



BBVA Senior Finance, S.A. Unipersonal

(incorporated with limited liability in Spain)

BBVA Subordinated Capital, S.A. Unipersonal

(incorporated with limited liability in Spain)

and

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

(incorporated with limited liability in Spain)

€40,000,000,000

Global Medium Term Note Programme
unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability in Spain)

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

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor** or **BBVA**). The Guarantor and its consolidated subsidiaries are referred to herein as the **Group**.

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

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

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

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

Potential investors should note the statements on page 123 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by the First Additional Provision of Law 10/2014 of 26th June, 2014.

The Programme and the Guarantor have been rated BBB by Standard & Poor’s Credit Market Services Europe Limited (**S&P**), Baa1 by Moody’s Investors Services España, S.A. (**Moody’s**) and A- by Fitch Ratings España S.A.U. (**Fitch**). Each of S&P, Moody’s and Fitch is established in the European Union and is registered under Regulation (EC) No.1060/2009 (as amended) (the **CRA Regulation**). As such, each of S&P, Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAS>) in accordance with such Regulation. Notes issued under the Programme may be rated or unrated any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

UBS Investment Bank

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

BNP PARIBAS

Citigroup

Credit Suisse

Goldman Sachs International

J.P. Morgan

Nomura

UBS Investment Bank

Barclays

BofA Merrill Lynch

Commerzbank

Deutsche Bank

HSBC

Morgan Stanley

Société Générale Corporate & Investment Banking

Wells Fargo Securities

The date of this Offering Circular is 30th June, 2015.

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

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange on or before the date of issue of the Notes of such Tranche. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuers and the Guarantor (the **Responsible Persons**) accept responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Responsible Persons (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

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.

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and

-
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

ACCOUNTING PRINCIPLES

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

BBVA's consolidated financial statements as at and for each of the years ending 31st December, 2014, 31st December, 2013 and 31st December, 2012 (the **Consolidated Financial Statements**), as included in the annual report of BBVA on Form 20-F for the fiscal year ended 31st December, 2014 filed with the U.S. Securities and Exchange Commission (the **SEC**) on 15th April, 2015 (the **Form 20-F**), which is incorporated by reference in this Offering Circular, have been prepared in accordance with EU-IFRS reflecting Circular 4/2004 and any other legislation governing financial reporting applicable to the Group and in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (**IFRS-IASB**).

All references in this document to:

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

FINANCIAL INFORMATION

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

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

SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27th July (**RD 1065/2007**), as amended by Royal Decree 1145/2011 of 29th July (**RD 1145/2011**), sets out the reporting obligations applicable to preference shares and debt instruments (including debt instruments issued at a discount for a period equal to or less than twelve months) issued under the First Additional Provision of Law 10/2014 of 26th June, on Organisation, Supervision and Solvency of Credit Entities (**Law 10/2014**).

General

The procedure described in this Offering Circular for the provision of information required by Spanish law and regulation is a summary only. None of the Issuers, the Guarantor or the Dealers assumes any responsibility therefor.

U.S. INFORMATION

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

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

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each of BSF, BSC, BUS and the Guarantor have undertaken in a deed poll dated 30th June, 2015 (the **Deed Poll**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the relevant Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

CONTENTS

| | | | |
|--|----|--|-----|
| Presentation of Financial and other Information..... | 5 | Description of BBVA Subordinated Capital, S.A. Unipersonal..... | 99 |
| Risk Factors..... | 9 | Description of BBVA U.S. Senior, S.A. Unipersonal..... | 100 |
| Documents Incorporated by Reference | 38 | Description of Banco Bilbao Vizcaya Argentaria, S.A. | 101 |
| Overview of the Programme | 39 | Directors and Senior Management | 115 |
| Form of the Notes..... | 44 | Book-Entry Clearance Systems | 119 |
| Applicable Final Terms | 49 | Taxation | 123 |
| Terms and Conditions of the Notes | 58 | Subscription and Sale and Transfer and Selling Restrictions..... | 129 |
| Use of Proceeds | 97 | General Information..... | 137 |
| Description of BBVA Senior Finance, S.A. Unipersonal | 98 | | |

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) 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 Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

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

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUERS' ABILITY TO FULFIL THEIR RESPECTIVE OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Dependence on other Group members

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

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

FACTORS THAT MAY AFFECT THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE

Macroeconomic Risks

Economic conditions in the countries where the Group operates could have a material adverse effect on the Group's business, financial condition and results of operations.

Despite recent improvements in certain segments of the global economy (including, to a lesser extent, the Eurozone), uncertainty remains concerning the future economic environment. The deterioration of economic conditions in the countries where the Group operates could adversely affect the cost and availability of funding for the Group, the quality of the Group's loan and investment securities portfolios, levels of deposits and profitability, require the Group to take impairments on its exposures to the sovereign debt of one or more countries or otherwise adversely affect the Group's business, financial condition and results of operations. In addition, the process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of its borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, affect the reliability of the process and the sufficiency of the Group's loan loss provisions.

The Group faces, among others, the following economic risks:

- weak economic growth or recession in the countries where it operates;

RISK FACTORS

- deflation, mainly in Europe, or significant inflation, such as the significant inflation recently experienced by Venezuela and Argentina;
- changes in foreign exchange rates, such as the recent local currency devaluations in Venezuela and Argentina, as they result in changes in the reported earnings of the Group's subsidiaries outside the Eurozone, and their assets, including their risk-weighted assets, and liabilities;
- a lower interest rate environment, which could lead to decreased lending margins and lower returns on assets; or a higher interest rate environment, including as a result of an increase in interest rates by the Federal Reserve, which could affect consumer debt affordability and corporate profitability;
- any further tightening of monetary policies, including to address upward inflationary pressures in Latin America, which could endanger a still tepid and fragile economic recovery and make it more difficult for customers of the Group's mortgage and consumer loan products to service their debts;
- adverse developments in the real estate market, especially in Spain, Mexico and the United States, given the Group's exposures to such markets;
- poor employment growth and structural challenges restricting employment growth, such as in Spain, where unemployment has remained relatively high, which may negatively affect the household income levels of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan losses;
- lower oil prices, which could particularly affect producing areas, such as Venezuela, Mexico, Texas or Colombia, to which the Group is materially exposed;
- the potential exit by an EU Member State from the European Monetary Union (EMU), which could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects; and
- an eventual government default on public debt, which could affect the Group primarily 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 countries in which the Group operates;

For additional information relating to certain economic risks that the Group faces in Spain, see “—*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.*” For additional information relating to certain economic risks that the Group faces in emerging market economies such as Latin America and Turkey, see “—*The Group may be materially adversely affected by developments in the emerging markets economies where it operates.*”

Any of the above risks could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group has historically developed its lending business in Spain, which continues to be its main place of business. The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. After rapid economic growth until 2007, Spanish GDP contracted in the period 2009-10 and 2012-13. The effects of the financial crisis were particularly pronounced in Spain given its heightened need for foreign financing as reflected by its high current account deficit, resulting from the gap between domestic investment and savings, and its public deficit. While the current account imbalance has now been corrected (with GDP growth of 1.4 per cent. in 2014) and the public deficit is diminishing, real or perceived

RISK FACTORS

difficulties in servicing public or private debt could increase Spain's financing costs. In addition, unemployment levels continue to be high and a change in the current recovery of the labor market would adversely affect households' gross disposable income.

The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports. Accordingly, an interruption in the recovery in the Eurozone might have an adverse effect on Spanish economic growth. Given the relevance of the Group's loan portfolio in Spain, any adverse changes affecting the Spanish economy could have a material adverse effect on the Group's business, financial condition and results of operations.

Any decline in the Kingdom of Spain's sovereign credit ratings could adversely affect the Group's business, financial condition and results of operations.

Since the Guarantor is a Spanish company with substantial operations in Spain, its credit ratings may be adversely affected by the assessment by rating agencies of the creditworthiness of the Kingdom of Spain. As a result, any decline in the Kingdom of Spain's sovereign credit ratings could result in a decline in the Guarantor's credit ratings. In addition, the Group holds a substantial amount of securities issued by the Kingdom of Spain, autonomous communities within Spain and other Spanish issuers. Any decline in the Kingdom of Spain's credit ratings could adversely affect the value of the Kingdom of Spain's and other public or private Spanish issuers' respective securities held by the Group in its various portfolios or otherwise materially adversely affect the Group's business, financial condition and results of operations. Furthermore, the counterparties to many of the Group's loan agreements could be similarly affected by any decline in the Kingdom of Spain's credit ratings, which could limit their ability to raise additional capital or otherwise adversely affect their ability to repay their outstanding commitments to the Group and, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be materially adversely affected by developments in the emerging markets where it operates.

The economies of some of the emerging markets where the Group operates, mainly Latin America and Turkey, experienced significant volatility in recent decades, characterized, in some cases, by slow or declining growth, declining investment and hyperinflation.

Emerging markets are generally subject to greater risks than more developed markets. For example, there is typically a greater risk of loss from unfavorable political and economic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies. In addition, these emerging markets are affected by conditions in global financial markets and some are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. As a global economic recovery remains fragile, there are risks of a deterioration. If the global economic conditions deteriorate, the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in emerging economies, mainly in Latin America and Turkey, may be materially adversely affected.

Furthermore, financial turmoil in any particular emerging market could negatively affect other emerging markets or the global economy in general. Financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets, and may reduce liquidity to companies located in the affected markets. An increase in the perceived risks associated with investing in emerging economies in general, or the emerging market economies where the Group operates in particular, could dampen capital flows to such economies and adversely affect such economies.

If economic conditions in the emerging market economies where the Group operates deteriorate, the Group's business, financial condition and results of operations could be materially adversely affected.

RISK FACTORS

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

Severe market events such as the past sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. In particular, negative growth expectations and lack of confidence that policy changes would solve problems led to steep falls in asset values and a severe reduction in market liquidity in 2012 and 2013, and a moderated recovery in 2014. Additionally, in dislocated markets, hedging and other risk management strategies may not be as effective as they are in more normal market conditions due in part to the decreasing credit quality of hedge counterparties. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

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

The Group has substantial exposure to the real estate market, mainly in Spain, Mexico and the United States. The Group is exposed to the real estate market due to the fact that real estate assets secure many of its outstanding loans and due to the significant amount of real estate assets held on its balance sheet (mainly in Spain). Any deterioration of real estate prices could materially and adversely affect the Group's business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

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

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crises. Legislation has already been enacted and regulations issued in response to some of these proposals. The regulatory framework for financial institutions is likely to undergo further significant change. This creates significant uncertainty for the Guarantor and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements, new TLAC (as defined below) requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures.

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisor, and for resolution, with the new single resolution mechanism, could lead to changes in the near future. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Guarantor that are deemed to be systemically important.

RISK FACTORS

In addition, local regulations in certain jurisdictions where the Guarantor operates differ in a number of material respects from equivalent regulations in Spain or the United States. Changes in regulations may have a material adverse effect on the Group's business, results of operations and financial condition, particularly in Mexico, the United States, Venezuela, Argentina and Turkey. Furthermore, regulatory fragmentation, with some countries implementing new and more stringent standards or regulation, could adversely affect the Guarantor's ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation. Moreover, to the extent recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Group operates, the Group may face higher compliance costs.

Any required changes to the Guarantor's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Guarantor's ability to pursue business opportunities in which the Guarantor might otherwise consider engaging, affect the value of assets that the Guarantor holds, require the Guarantor to increase its prices and therefore reduce demand for its products, impose additional costs on the Guarantor or otherwise adversely affect the Guarantor's businesses. For example, the Guarantor is subject to substantial regulation relating to liquidity. Future liquidity standards could require it to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Guarantor's regulators, as part of their supervisory function, periodically review the Guarantor's allowance for loan losses. Such regulators may require the Guarantor to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Guarantor's management, could have an adverse effect on the Guarantor's earnings and financial condition.

