refund at a later date of amounts withheld as further described under paragraphs (d) and (e), below.

(d) *Legal Entities with tax residency in Spain subject to Spanish Corporate Income Tax*

Noteholders who are legal entities resident for tax purposes in Spain and subject to Spanish Corporate Income Tax may receive payments in respect of the Notes free of withholding provided that they provide (or arrange to be provided on their behalf by Euroclear and Clearstream, Luxembourg if appointed as legal representative in respect of the Noteholder) accurate and timely information enabling them to qualify for such an exemption from withholding.

The entities referred to in paragraph (c)(i) above must provide to the European Clearing Systems by the relevant time (as determined by the relevant European Clearing System) on the relevant payment date a list of Noteholders who are subject to Spanish Corporate Income Tax, specifying each Noteholder's name, address and Tax Identification Number as well as the ISIN code of the relevant Notes, the number of such Notes held on the relevant payment date, the gross income and the amount withheld, all substantially in the form set out in Annex III below, or, as the case may be, such information must be provided by Euroclear or Clearstream, Luxembourg if appointed as legal representative in respect of the Noteholder and received by the Principal Paying Agent (as common depositary) by 10:30 (CET) on the relevant payment date.

Noteholders who are legal entities resident for tax purposes in Spain and subject to Spanish Corporate Income Tax and in respect of whom the procedures of Euroclear and Clearstream, Luxembourg have been complied with and in respect of whom Euroclear or Clearstream, Luxembourg has been appointed as their legal representative, are entitled to receive payments free of withholding and should receive a refund of amounts withheld on the relevant payment date.

Payments made to Noteholders in respect of whom the above European Clearing Systems' procedures are not complied with or in respect of whom Euroclear or Clearstream, Luxembourg has not been appointed as their legal representative will be subject to Spanish withholding tax on the relevant payment date at the current rate of 18 per cent., although such Noteholders may be entitled to a refund at a later date of amounts withheld as further described under paragraphs (e) and (f), below.

(e) *Quick Refund by the relevant Issuer and the Guarantor*

In the case of both paragraph (c) and paragraph (d) above, in order for a Noteholder to receive payments free of Spanish withholding tax on the relevant payment date, the documentation described in paragraphs (c) and (d) must be received by the relevant deadlines.

If the relevant documentation in respect of an eligible Noteholder is not received by the relevant deadlines, the Principal Paying Agent will be obliged to transfer payment to such Noteholder subject to Spanish withholding tax (currently at the rate of 18 per cent.). However, the Noteholder may obtain a refund by the relevant Issuer and the Guarantor of the amount withheld by ensuring that the Principal Paying Agent receives the relevant, correctly completed certificate by no later than 10:00 a.m. (CET) on the Business Day before the 10th calendar day of the month following the relevant payment date (or if such date is not a Business Day (as defined in the Agency Agreement), the Business Day immediately preceding such date) (the **Quick Refund Deadline**).

The procedures for providing documentation referred to in paragraph (b), (c) and (d) are set out in detail in the Agency Agreement which may be inspected during normal business hours at the specified office of the Principal Paying Agent. In particular, if the Principal Paying Agent does not act as common depositary, the procedures described in this section will be modified in the manner described in the Agency Agreement.

(f) *Refund by the Spanish tax authorities*

Noteholders who might otherwise have been entitled to a refund but in respect of whom the Principal Paying Agent does not receive the relevant documentation on or before a Quick Refund Deadline may seek a refund of Spanish tax withheld directly from the Spanish tax authorities.

*Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish and such translations constitute direct, accurate and complete translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificates contained in each of Annexes I, II and III and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

Annex I

Modelo de certificación en inversiones por cuenta propia

*Form of Certificate for Own Account Investments*

(Nombre) (Name) .....

(Domicilio) (Address).....

.....

.....

(NIF) (Fiscal ID number) .....

(en calidad de) ....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,

(function) ....., in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007,

**CERTIFICO:**

I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:  
That the name of the Entity I represent is: .....
2. Que su residencia fiscal es la siguiente:  
That its residence for tax purposes is: .....
3. Que la Entidad que represento está inscrita en el Registro de  
That the institution I represent is recorded in the ..... Register of .....  
(*pais, estado, ciudad*), con el número  
(country, state, city), under number .....
4. Que la Entidad que represento está sometida a la supervisión de ..... (*Organo supervisor*)  
That the institution I represent is supervised by ..... (Supervisory body)  
en virtud de ..... (*normativa que lo regula*)  
under .....(governing rules).

Todo ello en relación con: \_\_\_\_\_  
All the above in relation to: \_\_\_\_\_

Identificación de los valores poseídos por cuenta propia  
Identification of securities held on own account: .....

Importe de los rendimientos  
Amount of income .....

Lo que certifico en ..... a ..... de ..... de 20 .....

I certify the above in ..... on the ..... of ..... of 20.....

## Annex II

## Modelo de certificación en inversiones por cuenta ajena

*Form of Certificate for Third Party Investments*

(Nombre) (Name) .....

(Domicilio) (Address).....

.....

.....

(NIF) (Fiscal ID number) .....