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

Increasingly onerous capital requirements may have a material adverse effect on the Guarantor's business, financial condition and results of operations.

CRD IV requirements

As a Spanish financial institution, the Guarantor is subject to the Directive 2013/36/EU, of 26th June, of the European Parliament on access to credit institution and investment firm activities and on prudential supervision of credit institutions and investment firms that replaced Directives 2006/48 and 2006/49 (**CRD IV**), through which the EU began implementing the Basel III capital reforms, with effect from 1st January, 2014, with certain requirements in the process of being phased in until 1st January, 2019. The core regulation regarding the solvency of credit entities is Regulation (UE) No. UE 575/2013 of 26th June, of the European Parliament on prudential requirements on credit institutions and investment firms (the **CRR**), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The implementation of CRD IV into Spanish law has largely taken place through Royal Decree-Law 14/2013 of 29th November (**RD-L 14/2013**), Law 10/2014 and Royal Decree 84/2015, of 13th February (**RD 84/2015**), and Bank of Spain Circular 2/2014, of 31st January. However, further regulatory developments in this area remain pending as at the date hereof.

The new regulatory regime has, among other things, established minimum "Pillar 1" capital requirements and increased the level of capital required by means of a "combined buffer requirement" that entities must comply with from 2016 onwards.

Moreover, Article 104 of CRD IV, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013 of 15th October, conferring specific tasks on the European Central Bank (the **ECB**) concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), also contemplate that in addition to the minimum "Pillar 1" capital requirements, supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not

RISK FACTORS

considered to be fully captured by the minimum “own funds” “Pillar 1” requirements under CRD IV or to address macro-prudential considerations.

In accordance with the SSM Regulation, the ECB has fully assumed its new supervisory responsibilities of the Guarantor and the Group within the Single Supervisory Mechanism (the **SSM**). The ECB is required under the SSM Regulation to carry out assessments under CRD IV at least on an annual basis. Therefore, there can be no assurance that these assessments carried out by the ECB may not result in the imposition of additional own funds requirements on the Guarantor and/or the Group pursuant to this “Pillar 2” framework.

Any additional own funds requirement that may be imposed on the Guarantor and/or the Group by the ECB pursuant to this assessment would require the Guarantor and/or the Group to hold capital levels above the minimum “Pillar 1” capital requirements. There can be no assurance that the total capital requirements (“Pillar 1” plus “Pillar 2” plus “combined buffer requirement”) imposed on the Guarantor and/or the Group may not be higher than the levels of capital available at any relevant point in time.

Any failure by the Guarantor and/or the Group to maintain its “Pillar 1” minimum regulatory capital ratios, any “Pillar 2” additional own funds requirements and/or any “combined buffer requirement” could result in administrative actions or sanctions, which, in turn, may have a material adverse effect on the Group’s results of operations. In particular, any failure to maintain any additional capital requirements pursuant to the “Pillar 2” framework or any other capital requirements to which the Guarantor and/or the Group is or becomes subject (including the “combined buffer requirement”), may result in the imposition of restrictions on “discretionary payments” by the Guarantor, including dividend payments.

In this regard, according to Law 10/2014, those entities (a) not meeting the “combined buffer requirement” or (b) required to maintain further capital under the “Pillar 2” framework or where a restriction upon the distribution of dividends has been imposed, in each case under Article 68 of Law 10/2014, will be subject to restrictions on (i) distributions relating to common equity tier 1 (**CET 1**) capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to additional Tier 1 capital, until the Maximum Distributable Amount (i.e., the firm’s “distributable profits”, calculated in accordance with CRD IV, multiplied by a factor dependent on the extent of the shortfall in CET 1 capital) has been calculated and communicated to the Bank of Spain. Thereafter, any such distributions or payments by that entity will be subject to such Maximum Distributable Amount. The criteria for the calculation of the Maximum Distributable Amount are still to be implemented through further legislation developing Law 10/2014 and RD 84/2015.

Finally, any failure by the Guarantor and/or the Group to comply with its regulatory capital requirements could also result in the imposition of further “Pillar 2” requirements and early intervention measures by resolution authorities pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*) (**Law 11/2015**), which partially implements Directive 2014/59/EU of 15th May establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) into Spanish law.

In addition to the above, the European Banking Authority (the **EBA**) published on 19th December, 2014 its final guidelines for common procedures and methodologies in respect of the supervisory review and evaluation process (the **SREP**). Included in this were the EBA’s proposed guidelines for a common approach to determining the amount and composition of additional own funds requirements to be implemented by 1st January, 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain specified risks of at least 56 per cent. CET 1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the “combined buffer requirement” and/or additional macro-prudential requirements; and, accordingly, the above “combined buffer requirement” is in addition to the minimum own funds requirement and to the additional own funds requirement.

RISK FACTORS

At its meeting of 12th January, 2014, the oversight body of the Basel Committee endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from 1st January, 2015. There will be a mandatory minimum capital requirement on 1st January, 2018, with an initial minimum leverage ratio of 3 per cent. that can be raised after calibration, if European authorities so decide.

Total Loss-Absorbing Capacity (TLAC)

On 10th November, 2014 the Financial Stability Board (the **FSB**) published a consultative document (the **Consultative Document**) containing certain policy proposals to enhance the loss absorbing capacity of global systemically important banks (**G-SIBs**), such as the Guarantor. The policy proposals included in the Consultative Document consist of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss-absorbing capacity (**TLAC**) for G-SIBs. The consultation period ended on 2nd February, 2015.

Once finalised, these proposals will form a new minimum TLAC standard for G-SIBs. If implemented as contemplated, the TLAC requirement may create additional minimum solvency requirements for the Guarantor and could require the Guarantor to maintain an additional minimum TLAC ratio of (i) the Guarantor's regulatory capital plus certain types of debt capital instruments and other eligible liabilities that can be written down or converted into equity during resolution to (ii) the Guarantor's risk-weighted assets.

However, the final proposed TLAC amount has not been agreed within the FSB and is the subject of a quantitative impact study, expected to be completed in 2015.

The TLAC requirements may apply on a common minimum "Pillar 1" basis, and home and host resolution authorities may specify additional "Pillar 2" TLAC requirements on an individual institution basis. TLAC requirements may further be imposed in addition to the minimum "Pillar 1" capital requirements under CRD IV and the minimum requirement for own funds and eligible liabilities (**MREL**) pursuant to the BRRD. Any failure by an institution to meet the applicable minimum "Pillar 1" and "Pillar 2" TLAC requirements may be treated in the same manner as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene early and/or place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

While it is possible that TLAC requirements will be implemented by means of MREL, that is not yet certain. The conditions required of TLAC eligible instruments (other than own funds) and those required of eligible liabilities for MREL purposes under the BRRD are different and there can be no assurance that it will be possible for the Guarantor to issue instruments which simultaneously satisfy both requirements. Markets have not yet been established for such instruments (other than own funds instruments) and there can be no assurance that such markets will develop or that, if they do, the Guarantor will be able to issue sufficient TLAC and MREL eligible liabilities to meet its requirements. That may limit the quantity of the Guarantor's CET 1 capital which is available to meet its "combined buffer requirement" and may, therefore, limit the Guarantor's ability to make distributions relating to CET 1 capital.

There can be no assurance as to the relationship between the above "combined buffer requirement" and "Pillar 2" additional own funds requirements under CRD IV, the TLAC requirement, MREL and the restrictions on the distributions mentioned above. There can also be no assurance as to how and when effect will be given to the above guidelines of the EBA and the Consultative Document in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements.

The Guarantor's business, financial condition and results of operations may be adversely affected if the Guarantor is not allowed to maintain certain deferred tax assets as regulatory capital.

In addition to introducing new capital requirements, CRD IV provides that deferred tax assets (**DTAs**) that rely on the future profitability of a financial institution must be deducted from its regulatory capital (specifically its core capital or CET 1 capital) for prudential reasons, as there is generally no guarantee that DTAs will retain their value in the event of the institution facing difficulties.

RISK FACTORS

This new deduction introduced by CRD IV has a significant impact on Spanish banks due to the particularly restrictive nature of certain aspects of Spanish tax law. For example, in some EU countries when a bank reports a loss the tax authorities refund a portion of taxes paid in previous years but in Spain the bank must earn profits in subsequent years in order for this set-off to take place. Additionally, Spanish tax law does not recognize as tax-deductible certain amounts recorded as costs in the accounts of a bank, unlike the tax legislation of other EU countries.

Due to these differences and the impact of the requirements of CRD IV on DTAs, the Spanish regulator implemented certain amendments to the Spanish Law on Corporate Income Tax (Royal Decree Law 4/2004 of 5th March, as amended) through RD-L 14/2013, which also provided for a transitional regime for DTAs generated before 1st January, 2014. These amendments enable certain DTAs to be treated as a direct claim against the tax authorities if a Spanish bank is unable to reverse the relevant differences within 18 years or if it is liquidated, becomes insolvent or incurs accounting losses. This will, therefore, allow a Spanish bank not to deduct such DTAs from its regulatory capital. The transitional regime provides for a period in which only a percentage (which increases yearly) of the applicable DTAs will have to be deducted. This transitional regime has also been included in Law 27/2014.

There can be no assurance that the tax amendments implemented by RD-L 14/2013 and Law 27/2014 will not be challenged by the European Commission, that the final interpretation of these amendments will not change and that Spanish banks will ultimately be allowed to maintain certain DTAs as regulatory capital. If this regulation is challenged, this may negatively affect the Guarantor's regulatory capital and therefore its ability to pay dividends or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Guarantor's business, financial condition and results of operations.

The full consolidation of Garanti in the consolidated financial statements of the Group may result in increased capital requirements.

On 19th November, 2014, the Guarantor entered into agreements for the acquisition from Doğu Holding A.Ş. and Ferit Faik Şahenk, Dianne Şahenk and Defne Şahenk, respectively, of 62,538,000,000 shares of Türkiye Garanti Bankası A.Ş. (**Garanti**) in the aggregate (see "Item 10. Additional Information – Material Contracts" of the Form 20-F). The acquisition is conditional on obtaining all necessary regulatory consents from the relevant Turkish, Spanish, European Union and, if applicable, other jurisdictions' regulatory authorities and is expected to be completed in 2015. Following completion of this acquisition, the Guarantor will fully consolidate Garanti in the consolidated financial statements of the Group. The consolidation of Garanti will result in a significant increase in the Guarantor's risk-weighted assets, reflecting the greater risk profile of Garanti's asset base, and it may result in an incremental increase in the capital requirements imposed on the Group by the Banking Regulation and Supervision Agency (BRSA) in Turkey and/or the ECB through the SSM.

Increased taxation and other burdens imposed on the financial sector may have a material adverse effect on the Guarantor's business, financial condition and results of operations.

On 14th February, 2013 the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

RISK FACTORS

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1st January, 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Royal Decree-Law 8/2014, of 4th July, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Guarantor operates.

Contributions for assisting in the future recovery and resolution of the Spanish banking sector

Law 11/2015 has established a requirement for banks, including the Guarantor, to make at least an annual contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) by member institutions. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal one per cent. of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund.

Furthermore, Law 11/2015 has also established an additional stamp duty which shall be used to further fund the activities of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the **FROB**) as resolution authority, which stamp duty shall equal 2.5 per cent. of the above annual contribution to be made to the National Resolution Fund.

In addition, the Guarantor may need to make contributions to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM. See “–Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Guarantor’s business, financial condition and results of operations.”

Any levies, taxes or funding requirements imposed on the Guarantor in any of the jurisdictions where it operates could have a material adverse effect on the Guarantor’s business, financial condition and results of operations.

Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Guarantor's business, financial condition and results of operations.

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the Eurozone.

Banking union is expected to be achieved through new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the Single Resolution Mechanism (**SRM**).

The SSM is expected to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including the Guarantor), on 4th November, 2014. In preparation for this step, between November 2013 and October 2014 the ECB conducted, together with national supervisors, a comprehensive assessment of the largest banks, which together hold more than 80 per cent. of the Eurozone banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures.

The SSM represents a significant change in the approach to bank supervision at a European and global level, even if it is not expected to result in any radical change in bank supervisory practices in the short term. The

RISK FACTORS

SSM will result in the direct supervision of the largest financial institutions, including the Guarantor, and indirect supervision of around 3,500 financial institutions. The new supervisor will be one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 supervisory authorities that will be part of the SSM. Several steps have already been taken in this regard such as the recent publication of the Supervisory Guidelines and the creation of the SSM Framework Regulation. In addition, this new body will represent an extra cost for the financial institutions that will fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (the **SRM Regulation**), which was passed on 15th July, 2014, and took legal effect from 1st January, 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The new Single Resolution Board started operating from 1st January, 2015 but it will not fully assume its resolution powers until 1st January, 2016. From that date onwards the Single Resolution Fund will also be in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8 per cent. bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM, the banking union is expected to help resume momentum towards economic and monetary union. In order to complete such union, a single deposit guarantee scheme is still needed which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Guarantor's main supervisory authority may have a material effect on the Guarantor's business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes were published in the Official Journal of the EU on 12th June, 2014. The BRRD was partially implemented into Spanish law through Law 11/2015, although the bail-in tool set forth in Chapter VI of Law 11/2015, will not apply until 1st January, 2016. For the purposes of any resolution procedures that take place prior to 1st January, 2016, Chapter VII of Law 9/2012 of 14th November on the restructuring and resolution of credit entities (**Law 9/2012**) (which relates to the actions to be taken to manage and restructure hybrid capital and subordinated debt instruments) will continue to apply. In the case of any bail-in prior to 1st January 2016, a minimum 8 per cent. bail-in of a bank's liabilities (including senior debt and uncovered deposits) will be required as a precondition for access to any direct recapitalisation by the European Stability Mechanism (**ESM**), as agreed by the Eurozone members in December 2014.

In addition, on 29th January, 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new constraints on the structure of European banks. The proposal aims at ensuring the harmonisation between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making), such as in the Financial Services (Banking Reform) Act 2013, complex securitisations and risky derivatives.

There can be no assurance that regulatory developments related to the EU fiscal and banking union, and initiatives undertaken at EU level, will not have a material adverse effect on the Guarantor's business, financial condition and results of operations.

The Group's anti-money laundering and anti-terrorism policies may be circumvented or otherwise not be sufficient to prevent all money laundering or terrorism financing.

Group companies are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a

RISK FACTORS

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

Local regulation may have a material effect on the Guarantor's business, financial condition, results of operations and cash flows.

The Guarantor's operations are subject to regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in the various regions where it operates. Regulations in certain jurisdictions where the Guarantor operates differ in a number of material respects from equivalent regulations in Spain. Changes in regulations may have a material effect on the Group's business and operations, particularly in Mexico, the United States, Venezuela, Argentina and Turkey.

The governments in certain regions where the Group operates, have exercised, and continue to exercise, significant influence over the local economy. Governmental actions, including changes in laws or regulations or in the interpretation of existing laws or regulations, concerning the economy and state-owned enterprises, or otherwise affecting the Group's activity, could have a significant effect on the private sector entities in general and on the Guarantor's subsidiaries and affiliates in particular. In addition, the Group's activities in emerging economies, such as Venezuela, are subject to a heightened risk of changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps, exchange controls, government restrictions on dividends and tax policies. These could have a material adverse effect on the Group's business, financial condition and results of operations.

Set forth below is additional information on certain recent regulatory developments in Mexico and the United States, the Group's most significant jurisdictions by assets outside Spain which are relevant to the Group.

Mexico

On 9th January, 2014, certain financial reforms which had been proposed in May 2013 were adopted. Such measures address the following matters (i) the establishment of a new mandate for development banks, (ii) the promotion of competition to reduce interest rates, (iii) the creation of incentives for banks to give more credit and (iv) the strengthening of the banking system. The Group will have to adapt to the new requirements and to the new competition framework and it might not be successful in doing so.

In addition, according to the mandate of the Law for Transparent and Ordered Financial Services in place (last modified in 2010), the Mexican National Commission for the Protection and Defense of Financial Services Users (*Comisión Nacional para la Defensa de los Usuarios de los Servicios Financieros*) (**Condusef**) has continued to request that banks submit several of their service contracts for revision by the Condusef (for example, contracts relating to credit cards and insurance), in order to check that they comply with the relevant transparency and clarity requirements. Condusef does not have systematic ways to evaluate and grade service contracts, and this results in a substantial variation in grades from one year to the next and no clear instructions for approving such contracts. The Law Committee of the Banking Association (ABM) is coordinating the creation of a working group that is expected to propose improvements to the process. In addition, Condusef has asked banks to formulate new procedures so that beneficiaries of deposit accounts can collect the funds in the case of the death of the account owner. The Guarantor may have to incur compliance costs in connection with any new measures adopted by Condusef.

Furthermore, the Anti-Money Laundering Law (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*) became effective in July 2013. The Law establishes more severe penalties for non-compliance and sets forth enhanced information requirements for some transactions.

RISK FACTORS

United States

The Guarantor's operations may be affected by regulatory reforms in response to the financial crisis, including measures such as those concerning systemic financial institutions and the enactment in the United States in July 2010 of the Dodd-Frank Act. In July 2013, U.S. federal bank regulators issued final rules implementing many elements of the Basel III framework and other U.S. capital reforms. In December 2013, the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission issued final rules to implement the Volcker Rule, as required by the Dodd-Frank Act. The Volcker Rule prohibits an insured depository institution, its affiliates and any company that controls an insured depository institution from engaging in proprietary trading and from investing in or sponsoring certain covered funds, such as hedge funds and private equity funds, in each case subject to certain limited exceptions. The final rules also impose significant compliance and reporting obligations.

In February 2014, the Federal Reserve approved a final rule to enhance its supervision and regulation of the U.S. operations of foreign banking organisations (**FBOs**) such as the Guarantor. Under this rule, FBOs with U.S.\$50 billion or more in U.S. assets held outside of their U.S. branches and agencies (**Large FBOs**), such as the Guarantor, will be required to create a separately capitalised top-tier U.S. intermediate holding company (**IHC**) that will hold all of the Large FBO's U.S. bank and nonbank subsidiaries, such as Compass Bank and Compass Bancshares. The IHC will be subject to U.S. risk-based and leverage capital, liquidity, risk management, stress testing and other enhanced prudential standards on a consolidated basis. Under the final rule, a Large FBO that is subject to the IHC requirement may request permission from the Federal Reserve to establish multiple IHCs or use an alternative organisational structure. The final rule also permits the Federal Reserve to apply the IHC requirement in a manner that takes into account the separate operations of multiple foreign banks that are owned by a single Large FBO. Although U.S. branches and agencies of Large FBOs will not be required to be held beneath an IHC, such branches and agencies will be subject to liquidity, and, in certain circumstances, asset maintenance requirements. Large FBOs generally will be required to form IHCs and comply with enhanced prudential standards beginning 1st July, 2016, although an IHC's compliance with applicable U.S. leverage ratio requirements is generally delayed until 1st January, 2018, and certain enhanced prudential standards have applied to the Guarantor's top-tier U.S. bank holding company, Compass Bancshares, since 1st January, 2015. The rule does not constitute any significant additional burden for FBOs that already organised their main U.S. subsidiaries through bank holding company structures such as the Guarantor. Indeed, those FBOs would have anyway been subject to U.S. prudential standards. FBOs that have \$50 billion or more in non-branch/agency U.S. assets as of 30th June, 2014, such as the Guarantor, were required to submit an implementation plan by 1st January, 2015 on how the FBO will comply with the intermediate holding company requirement. The Guarantor submitted its implementation plan in December 2014, in which it indicated its intention to designate Compass Bancshares as its IHC. The Federal Reserve has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards under the Dodd-Frank Act for large bank holding companies and Large FBOs, including single counterparty credit limits and an early remediation framework.

In September 2014, the federal banking regulators adopted a final rule which implemented in the United States the liquidity coverage ratio (**LCR**), the quantitative liquidity standards developed by the Basel Committee. The LCR was developed to ensure that covered banking organizations have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The rule introduces a version of the LCR applicable to certain large bank holding companies such as Compass Bancshares. This version differs in certain respects from the Basel Committee's version of the LCR, including a narrower definition of high-quality liquid assets, different prescribed cash inflow and outflow assumptions for certain types of instruments and transactions and a shorter phase-in schedule beginning on 1st January, 2015 and ending on 1st January, 2017. The federal banking regulators have not yet proposed rules to implement in the United States the net stable funding ratio (**NSFR**), additional quantitative liquidity standards developed by the Basel Committee. The NSFR has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities. The Basel Committee contemplates that the NSFR, including any revisions, will be implemented by member countries, including the United States, as a minimum standard by 1st January, 2018. Various elements of the LCR and the NSFR, if and when it is implemented by the U.S. banking regulators, may cause changes that affect the profitability of the Guarantor's

RISK FACTORS

business activities and require that it changes certain of its business practices, and could expose the Guarantor to additional costs (including increased compliance costs). These changes may also cause the Guarantor to invest significant management attention and resources to make any necessary changes.

Liquidity and Financial Risks

The Guarantor has a continuous demand for liquidity to fund its business activities. The Guarantor may suffer during periods of market-wide or firm-specific liquidity constraints, and liquidity may not be available to it even if its underlying business remains strong.

Liquidity and funding continues to remain a key area of focus for the Group and the industry as a whole. Like all major banks, the Group is dependent on confidence in the short- and long-term wholesale funding markets. Should the Group, due to exceptional circumstances, be unable to continue to source sustainable funding, its ability to fund its financial obligations could be affected.

The Guarantor's profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfill its commitments to lend could be affected through limited access to liquidity (including government and central bank facilities). In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the Group's solvency, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

In addition, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Guarantor (or to all banks), which could increase the Group's cost of funding and limit its access to liquidity. The funding structure employed by the Group may also prove to be inefficient, thus giving rise to a level of funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the Group may increase and such increases may be material to the Group's operating results, financial condition or prospects.

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

Historically, one of the Group's principal sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. The recent introduction of a national tax on outstanding deposits could be negative for the Guarantor's activities in Spain. Moreover, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures.

The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality which have affected and are expected to continue to affect the recoverability and value of assets on the Group's balance sheet.

RISK FACTORS

The Group has exposures to many different products, counterparties and obligors and the credit quality of its exposures can have a significant effect on the Group's earnings. Adverse changes in the credit quality of the Group's borrowers and counterparties or collateral, or in their behavior or businesses, may reduce the value of the Group's assets, and materially increase the Group's write-downs and provisions for impairment losses. Credit risk can be affected by a range of factors, including an adverse economic environment, reduced consumer and/or government spending, global economic slowdown, changes in the rating of individual counterparties, the debt levels of individual contractual counterparties and the economic environment they operate in, increased unemployment, reduced asset values, increased personal or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these changes) in interest rates, counterparty challenges to the interpretation or validity of contractual arrangements and any external factors of a legislative or regulatory nature. In recent years, the global economic crisis has driven cyclically high bad debt charges.