(en calidad de) ....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.b) y c) de Real Decreto 1065/2007,

(function) ....., in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.b) and c) of Royal Decree 1065/2007,

**CERTIFICO:**

## I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:  
That the name of the Entity I represent is: .....
2. Que su residencia fiscal es la siguiente:  
That its residence for tax purposes is: .....
3. Que la Entidad que represento está inscrita en el Registro de  
That the institution I represent is recorded in the..... Register of .....  
(pais, estado, ciudad), con el número  
(country, state, city), under number .....
4. Que la Entidad que represento está sometida a la supervisión de ..... (Organo supervisor)  
That the institution I represent is supervised by ..... (Supervisory body)  
en virtud de ..... (normativa que lo regula)  
under .....(governing rules).
5. Que, de acuerdo con los registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España.  
That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the amounts of the corresponding income is accurate, and does not include person(s) or institution(s) resident in Spain.

Lo que certifico en ..... a ..... de ..... de 20 .....

I certify the above in ..... on the ..... of ..... of 20.....

**RELACIÓN ADJUNTA A CUMPLIMENTAR:**

## TO BE ATTACHED:

**Identificación de los valores:**

Identification of the securities

**Listado de titulares:**

List of beneficial owners:

**Nombre / País de residencia / Importe de los rendimientos**

Name / Country of residence / Amount of income

## Annex III

**Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de No Residentes**

*Certificate for application of the exemption on withholding to Spanish Corporation Tax taxpayers and to permanent establishments of Non-resident Income Tax taxpayers*

(Nombre) (Name) .....

(Domicilio) (Address).....

.....

.....

(NIF) (Fiscal ID number) .....

(en calidad de) ....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,

(function) ....., in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

**CERTIFICO:**

## I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

That the name of the Entity I represent is: .....

2. Que su residencia fiscal es la siguiente:

That its residence for tax purposes is:.....

3. Que la Entidad que represento está inscrita en el Registro de

That the institution I represent is recorded in the .....

Register of .....

(*pais, estado, ciudad*), con el número

(country, state, city), under number .....

4. Que la Entidad que represento está sometida a la supervisión de

(*Organo supervisor*)

That the institution I represent is supervised by .....

(Supervision body)

en virtud de

(*normativa que lo regula*)

under .....

(governing rules).

5. Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.

That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax taxpayers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.

6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.

That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en..... a ..... de ..... de 20 .....

I certify the above in ..... on the ..... of ..... of 20.....

RELACION ADJUNTA  
TO BE ATTACHED

## TAXATION

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**Identificación de los valores:**  
Identification of the securities

**Razón social / Domicilio / Número de identificación fiscal / Número de valores / Rendimientos brutos / Retención al tipo que resulte aplicable**

Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount withheld at the applicable withholding tax rate.

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

On 15th September, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13th November, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 9th June, 2009, agreed with each Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers (failing which, the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

### **Transfer Restrictions**

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or 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 two



years after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (i) to the relevant Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (RULE 144A)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN INSTITUTIONAL ACCREDITED INVESTOR); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO

RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) 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 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 IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) 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.”; 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 Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (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;

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

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- (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.\$100,000 (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.\$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

### Selling Restrictions

#### *United States*

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the

registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). To the extent that an Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the **Relevant Implementation Date**, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 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
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure

implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### *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 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 (Law 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 Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### *Spain*

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

### *Republic of Italy*

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No.11971**); or
- (ii) 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.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

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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 (i) or (ii) above must be:

- (a) 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 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) 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
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

### **France**

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 and D.411-4 of the *Code monétaire et financier*.

### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

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## GENERAL INFORMATION

### Authorisation

The establishment 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 21st December, 2004 and a resolution of the shareholders' meeting and of the Board of Directors of BSC dated 21st December, 2004. The accession to the Programme of BUS as an issuer has been duly authorised by a resolution of the shareholders' meeting and of the Board of Directors of BUS dated 5th June, 2006. The giving of Guarantees has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 1st June, 2006.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Companies Act of 1989, as amended, 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 9th June, 2009.

### 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 English translation thereof) of each Issuer and the bylaws (with an English translation thereof) of the Guarantor;
- (b) the audited financial statements of each of BSF and BSC in respect of the financial years ended 31st December, 2007 and 2008, the audited financial statements of BUS in respect of the financial years ended 31st December, 2007 and 2008 and the consolidated and non-consolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2007 and 2008 (with an 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 English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuers do not prepare unaudited interim accounts. The Guarantor currently prepares unaudited consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement, the Agency Agreement, the Guarantees, the Deeds of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

- (e) a copy of this Offering Circular;
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### 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

There has been no material adverse change in the prospects of any of the Issuers or the Guarantor since 31st December, 2008.

There has been no significant change in the financial or trading position of the Group since 31st March, 2009.

### Litigation

Neither of the Issuers, the Guarantor nor the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of any of the Issuers, the Guarantor or the Group.

### Auditors

The auditors of the BSF BSC and BUS are Deloitte, S.L., registered as auditors on the *Registro Oficial de Auditores de cuentas* who have audited the Issuers' accounts which have been prepared in accordance with generally accepted accounting principles and practices in Spain for the financial year ended 31st December, 2007 and 31st December, 2008.

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, 2007 and 31st December, 2008 which have been prepared in accordance with EU-IFRS.



**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**  
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Bilbao  
Spain

**BBVA U.S. Senior, S.A. Unipersonal**  
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Bilbao  
Spain

**GUARANTOR**

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**PRINCIPAL PAYING AGENT**

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**REGISTRAR, EXCHANGE AGENT AND TRANSFER AGENT**

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**OTHER PAYING AGENT AND TRANSFER AGENT**

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

*To the Issuers and the Guarantor*

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## DEALERS

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