Non-performing or low credit quality loans have in the past and can continue to negatively affect the Guarantor's results of operations. The Guarantor cannot assure that it will be able to effectively control the level of the impaired loans in its total loan portfolio. At present, default rates are partly cushioned by low rates of interest which have improved customer affordability, but the risk remains of increased default rates as interest rates start to rise. The timing quantum and pace of any rise is a key risk factor. All new lending is dependent on the Group's assessment of each customer's ability to pay, and there is an inherent risk that the Group has incorrectly assessed the credit quality or willingness of borrowers to pay, possibly as a result of incomplete or inaccurate disclosure by those borrowers or as a result of the inherent uncertainty that is involved in the exercise of constructing models to estimate the true risk of lending to counterparties. The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgments, including forecasts of how macro-economic conditions might impair the ability of borrowers to repay their loans. As is the case with any such assessments, there is always a risk that the Group will fail to adequately identify the relevant factors or that it will fail to estimate accurately the effect of these identified factors, which could have a material adverse effect on the Group's business, financial condition or results of operations.

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

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks, regulation of the financial sectors in the markets in which it operates, domestic and international economic and political conditions and other factors. Changes in market interest rates, including cases of negative reference rates, can affect the interest rates that the Group receives on its interest-earning assets differently to the rates that it pays for its interest-bearing liabilities. This may, in turn, result in a reduction of the net interest income the Group receives, which could have a material adverse effect on its results of operations.

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

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

The Group's commitments with personnel which are considered to be wholly unfunded are recognised under the heading "Provisions— Provisions for Pensions and Similar Obligations" in its consolidated balance sheets included in the Consolidated Financial Statements. For more information please see Note 24 of the Guarantor's Consolidated Financial Statements.

RISK FACTORS

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

The Guarantor is dependent on its credit ratings and any reduction of its credit ratings could materially and adversely affect the Group’s business, financial condition and results of operations

The Guarantor is rated by various credit rating agencies. The Guarantor’s credit ratings are an assessment by rating agencies of its ability to pay its obligations when due. Any actual or anticipated decline in the Guarantor’s credit ratings to below investment grade or otherwise may increase the cost of and decrease the Group’s ability to finance itself in the capital markets, secured funding markets (by affecting its ability to replace downgraded assets with better rated ones), interbank markets, through wholesale deposits or otherwise, harm its reputation, require it to replace funding lost due to the downgrade, which may include the loss of customer deposits, and make third parties less willing to transact business with the Group or otherwise materially adversely affect its business, financial condition and results of operations. Furthermore, any decline in the Guarantor’s credit ratings to below investment grade or otherwise could breach certain agreements or trigger additional obligations under such agreements, such as a requirement to post additional collateral, which could materially adversely affect the Group’s business, financial condition and results of operations.

Highly-indebted households and corporations could endanger the Group’s asset quality and future revenues.

In recent years, households and businesses have reached, a high level of indebtedness, particularly in Spain, which has created increased risk in the Spanish banking system. In addition, the high proportion of loans referenced to variable interest rates makes (i) debt service on such loans more vulnerable to upward movements in interest rates and (ii) the profitability of the loans more vulnerable to interest rates decreases. Highly indebted households and businesses are less likely to be able to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Group’s loan portfolio and, as a result, on its financial condition and results of operations. Moreover, the increase in households’ and businesses’ indebtedness also limits their ability to incur additional debt, reducing the number of new products the Group may otherwise be able to sell to them and limiting the Group’s ability to attract new customers who satisfy its credit standards, which could have an adverse effect on the Group’s ability to achieve its growth plans.

The Group depends in part upon dividends and other funds from subsidiaries.

Some of the Group’s operations are conducted through its financial services subsidiaries. As a result, the Guarantor’s ability to pay dividends, to the extent the Guarantor decides to do so, depends in part on the ability of the Group’s subsidiaries to generate earnings and to pay dividends to the Guarantor. Payment of dividends, distributions and advances by the Group’s subsidiaries will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from the Group’s Venezuelan and Argentinean subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, the Guarantor’s right to receive any assets of any of the Group’s subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganisation, will be effectively subordinated to the claims of subsidiaries’ creditors, including trade creditors.

RISK FACTORS

Business and Industry Risks

The Group faces increasing competition in its business lines

The markets in which the Group operates are highly competitive and this trend will likely continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete.

The Group also faces competition from non-bank competitors, such as payment platforms, ecommerce businesses, department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, and public debt.

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

The Group faces risks related to its acquisitions and divestitures

The Group's mergers and acquisitions activity involves divesting its interests in some businesses and strengthening other business areas through acquisitions. The Group may not complete these transactions in a timely manner, on a cost-effective basis or at all. Even though the Group reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, the Group may assume unanticipated liabilities, or an acquisition may not perform as well as expected. In addition, transactions such as these are inherently risky because of the difficulties of integrating people, operations and technologies that may arise. There can be no assurance that any of the businesses the Group acquires can be successfully integrated or that they will perform well once integrated. Acquisitions may also lead to potential write-downs due to unforeseen business developments that may adversely affect the Group's results of operations.

The Group's results of operations could also be negatively affected by acquisition or divestiture-related charges, amortisation of expenses related to intangibles and charges for impairment of long-term assets. The Group may be subject to litigation in connection with, or as a result of, acquisitions or divestitures, including claims from terminated employees, customers or third parties, and the Group may be liable for future or existing litigation and claims related to the acquired business or divestiture because either the Group is not indemnified for such claims or the indemnification is insufficient. These effects could cause the Group to incur significant expenses and could materially adversely affect its business, financial condition, cash flows and results of operations.

The Group is party to lawsuits, tax claims and other legal proceedings

Due to the nature of the Group's business, it and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in jurisdictions around the world, the financial outcome of which is unpredictable. An adverse outcome or settlement in these proceedings could result in significant costs and may have a material adverse effect on the Group's business, financial condition, cash flows, results of operations and reputation. In addition, responding to the demands of litigation may divert management's time and attention and financial resources. While the Group believes that it has provisioned such risks appropriately based on the opinions and advice of its legal advisors and in accordance with applicable accounting rules, it is possible that losses resulting from such risks, if proceedings are decided in whole or in part adversely to the Group, could exceed the amount of provisions made for such risks. See "Item 8. Financial information—Consolidated Statements and Other Financial Information—Legal proceedings" of the Form 20-F and Note 23 to the Guarantor's Consolidated Financial Statements for additional information on the Group's legal, regulatory and arbitration proceedings.

The Group's ability to maintain its competitive position depends significantly on its international operations, which expose the Group to foreign exchange, political and other risks in the countries in which it operates, which could cause an adverse effect on its business, financial condition and results of operations.

RISK FACTORS

The Group operates commercial banks and insurance and other financial services companies in various countries and its overall success as a global business depends upon its ability to succeed in differing economic, social and political conditions. The Group is particularly sensitive to developments in Mexico, the United States, Venezuela and Argentina, which represented 15 per cent., 11 per cent., 3 per cent. and 1 per cent. of the Group's assets in 2014, respectively. In addition, following completion of the acquisition of an additional 14.89 per cent. stake in Garanti (see "*Item 10. Additional Information—Material Contracts*" of the Form 20-F), the Group will also be significantly exposed to developments in Turkey.

The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. See "*—Legal, Regulatory and Compliance Risks—Local regulation may have a material effect on the Guarantor's business, financial condition, results of operations and cash flows.*". These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation or expropriation of assets. The Group's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors, or the distribution of dividends.

In addition, the Group is more exposed to emerging economies than most of its European competitors. The Group's presence in locations such as the Latin American markets or Turkey requires it to respond to rapid changes in market conditions in these countries and exposes the Group to increased risks relating to emerging markets. See "*—Macroeconomic Risks—The Group may be materially adversely affected by developments in the emerging markets economies where it operates.*". There can be no assurance that the Group will 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.

The Guarantor is party to a shareholders' agreement with Doğuř Holding A. Ő., among other shareholders, in connection with Garanti which may affect the Guarantor's ability to achieve the expected benefits from its interest in Garanti.

In 2011, the Guarantor entered into a shareholders' agreement with Doğuř Holding A.Ő., Doğuř Nakliyat ve Ticaret A.Ő. and Doğuř Arařtırma Geliřtirme ve Műřavirlik Hizmetleri A.Ő. (the **Doğuř Group**), in connection with the acquisition of its initial 24.89 per cent. interest in Garanti (the **current SHA**). On 19th November, 2014, the Guarantor and the Doğuř Group entered into an agreement that amends and restates the current SHA and which will come into force upon completion of the Guarantor's proposed acquisition of the additional 14.89 per cent. interest in Garanti (the **amended and restated SHA**). Under the current SHA, certain decisions affecting the day-to-day management of Garanti require the consent of both the Guarantor and the Doğuř Group. Accordingly, under the current SHA, the Guarantor must cooperate with the Doğuř Group in order to manage Garanti and grow its business. While the amended and restated SHA allows the Guarantor to appoint the Chairman of Garanti's board of directors, the majority of its members and Garanti's CEO, it provides that certain reserved matters must be implemented or approved (either at a meeting of the shareholders or of the board of directors) only with the consent of each party. For example, for so long as the Doğuř Group owns shares representing over 9.95 per cent. of the share capital of Garanti, the disposal or discontinuance of, or material changes to, any line of business or business entity within the Garanti group that has a value in excess of 25 per cent. of the Garanti group's total net assets in one financial year, will require the Doğuř Group's consent. If the Guarantor and the Doğuř Group are unable to agree on such reserved matters Garanti's business, financial condition and results of operations may be adversely affected and the Guarantor may fail to achieve the expected benefits from its interest in Garanti. In addition, due to the Guarantor's and Garanti's association with the Doğuř Group, which is one of the largest Turkish conglomerates with business interests in the financial services, construction, tourism and automotive sectors, any financial reversal, negative publicity or other adverse circumstance relating to the Doğuř Group could adversely affect Garanti or the Guarantor.

Financial and Risk Reporting

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

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

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

The financial industry is increasingly dependent on information technology systems, which may fail, may not be adequate for the tasks at hand or may no longer be available

Banks and their activities are increasingly dependent on highly sophisticated information technology (IT) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centers. IT systems need regular upgrading and banks, including the Guarantor, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that banks will be able to prevent all breaches and other attacks on its IT systems. In addition to costs that may be incurred as a result of any failure of IT systems, banks, including the Guarantor could face fines from bank regulators if they fail to comply with applicable banking or reporting regulations.

The Guarantor's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse effect on the Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable

RISK FACTORS

assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

The further development of standards and interpretations under IFRS could also significantly affect the financial results, condition and prospects of the Group.

RISKS RELATED TO EARLY INTERVENTION AND RESOLUTION

The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity.

The BRRD and its partial implementation in Spain through Law 11/2015 is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

In accordance with article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; (iv) or it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. The four resolution tools are: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down and/or to convert into equity certain unsecured debt claims including Senior Notes and Subordinated Notes (the **general bail-in tool**), which equity could also be subject to any future application of the general bail-in tool.

In addition to the general bail-in tool, the BRRD and Law 11/2015 provide for resolution authorities to have the further power to permanently write-down or convert into equity instruments such as Subordinated Notes at the point of non-viability (**non-viability loss absorption**). Non-viability loss absorption may be imposed prior to or in combination with the general bail-in tool or any other resolution tool or power (where the conditions for resolution referred to above are met).

The powers set out in the BRRD as implemented through Law 11/2015 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool from 1st January, 2016 and, in the case of Subordinated Notes, may be subject to any non-viability loss absorption, and the exercise of any such powers may result in such Noteholders losing some or all of their investment. Furthermore, the determination that all or part of the principal amount of any Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the institution's control. This determination will be made by the institution's regulators and there may be many factors, including factors not directly related to the institution, which could result in such a determination.

RISK FACTORS

Additionally, Subordinated Notes may be subject to Chapter VII of Law 9/2012 (which relates to the actions to be taken to manage and restructure hybrid capital and subordinated debt instruments) as this will continue to apply for the purposes of any resolution procedures that take place prior to 1st January 2016. The application of these loss absorption measures under Law 9/2012 may be adopted in those situations where an institution is considered as failing or likely to fail under article 20 of Law 11/2015 (as described above). In any such case, the Guarantor may be subject to the application of loss absorption measures which may include, among other things: (i) the deferment, suspension, elimination or amendment of certain rights, obligations, terms and conditions of any Subordinated Notes; (ii) the repurchase of any Subordinated Notes at a price set by the FROB; (iii) the exchange of any Subordinated Notes for capital instruments of the Guarantor; (iv) the write down of any interest and/or principal amount of the Subordinated Notes; and (v) the redemption of any Subordinated Notes.

The exercise of any power under Law 11/2015 or Law 9/2012 (including any early intervention measure before any resolution) or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of any Notes and/or the ability of the relevant Issuer and the Guarantor to satisfy their respective obligations under any Notes and the Guarantees.

Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015

The Guarantor and, indirectly, the relevant Issuer may be subject to a procedure of early intervention or resolution pursuant to the BRRD as implemented through Law 11/2015 if the Guarantor or its group of consolidated credit entities is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or the conditions for resolution referred to above are met (see *“The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity”*).

Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the relevant Issuer or Guarantor to exercise any rights it may otherwise have in respect thereof and any provision providing for such rights shall further be deemed not to apply. However, this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such early intervention or resolution procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see *“The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity”*). Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the relevant Issuer and/or the Guarantor to satisfy its obligations under the Notes or the Guarantee and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

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:

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

RISK FACTORS

indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Spanish law. The Senior Guarantees are also structurally subordinated to all indebtedness of subsidiaries of the Guarantor insofar as any right of the Guarantor to receive any assets of such companies upon their winding up will be effectively subordinated to the claims of the creditors of those companies in the winding up.

In addition, the BRRD and Law 11/2015 contemplate that Senior Notes may be subject to the application of the general bail-in tool (see “*Risks related to Early Intervention and Resolution - The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity*” above).

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

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

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

In addition, the BRRD and Law 11/2015 contemplate that Subordinated Notes may be subject to non-viability loss absorption and application of the general bail-in tool. Additionally, Subordinated Notes may be subject to Chapter VII of Law 9/2012 for the purposes of any resolution procedures prior to 1st January, 2016. See “*Risks related to Early Intervention and Resolution - The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity*” above.

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 the CRR, the Issuer is prohibited from including in the terms and conditions of any Subordinated Notes that qualify as Tier 2 capital of the Guarantor 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.

Risks relating to Notes denominated in Renminbi

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

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

Renminbi is not freely convertible as of the date of this Offering Circular. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving

RISK FACTORS

the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong and a number of other jurisdictions (the **Applicable Jurisdictions**) have been permitted to engage in the settlement of current account trade transactions in Renminbi.

On 13th October, 2011, the People's Bank of China (the **PBoC**) promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (the **PBoC FDI Measures**) as part of the implementation of the PBoC's detailed foreign direct investment (**FDI**) accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14th June, 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

On 5th July, 2013, the PBoC promulgated the "Circular on Policies related to Simplifying and Improving Cross-Border Renminbi Business Procedures," which sought to improve the efficiency of the cross-border Renminbi settlement process and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3rd December, 2013, the Ministry of Commerce of the PRC (**MOFCOM**) promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (the **MOFCOM Circular**), which became effective on 1st January, 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the permitted capital contribution amount is required for each FDI transaction.

Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

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

There is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under Renminbi Notes.

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

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

The PBoC has established a Renminbi clearing and settlement mechanism for participating banks in the Applicable Jurisdictions through settlement agreements with certain banks (each a **RMB Clearing Bank**) to act as the RMB clearing bank in the Applicable Jurisdictions. Notwithstanding these arrangements, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in relation to cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore,

RISK FACTORS

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. These banks are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside the Applicable Jurisdictions that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions from conversion services for corporations in relation to cross-border trade settlements. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from foreign exchange transactions or conversion services. Where onshore liquidity support from the PBoC is not available, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of investments in the Renminbi Notes. To the extent that the relevant Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the relevant Issuer will be able to source Renminbi on satisfactory terms, if at all.

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where a Renminbi Currency Event is specified in the applicable Final Terms, in the event access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 5(h)), the Bank is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Bank to make payment in U.S. dollars converted at the Spot Rate, all as provided in Condition 5(h). The value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place.

An investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms, and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, then value of any investment in Renminbi Notes in terms of the U.S. dollar or other applicable foreign currency will decline.

An investment in fixed rate Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. If a Renminbi Note carries a fixed interest rate, then the trading price of such Renminbi Notes will vary with the fluctuations in Renminbi interest rates. If an investor in Renminbi Notes tries to sell such Renminbi Notes then it may receive an offer that is less than the amount invested.

Payments in respect of Renminbi Notes will be made to investors in the manner specified in the Conditions

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB

RISK FACTORS

Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in Condition 5(h), the Bank cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

RISKS RELATED TO NOTES GENERALLY

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

Spanish tax rules

Article 44 of RD 1065/2007, as amended by the RD 1145/2011, sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from preference shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

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

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

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

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the relevant Paying Agent should provide the relevant Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the relevant Issuer or the Paying Agent on its behalf will make a withholding at the general rate (currently 20 per cent. and 19 per cent from 1st January, 2016) on the total amount of the return on the relevant Notes otherwise payable to such entity.

Notwithstanding the foregoing, the Issuers have agreed that in the event withholding tax should be required by law, the relevant Issuer shall pay such additional amounts as would have been received had no such withholding or deduction been required, except as provided in Condition 7 and as otherwise described in this Offering Circular.

As at the date of this Offering Circular, the Guarantor has entered into an agreement with a Tax Certification Agent in order to establish a procedure for the disclosure of information regarding Noteholders who are resident in Spain for tax purposes. Such information will be provided to the Spanish Tax Authorities by the Guarantor.

General

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

RISK FACTORS

authorities, the relevant Issuer will notify the holders of such information procedures and their implications, as the relevant Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

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

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

U.S. Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, the **ICSDs**), in all but the most remote circumstances it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see “*Taxation - U.S. Foreign Account Tax Compliance Act Withholding*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. Each Issuers’ obligations under the Notes are discharged once it has made payment to, or to the order of, the Common Depositary or Common Safekeeper for the ICSDs (as bearer or registered holder of the Notes, as the case may be) and none of the Issuers has therefore any responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an IGA) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Withholding under the EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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).

RISK FACTORS

On 24th March, 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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

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

The Conditions (except for Condition 3 and Condition 14) of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

The Regulation S Notes will be represented on issue by a Regulation S Global Note that will be deposited with a common 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.

RISK FACTORS

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

RISKS RELATED TO THE MARKET GENERALLY

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

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

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

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer or Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

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

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

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

RISK FACTORS

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited annual financial statements for the financial years ended 31st December, 2013 and 31st December, 2014 (including the audit reports issued in respect thereof) of each of BSF, BUS and BSC (prepared in accordance with Spanish generally accepted accounting principles);
- (b) the Form 20-F of the Guarantor, for the financial year ended 31st December, 2014 as filed with the SEC on 15th April, 2015, (which includes on pages F-1 to F-200 and pages A-1 to A-49 thereof, the Consolidated Financial Statements);
- (c) the published condensed interim consolidated financial statements of the Guarantor for the three month period ending 31st March, 2015 (including the auditors' limited review report thereon); and
- (d) the terms and conditions of the Notes contained in the previous Offering Circular dated 18th January, 2005, pages 27 to 61 (inclusive); 18th July, 2005, pages 43 to 75 (inclusive); 13th June, 2006, pages 43 to 75 (inclusive); 11th June, 2007, pages 45 to 78 (inclusive), 9th June, 2008, pages 61 to 95 (inclusive), 9th June, 2009, pages 64 to 93 (inclusive), 7th June, 2010, pages 66 to 100 (inclusive); 6th June, 2011, pages 73 to 107 (inclusive); 15th June, 2012, pages 73 to 109 (inclusive), 1st July, 2013, pages 56 to 94 (inclusive) and 23 June 2014, pages 58 to 97 (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 Calle de la Saucedá, 28, 28050, Madrid and at the principal office in England of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB for Notes admitted to the Official List and are available for viewing at <https://www.bbva.com>.

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

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

OVERVIEW OF THE PROGRAMME

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

| | |
|------------------------------|---|
| Description: | Global Medium Term Note Programme |
| Issuers: | 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. |
| Guarantor: | Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) |
| 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 plc Merrill Lynch International Morgan Stanley & Co. International plc Nomura International plc Société Générale UBS Limited Wells Fargo Securities International Limited Wells Fargo Securities, LLC and any other Dealers appointed in accordance with the Programme Agreement. |
| Certain Restrictions: | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”) including the following restriction 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

OVERVIEW OF THE PROGRAMME

section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

| | |
|--|--|
| Issuing and Principal Paying Agent: | Deutsche Bank AG, London Branch |
| Euro Registrar and Paying Agent: | Deutsche Bank Luxembourg S.A. |
| U.S. Registrar and Paying Agent: | Deutsche Bank Trust Company Americas |
| Programme Size: | Up to €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Distribution: | Notes may be distributed by way of private or public placement, subject to the restrictions set out under “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” below, and in each case on a syndicated or non-syndicated basis. |
| Currencies: | Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer. |
| Maturities: | Any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. |
| Issue Price: | Notes may be issued at an issue price which is at par or at a discount to, or premium over, par. |
| Form of Notes: | The Notes will be issued in bearer or registered form and each of BSF and BSC may issue Notes in NGN form as described in “ <i>Form of the Notes</i> ”. BSF and BSC may issue Notes in bearer or registered form. BUS will issue Notes only in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa. |
| Fixed Rate Notes: | Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer. |
| Floating Rate Notes: | Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or |

- (b) on the basis of the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

Zero Coupon Notes:

Zero Coupon Notes (with a maturity of less than 12 months) will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity other than in compliance with applicable Spanish capital adequacy regulations then in force and with the consent of the Regulator, if required. See Conditions 6(b), (c) and (d).

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

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency see "*Certain Restrictions: - Notes with a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

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

- Taxation:** Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain as provided in Condition 7. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
- According to RD 1145/2011, the Issuers and the Guarantor are not obliged to withhold any tax amount provided that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent, as described in “*Taxation - Tax Reporting Obligations of the Issuers and the Guarantor*”.
- For further information regarding the interpretation of RD 1145/2011 please refer to “*Risk Factors - Spanish tax rules*”.
- For further details, see “*Taxation*” below.
- Cross Default:** The terms of the Notes will not contain any cross default provision.
- Negative Pledge:** The terms of the Notes will not contain a Negative Pledge provision.
- Status of the Notes:** Notes may be either Senior Notes or Subordinated Notes as more fully described in “*Terms and Conditions of the Notes - Status of the Notes and the Guarantees*”. BSF and BUS will issue only Senior Notes. BSC will issue only Subordinated Notes.
- Status of the Guarantees:** The Senior Notes will be guaranteed by the Guarantor pursuant to the Senior Guarantees and the Subordinated Notes will be guaranteed by the Guarantor pursuant to the Subordinated Guarantee, all as more fully described in “*Terms and Conditions of the Notes - Status of the Notes and the Guarantees*”.
- Substitution:** The terms and conditions of the Notes will contain provisions allowing for the substitution of the relevant Issuer as principal debtor and/or the Guarantor as Guarantor of the obligations of the relevant Issuer under the Notes, as more fully described in “*Terms and Conditions of the Notes - Substitution*”.
- Rating:** The Programme has been rated BBB by S&P, Baa1 by Moody’s and A- by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- Listing:** Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
- Governing Law:** The terms and conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law,

except that the provisions of Condition 3 (and any non-contractual obligations arising out of or in connection with it) will be, and each Guarantee is, governed by, and will be construed in accordance with, Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.

Selling Restrictions:

There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the European Economic Area (including Spain, the United Kingdom, Italy and France), Hong Kong, the PRC, Singapore, the United States and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

FORM OF THE NOTES

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

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or a permanent global note (a **Permanent Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg.

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

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

FORM OF THE NOTES

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, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, (iii) if so specified in the applicable Final Terms, the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form or (iv) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the relevant Issuer, as the case may be, may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Global Notes), interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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 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 or interest coupons.

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

Registered Notes

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

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

FORM OF THE NOTES

to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**).

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

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

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

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5(d)) as the registered holder of the Registered Global Notes. None of the relevant Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without 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

FORM OF THE NOTES

alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act or (e) the Notes are required to be removed from (in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg) both Euroclear and Clearstream, Luxembourg or (in the case of Notes registered in the name of a nominee for DTC) DTC and, in either case, no alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the relevant Issuer, as the case may be, may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

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

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code, and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code and ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

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

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the

FORM OF THE NOTES

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 1st July, 2013 and executed by BSF, (in the case of BSC) a deed of covenant dated 1st July, 2013 and executed by BSC and (in the case of BUS) a deed of covenant dated 1st July, 2013 and executed by BUS (each a **Deed of Covenant**). In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE FINAL TERMS

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

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

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 30th June, 2015 [and the supplement[s] to it dated [] and []] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange.

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 [] [and the supplement[s] to it dated []] which are incorporated by reference in the Offering Circular dated 30th June, 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 30th June, 2015 [and the supplement[s] to it dated [] and []] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange.]

- | | | | |
|----|-----|--|--|
| 1. | (a) | Issuer: | [BBVA Senior Finance, S.A. Unipersonal/BBVA Subordinated Capital, S.A. Unipersonal/BBVA U.S. Senior, S.A. Unipersonal] |
| | (b) | Guarantor: | Banco Bilbao Vizcaya Argentaria, S.A. [] |
| 2. | (a) | Series Number: | [] |
| | (b) | Tranche Number: | [] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [] on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 22 below, which is expected to occur on or about []][Not Applicable] |
| 3. | | Specified Currency or Currencies: | [] |
| 4. | | Aggregate Nominal Amount: | |
| | (a) | Series: | [] |

FORM OF FINAL TERMS

- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]
6. (a) Specified Denomination[s]: []
- (b) Calculation Amount: []
7. (a) Issue Date: []
- (b) Interest Commencement Date: [[]/Issue Date/Not Applicable]
8. Maturity Date: [[]/ Interest Payment Date falling in or nearest to []]¹
9. Interest Basis: [[] per cent. Fixed Rate]
[Fixed Reset Notes]
[] month [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate] [Zero Coupon] [Not Applicable]
(see paragraphs [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs [14], [15],[16] and [17] below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(see paragraph [18]/[19]/[20] below)]
13. (a) Status of the Notes: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (b) Status of the Guarantee: [Senior (if the Issuer is BBVA Senior Finance, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal)/Subordinated (if the Issuer is BBVA Subordinated Capital, S.A. Unipersonal)]
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]

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

- (a) Rate(s) of Interest: [[] per cent. per annum payable in arrear on each Interest Payment Date] / [Not Applicable]
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[Not Applicable]²
- (c) Fixed Coupon Amount(s): [[] per Calculation Amount] / [Not Applicable]³
- (d) Broken Amount(s): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (e) Day Count Fraction: [30/360 or 30/360 (ISDA)] [Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Not Applicable]
- (f) Determination Date(s): [[] in each year] [Not Applicable]

15. Fixed Reset Provisions: [Applicable/Not Applicable]

- (a) Initial Interest Rate: [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]
- (c) Fixed Coupon Amount to (but excluding) the First Reset Date: [[] per Calculation Amount/Not Applicable]
- (d) Broken Amount(s): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
[Actual/365 (Fixed)⁴]
- (f) Determination Date(s): [[] in each year][Not Applicable]
- (g) First Reset Date: []

² For certain Renminbi-denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day".

³ For Renminbi denominated Fixed Rate Notes where the Interests Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY 0.005, being rounded upwards."

⁴ Applicable to Renminbi-denominated Fixed Rate Notes.

- (h) Second Reset Date: []/[Not Applicable]
- (i) Subsequent Reset Date(s): [] [and []]
- (j) Reset Margin: [+/-][] per cent. per annum
- (k) Relevant Screen Page: []
- (l) Floating Leg Reference Rate: []
- (m) Floating Leg Screen Page: []
- (n) Initial Mid-Swap Rate: [] per cent. per annum (quoted on a[n annual/semi-annual basis])

16. Floating Rate Note Provisions [Applicable/Not Applicable]

- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): [] / [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] [] month [LIBOR/EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []

- Reset Date: []
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-][] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360 *or* Eurobond Basis] [30E/360 (ISDA)]

17. Zero Coupon Note Provisions [Applicable/Not Applicable]

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

PROVISIONS RELATING TO REDEMPTION

18. Issuer Call [Applicable/Not Applicable]

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [[] per Calculation Amount]
- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
- (d) Notice periods: Minimum period: [] days
Maximum period: [] days

19. Investor Put [Applicable/Not Applicable]

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount

FORM OF FINAL TERMS

(c) Notice period (if other than as set out in the Conditions): Minimum period: [] days

Maximum period: [] days

20. Final Redemption Amount: [] per Calculation Amount

21. Early Redemption Amount payable on redemption for taxation reasons, on an event of default or upon the occurrence of a Capital Event: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

[Bearer Notes:

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

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

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

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

[Registered Notes:

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

23. New Global Note (NGN):

[Applicable][Not Applicable]

FORM OF FINAL TERMS

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:
Duly authorised

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market and to the Official List of the UK Listing Authority] with effect from []]
- (b) Estimate of total expenses related to admission to trading: []

2. RATINGS

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

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business]

4. YIELD (Fixed Rate Notes only)

Indication of yield: []

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

5. OPERATIONAL INFORMATION

- (a) ISIN: []
- (b) Common Code: []
- (c) CUSIP: []
- (d) 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/[]]
- (e) Delivery: Delivery [against/free of] payment
- (f) Names and addresses of additional Paying Agent(s) (if any): []

6. THIRD PARTY INFORMATION

FORM OF FINAL TERMS

[[] has been extracted from []. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal or BBVA U.S. Senior, S.A. Unipersonal, (each an **Issuer** and, together the **Issuers**) as specified in the applicable Final Terms (as defined below) pursuant to the Agency Agreement (as defined below).

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

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

The Notes and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 30th June, 2015 as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) each made between the Issuers, Banco Bilbao Vizcaya Argentaria, S.A. as guarantor (the **Guarantor**), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Luxembourg S.A. as euro registrar (the **Euro Registrar**, which expression shall include any successor euro registrar) and as a transfer agent, Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and as U.S. registrar (the **U.S. Registrar**, which expression shall include any successor U.S. registrar and, together with the Euro Registrar, the **Registrars**) and a transfer agent and the other transfer agents named therein (together with Deutsche Bank Luxembourg S.A., the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions (the **Conditions**). References to the applicable Final Terms are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

TERMS AND CONDITIONS OF THE NOTES

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to, if this is a Senior Note, a senior guarantee dated 30th June, 2015 and executed by the Guarantor (the **Senior Guarantee**) or, if this is a Subordinated Note, a subordinated guarantee dated 30th June, 2015 and executed by the Guarantor (the **Subordinated Guarantee** and, together with the Senior Guarantee, the **Guarantees**). The original of the Guarantees are held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

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

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 30th June, 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Guarantees, a deed poll dated 30th June, 2015 and made by, BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal, BBVA U.S. Senior, S.A. Unipersonal and the Guarantor (the **Deed Poll**), the Deed of Covenant and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, each Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrars being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantees, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of DTC or a nominee for DTC shall be limited to transfers of such

TERMS AND CONDITIONS OF THE NOTES

Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

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

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

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

(e) Transfers of interests in Regulation S Global Notes

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

- (i) upon receipt by the relevant Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

TERMS AND CONDITIONS OF THE NOTES

- (B) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAIN Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

(f) Transfers of interests in Legended Notes

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

(g) Exchanges and transfers of Registered Notes generally

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

(h) Definitions

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

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

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

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

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

Regulation S means Regulation S under the Securities Act;

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

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

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

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

3. STATUS OF THE NOTES AND THE GUARANTEES

(a) Status of the Senior Notes

The Senior Notes and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and 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 Law 22/2003 of 9th July, 2003 (the Insolvency Law), claims relating to Senior Notes (which are not subordinated pursuant to article 92 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 privileged credits (créditos privilegiados) which shall be paid in full before ordinary credits. The

claims of all creditors against the Issuer considered as “ordinary credits”: will be satisfied pro rata in insolvency. Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, the further accrual of interest shall be suspended from the date of declaration of the insolvency of any Issuer. Claims in respect of interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure in respect of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law (including, without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Issuer).

(b) Status of the Subordinated Notes

The payment obligations of the Issuer under the Subordinated Notes and any relative Coupons whether on account of principal, interest or otherwise, constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and with all other outstanding contractually subordinated obligations of the Issuer, present and future, and junior to any unsubordinated obligations of the Issuer.

In the event of insolvency (concurso) of the Issuer under the Insolvency Law, or in the case of any voluntary or mandatory Issuer liquidation procedure, claims relating to Subordinated Notes will fall within the respective category of subordinated credits (as defined in the Insolvency Law) and will rank junior to any unsubordinated obligations of the Issuer (including where those obligations subsequently become subordinated pursuant to article 92.1° of the Insolvency Law).

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

(c) Status of the Senior Guarantee

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

The obligations of the Guarantor under the Senior Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, 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 Guarantor, under the Insolvency Law, claims of Senior Noteholders (which are not subordinated pursuant to article 92 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 privileged credits (créditos privilegiados) (including, without limitation, any deposits for the purposes of Additional Provision 14.1° of Law 11/2015 (as defined below)) which shall be paid in full before ordinary credits. The claims of all creditors against the Guarantor considered as “ordinary credits” will be satisfied pro rata in insolvency. Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, the further accrual of interest shall be suspended from the date of declaration of the insolvency of the Guarantor. Claims of Senior Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Guarantor shall constitute subordinated claims against the Guarantor ranking in accordance with the

TERMS AND CONDITIONS OF THE NOTES

provisions of article 92 of the Insolvency Law (including, without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Guarantor).

The obligations of the Guarantor under the Senior Guarantee are also subject to any application of the general bail-in tool by the Fondo de Reestructuración Ordenada Bancaria or any successor resolution authority (the FROB) pursuant to Law 11/2015 (as defined below). See “Risk Factors – Risks related to Early Intervention and Resolution - The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity”.

(d) Status of the Subordinated Guarantee

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

The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and, for so long as the obligations of the Guarantor in respect of the Subordinated Notes constitute a Tier 2 Instrument of the Guarantor, rank:

- (i) with respect to claims for principal, *pari passu* with all other claims for principal in respect of contractually subordinated obligations of the Guarantor under any outstanding Tier 2 Instruments, present and future;
- (ii) junior to (A) any unsubordinated obligations of the Guarantor (including where those obligations subsequently become subordinated pursuant to article 92.1° of the Insolvency Law) and (B) any claim for principal in respect of contractually subordinated obligations of the Guarantor, present and future, not constituting Additional Tier 1 capital (*capital de nivel 1 adicional*) or Tier 2 capital (*capital de nivel 2*) of the Guarantor for the purposes of Additional Provision 14.2° of Law 11/2015; and
- (iii) senior to any other subordinated obligations of the Guarantor which by law rank junior to the Subordinated Notes, including, without limitation, any claim for principal in respect of contractually subordinated obligations of the Guarantor under any outstanding Additional Tier 1 Instruments, present and future.

To the extent the obligations of the Guarantor in respect of the Subordinated Notes cease to constitute Tier 2 capital (*instrumentos de capital de nivel 2*) of the Guarantor, the payment obligations of the Guarantor under the Subordinated Guarantee will rank:

- (A) with respect to claims for principal, *pari passu* with all other claims for principal in respect of contractually subordinated obligations of the Guarantor, present and future, not constituting Additional Tier 1 capital (*capital de nivel 1 adicional*) or Tier 2 capital (*capital de nivel 2*) of the Guarantor for the purposes of Additional Provision 14.2° of Law 11/2015;
- (B) junior to any unsubordinated obligations of the Guarantor (including where those obligations subsequently become subordinated pursuant to article 92.1° of the Insolvency Law); and
- (C) senior to any other subordinated obligations of the Guarantor which by law rank junior to the Subordinated Notes, including, without limitation, any claim for principal in respect of contractually subordinated obligations of the Guarantor under any outstanding Additional Tier 1 Instruments or Tier 2 Instruments, present and future.

In the Conditions:

Additional Tier 1 Instrument means any contractually subordinated obligation of the Guarantor constituting an Additional Tier 1 instrument (*instrumentos de capital de nivel 1 adicional*) for the purposes of Additional Provision 14.2° of Law 11/2015;

Insolvency Law means Law 22/2003 of 9th July;

Law 11/2015 means Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*); and

Tier 2 Instrument means any contractually subordinated obligation of the Guarantor constituting a Tier 2 instrument (*instrumentos de capital de nivel 2*) for the purposes of Additional Provision 14.2° of Law 11/2015.

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) and will rank as indicated above.

As indicated above, claims of Subordinated Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Guarantor shall constitute subordinated claims against the Guarantor ranking in accordance with the provisions of article 92 of the Insolvency Law and no further interest shall accrue from the date of the declaration of insolvency of the Guarantor.

The obligations of the Guarantor under the Subordinated Guarantee are also subject to any application of the general bail-in tool, any non-viability loss absorption or certain specific loss absorption measures in Spain by the FROB pursuant to Law 11/2015. See “Risk Factors - Risks related to Early Intervention and Resolution - The taking of any action under Law 11/2015, which partially implements the BRRD, could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity”.

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

In the Conditions:

Group means the Guarantor and its consolidated subsidiaries; and

Regulator means the European Central Bank or *Banco de España*, as applicable, or such other or successor authority having primary bank supervisory authority with respect to prudential matters in relation to the Guarantor and/or the Group.

4. INTEREST

(a) Interest on Fixed Rate Notes

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

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

TERMS AND CONDITIONS OF THE NOTES

Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

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

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

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

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 4(a):

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

TERMS AND CONDITIONS OF THE NOTES

of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);

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

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

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

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

(b) Interest on Fixed Reset Notes

Each Fixed Reset Note bears interest:

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

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

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

TERMS AND CONDITIONS OF THE NOTES

Date in accordance with the provisions of this Condition 4(b). Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 4(a) shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

In these Conditions:

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

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

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

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Mid-Swap Rate will be the Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate.

(c) Interest on Floating Rate Notes

(i) *Interest Payment Dates*

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

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

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

- I. in any case where Specified Periods are specified in accordance with Condition 4(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- II. the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- III. the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- IV. the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

TERMS AND CONDITIONS OF THE NOTES

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

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

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

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

- I. the Floating Rate Option is specified in the applicable Final Terms;
- II. the Designated Maturity is a period specified in the applicable Final Terms; and
- III. the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

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

- I. the offered quotation; or

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

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

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

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

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

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

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

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner

TERMS AND CONDITIONS OF THE NOTES

provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4:

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

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

where:

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

- (v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the

TERMS AND CONDITIONS OF THE NOTES

Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) **Accrual of interest**

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

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the relevant Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13

5. PAYMENTS

(a) Method of payment

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Bearer Notes and Coupons

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

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or to such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note, Fixed Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is

TERMS AND CONDITIONS OF THE NOTES

less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) Payments in respect of Bearer Global Notes

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

(d) Payments in respect of Registered Notes

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

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the relevant Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the relevant Registrar not less than three business days in the city where the specified office of the relevant Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes

TERMS AND CONDITIONS OF THE NOTES

which become payable to the holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

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

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

(e) General provisions applicable to payments

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

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

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) Payment Day

If the date for payment of any amount in respect of any Note 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

TERMS AND CONDITIONS OF THE NOTES

place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

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

(g) Interpretation of principal and interest

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(f)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

(h) RMB Currency Event

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

Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 13 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

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

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

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

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

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

Spot Rate means, unless specified otherwise in the applicable Final Terms, the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market.

(i) RMB account

TERMS AND CONDITIONS OF THE NOTES

All payments in respect of any Note or Coupon in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong or any relevant RMB Settlement Centre(s)).

6. REDEMPTION AND PURCHASE

(a) Redemption at maturity

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

Zero Coupon Notes will not have a maturity of more than 12 months.

Subordinated Notes will have an original maturity of at least five years from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by applicable Spanish capital adequacy regulations.

(b) Redemption for tax reasons

Subject to Condition 6(f), the Notes may be redeemed at the option of the Issuer in whole, but not in part, subject in the case of Subordinated Notes which shall only be redeemed at any time if so permitted by the applicable Spanish capital adequacy regulations then in force, and subject to the prior consent of the Regulator, if required, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (i) (A) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts or (B) in the case of Subordinated Notes only, the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the Notes on the occasion of the next payment due under the Notes or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain (as defined in Condition 7) or any change in the application or binding 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) in the case of (i)(A) above, such obligation to pay additional amounts cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or, as the case may be, the Guarantor shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer (or if at the time that such certification is to be given the Issuer has only one Director, such certificate may be signed by such Director) or, as the case may be, by a duly authorised signatory of the Guarantor

stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, a copy of the Regulator's consent to redemption.

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

Article 78(4) of the CRR provides that the Regulator (as defined below) may only permit the redemption of Subordinated Notes before the fifth anniversary of their issue date for tax reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described below), there is a change in the applicable tax treatment of the Subordinated Notes and the Guarantor demonstrates to the satisfaction of the Regulator that such tax consequences are material and were not reasonably foreseeable at the issue date of the Subordinated Notes.

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes which shall not be redeemed unless in compliance with the applicable Spanish capital adequacy regulations then in force and subject to the prior consent of the Regulator, if required, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. In the event of a redemption of some only of the Notes such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot in accordance with applicable Spanish law requirements, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms) (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms). No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

Article 63(j) of the CRR provides that Subordinated Notes may not be redeemed pursuant to an Issuer Call before five years after their Issue Date.

Article 78(1) of the CRR further provides that the Regulator will grant its consent to a redemption of Subordinated Notes pursuant to an Issuer Call provided that either of the following conditions is met:

- (a) on or before such redemption of the Subordinated Notes, the Guarantor replaces the Subordinated Notes with instruments qualifying as Tier 2 capital of an equal or higher quality on terms that are sustainable for the income capacity of the Guarantor; or*

(b) *the Guarantor has demonstrated to the satisfaction of the Regulator that its Tier 1 capital and Tier 2 capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.*

(d) Redemption at the option of the Issuer (Capital Event): Subordinated Notes

If, in the case of Subordinated Notes only, a Capital Event occurs as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law, applicable Spanish banking or capital adequacy regulations (including, without limitation, the CRD IV Implementing Measures) or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, the Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the applicable Spanish capital adequacy regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

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

Article 78(4) of the CRR provides that the Regulator may only permit the redemption of Subordinated Notes before the fifth anniversary of their issue date following the occurrence of a Capital Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described above), there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, the Regulator considers such change to be sufficiently certain and the Guarantor demonstrates to the satisfaction of the Regulator that the regulatory reclassification was not reasonably foreseeable at the issue date of the Subordinated Notes.

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

Capital Event means the determination by the Guarantor after consultation with the Regulator that the Subordinated Notes are not eligible for inclusion in the Tier 2 capital (*capital de nivel 2*) of the Guarantor or the Group pursuant to applicable Spanish capital adequacy regulations or any other regulations applicable in Spain from time to time;

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

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC or such other directive as may come into effect in place thereof;

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

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26th June, 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 or such other regulation as may come into effect in place thereof.

References in the Conditions to **applicable Spanish capital adequacy regulations** and any related or similar such references shall be construed as including any laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Spain including, without limitation to the generality of the foregoing, CRD IV and those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Guarantor or the Group).

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, in whole or in part, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. No such redemption option will be applicable to any Subordinated Notes, unless as permitted under the Regulator's requirements.

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

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream Luxembourg and/or DTC given by a holder of any Note pursuant to this Condition 6(d) shall be irrevocable except where prior to the due date of redemption an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(d) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(f) Early Redemption Amounts

For the purpose of paragraphs (b) and (d) above and Condition 9:

TERMS AND CONDITIONS OF THE NOTES

- (i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (ii) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal;

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(g) Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Senior Notes or Subordinated Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise (subject, in the case of Subordinated Notes, to the prior consent of the Regulator, if required, and to compliance with the provisions of any applicable Spanish capital adequacy regulations then in force).

Articles 63(j) and 77(b) of the CRR provide that the prior consent of the Regulator is required for any purchase of Subordinated Notes and such purchase must not be before five years after the Issue Date of such Subordinated Notes, except where the conditions laid down in Article 78(4) are met.

(h) Cancellation

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

(i) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(ii) above as

TERMS AND CONDITIONS OF THE NOTES

though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the relevant Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

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

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5(f)); or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is required or imposed by the Spanish Tax Authorities; or
- (d) in case of Notes where such withholding tax is imposed on payments made to individuals with tax residence in Spain following the criteria held by the Spanish Tax Authorities in relation to Article 44.5, Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

In these Conditions, the **Relevant Date**, in respect of any payment, means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the relevant Registrar, as the case may be, on or prior to

TERMS AND CONDITIONS OF THE NOTES

such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

*See “Taxation - Disclosure of Noteholder Information in connection with Interest Payments” for a fuller description of certain tax considerations relating to the Notes, the formalities which must be followed in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Guarantor. **Holders should note that if certain required information is not supplied in a timely fashion, they will not receive the full amount of interest due but may be entitled to obtain a refund of amounts withheld. See “Taxation”.***

8. PRESCRIPTION

Claims for payment in respect of Notes (whether in bearer or registered form) and Coupons will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. EVENTS OF DEFAULT

(a) Events of Default relating to Senior Notes

This Condition 9(a) applies only to Senior Notes and references to “Notes” shall be construed accordingly.

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

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 30 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 60 days following service by a Noteholder on the Issuer and the Guarantor of a notice requiring the same to be remedied; or
- (iii) 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 (i) approved by an Extraordinary Resolution or (ii) where all of the assets of the Issuer are transferred to, and all of its debts and liabilities are assumed by, a continuing entity); or
- (iv) 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 in any such case for the purpose of a reconstruction or a merger or amalgamation (i) which has been approved by an Extraordinary Resolution or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (*Entidad de Crédito* according to article 1 of Law 10/2014 of 26th June, on Organisation, Supervision and Solvency of Credit Entities) 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

TERMS AND CONDITIONS OF THE NOTES

- (v) the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent by any competent court, or any order of any competent court or administrative agency is made for, or any resolution is passed by the Issuer or the Guarantor to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or substantially all of the assets of either of them (unless in the case of an order for a temporary appointment, such appointment is discharged within 60 days); or
- (vi) the Issuer (except for the purpose of an amalgamation, merger or reconstruction approved by an Extraordinary Resolution) or the Guarantor (except for the purpose of an amalgamation, merger or reconstruction (i) approved by an Extraordinary Resolution 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
- (vii) 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 substantially the whole of the undertaking or assets of the Issuer or the Guarantor and is not discharged within 60 days; or
- (viii) the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then the holder of any Note may declare such Note by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon the date of receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, (in the case of paragraph (iii) and, in relation to the Issuer only, (iv), (v), (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 6(f)), together with accrued interest (if any) to the date of repayment.

For the purpose of Condition 9(a)(v), (vi) and (vii) 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.

Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any resolution measure under Law 11/2015. See "Risk Factors – Risks Related to Notes Generally - Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any resolution measure under Law 11/2015".

(b) Events of Default relating to Subordinated Notes

This Condition 9(b) shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

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

- (i) an order is made by any competent court declaring the Issuer insolvent or an order is made or an effective resolution is passed for the dissolution or winding up of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by an Extraordinary Resolution); or

TERMS AND CONDITIONS OF THE NOTES

- (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 an Extraordinary Resolution or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (as defined in Condition 9(a)) and will have a rating for long-term subordinated debt assigned by Standard & Poor's Rating Services or 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 the holder of any Note may declare such Note by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, (in the case of paragraph (ii) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment.

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 certain contracts granting one party the right to terminate on the other's insolvency are void and (iii) for the further accrual of interest to be suspended from the date of declaration of the insolvency.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

11. AGENTS

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may 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 Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

TERMS AND CONDITIONS OF THE NOTES

- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e). Notice of any variation, termination, appointment or change in Agents will be given promptly by the Issuer to the Noteholders in accordance with Condition 13.

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

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

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

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

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes except that for so long as any Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of 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.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note

TERMS AND CONDITIONS OF THE NOTES

to the Principal Paying Agent or the relevant Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the relevant Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement or the Guarantee. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

15. MODIFICATION AND WAIVER

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

- (a) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

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

16. FURTHER ISSUES

If specified in the applicable Final Terms, the Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and

conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. SUBSTITUTION

(a) Substitution of the Issuer

- (i) The Issuer may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of the Regulator, 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 Issuer and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the Subordinated Guarantee, as the case may be;
 - (B) without prejudice to the generality of Condition 17(a)(i)(A), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
 - (C) the Documents shall contain a warranty and representation by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Senior Guarantee and/or the

TERMS AND CONDITIONS OF THE NOTES

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 Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (F) the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of Spanish lawyers acting for the Guarantor to the effect that in the case where the Substituted Debtor is not the Guarantor, the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (G) the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (H) the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (I) there is no outstanding Event of Default in respect of the Notes;
 - (J) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
 - (K) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 17(a)(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall

TERMS AND CONDITIONS OF THE NOTES

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

- (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 13.

(b) Substitution of the Guarantor

- (i) The Guarantor may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it) but, in the case of Subordinated Notes, subject to the prior consent of the Regulator, 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

TERMS AND CONDITIONS OF THE NOTES

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 Principal Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of lawyers in the country of incorporation of the Substituted Guarantor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (F) the Substituted Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Substituted Guarantor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (G) the Substituted Guarantor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (H) there is no outstanding Event of Default in respect of the Notes;
 - (I) the Substituted Guarantor has ratings for long-term senior and subordinated debt assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or Moody's Investors Service, Inc. which are the same as or higher than the credit rating for long-term senior and subordinated debt of the Guarantor or any previous Substituted Guarantor immediately prior to such substitution; and
 - (J) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 17(b)(i) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor in place of the Guarantor (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes and the Guarantees.
 - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted 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.

TERMS AND CONDITIONS OF THE NOTES

- (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with Condition 13.

18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

19. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

(a) **Governing law**

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

(b) **Submission to jurisdiction**

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

(c) **Appointment of Process Agent**

The Issuer appoints the Guarantor at its registered office for the time being in England as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of the Guarantor being unable or unwilling for any reason so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will, in accordance with Law 10/2014, 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.

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 Calle de la Saucedá, 28, 28050, Madrid, Spain, telephone number +34 91 537 8195. BSF was registered at the Vizcaya Commercial Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book 0, Page 24, Sheet 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 up. BSF is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

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

Management

The Directors of BSF are as follows:

| Name | Position at BSF | Present Principal Occupation Outside BSF |
|-------------------------------|------------------------|---|
| Erik Schotkamp | Director/President | Capital & Funding Management Director of BBVA |
| Raúl Moreno Carnero | Director | Institutional Funding Manager of BBVA |
| Esteban Azaceta Álvarez | Director | Manager of BBVA |

The business address of the Directors of BSF is Calle de la Saucedá, 28, 28050 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSF.

Corporate Governance

BSF is in compliance with the Spanish corporate governance regime.

DESCRIPTION OF BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL

Incorporation

BBVA Subordinated Capital, S.A. Unipersonal (**BSC**) was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. BSC's registered office is at Gran Vía, 1, Bilbao, Spain operating out of Calle de la Saucedá, 28, 28050, Madrid, Spain telephone number +34 91 537 8195. BSC was registered at the Vizcaya Commercial Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book 0, Page 33, Sheet 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 up. BSC is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

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

Management

The Directors of BSC are as follows:

| Name | Position at BSC | Present Principal Occupation Outside BSC |
|------------------------------------|------------------------|---|
| Erik Schotkamp | Director/President | Capital & Funding Management Director of BBVA |
| Raúl Moreno Carnero | Director | Institutional Funding Manager of BBVA |
| Francisco Javier Colomer Betoret . | Director | Manager of Capital Management of BBVA |
| Esteban Azaceta Álvarez | Director | Manager of BBVA |

The business address of the Directors of BSC is Calle de la Saucedá, 28, 28050, Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSC.

Corporate Governance

BSC is in compliance with the Spanish corporate governance regime.

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

Incorporation

BBVA U.S. Senior, S.A. Unipersonal (**BUS**) was incorporated on 22nd February, 2006 for an unlimited duration with limited liability under Spanish law. BUS's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Calle de la Saucedá, 28, 28050, Madrid, Spain, telephone number +34 91 53 78195. BUS was registered at the Vizcaya Commercial Registry (*Registro Mercantil de Vizcaya*) on 28th February, 2006, Volume 4665, Book 0, Page 55, Sheet 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 up. BUS is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

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

Management

The Directors of BUS are as follows:

| Name | Position at BUS | Present Principal Occupation Outside BUS |
|-------------------------------|------------------------|---|
| Erik Schotkamp | Director/President | Capital & Funding Management Director of BBVA |
| Raúl Moreno Carnero | Director | Institutional Funding Manager of BBVA |
| Esteban Azaceta Álvarez | Director | Manager of BBVA |

The business address of the Directors of BUS is Calle de la Saucedá, 28, 28050 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BUS.

Corporate Governance

BUS is in compliance with the Spanish corporate governance regime.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

HISTORY AND DEVELOPMENT OF THE GUARANTOR

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or S.A.) under the Spanish Corporations Law on 1st October, 1988. BBVA was formed following the merger of Argentaria into BBV, which was approved by the shareholders of each entity on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Calle de la Saucedá, 28, 28050, Madrid, Spain telephone number +34-91-374-6201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Banco Bilbao Vizcaya Argentaria, S.A., New York Branch (1345 Avenue of the Americas, New York, New York 10105 (Telephone: +1-212-728-1660)). BBVA is incorporated for an unlimited term.

CAPITAL EXPENDITURES

BBVA's principal investments are financial investments in its subsidiaries and affiliates. The main capital expenditures in 2014, 2013 and 2012 were the following:

2014

New agreement for the acquisition of an additional 14.9 per cent. of Garanti

On 19th November, 2014 BBVA entered into agreements with Doğuş Holding A.Ş. and Ferit Faik Şahenk, Dianne Şahenk and Defne Şahenk, respectively, for the acquisition of 62,538,000,000 shares of Garanti in the aggregate for a maximum total consideration of 8.90 Turkish liras per batch of 100 shares (amounting to a total maximum amount of approximately 5,566 million Turkish liras). Said agreement stated that should Doğuş receive a dividend payment out of 2014 earnings before the closing of the transaction, such payment amount would be deducted from the total maximum amount. The dividend was paid in April 2015 and therefore the total maximum amount now equals 5,481 million Turkish liras.

Completion of the acquisition is subject to obtaining all necessary regulatory consents from the relevant Turkish, Spanish, European Union and, if applicable, other jurisdictions' regulatory authorities. After the acquisition of the new shares, BBVA's stake in Garanti will be 39.9 per cent.

In accordance with IFRS, upon the completion of the acquisition referred to above, BBVA will have to value its stake in Garanti (which is currently classified as a joint venture accounted for using the equity method) at fair value and fully consolidate Garanti in the Guarantor's consolidated financial statements as from the date of the actual acquisition of control, subject to obtaining the abovementioned regulatory consents.

On the date of the announcement of the agreement the estimated negative impact in the attributable profit of the consolidated financial statements of the BBVA Group was approximately €1,500 million. The majority of such amount corresponds to the exchange rate differences as a result of the depreciation of the Turkish lira against euro since the initial acquisition. These exchange rate differences are already recognised as Other Comprehensive Income deducting the stock shareholder's equity of the BBVA Group. Such accounting impact does not translate into any additional cash outflow from BBVA.

The estimated negative impact in the attributable profit of the consolidated financial statements of the BBVA Group could change.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Catalunya Banc competitive auction

On 21st July, 2014, the Management Commission of the FROB accepted BBVA's bid in the competitive auction for the acquisition of Catalunya Banc, S.A. (**Catalunya Banc**). BBVA entered into a sale and purchase agreement with the FROB, by virtue of which the FROB will sell up to 100 per cent. of the shares of Catalunya Banc to BBVA for a price of up to €1,187 million (depending on certain adjustments relating to minority shareholders in Catalunya Banc).

On 24th April, 2015, once the relevant administrative authorisations and approvals had been obtained, the acquisition of 98.4 per cent. of Catalunya Banc's share capital took effect for a price of approximately €1,165 million.

Purchase of Simple

On 17th March, 2014, the Group acquired 100 per cent. of Simple Finance Technology Corp. (**Simple**) for a price of \$117 million (approximately €84 million).

2013

Acquisition of Unnim Vida.

On 1st February, 2013, Unnim Banc, S.A. reached an agreement with Aegon Spain Holding B.V. to acquire its 50 per cent. stake in Unnim Vida, S.A. de Seguros y Reaseguros (**Unnim Vida**). As a result the Group's total holding in the share capital of Unnim Vida is 100 per cent.

2012

Acquisition of Unnim

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

In addition, BBVA, the FGD, the FROB and Unnim signed a Protocol of Financial Measures for the restructuring of Unnim, which regulates the Asset Protection Scheme through which the FGD will be responsible for 80 per cent. of the losses incurred by a predetermined asset portfolio of Unnim for a period of 10 years following the transaction.

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

CAPITAL DIVESTITURES

BBVA's principal divestitures are financial divestitures in its subsidiaries and affiliates. The main capital divestitures in 2014, 2013 and 2012 were the following:

2014

Agreement to sell CNCB

On 23rd January, 2015, BBVA signed an agreement to sell a 4.9 per cent. stake in China CITIC Bank Corporation Limited (CNCB) to UBS AG, London Branch (UBS), which in turn entered into transactions pursuant to which such stake was transferred to Xinhua Zhongbao Co., Ltd.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The closing took place on 12th March, 2015. The sale price to UBS was HK\$5.73 per share, amounting to a total of HK\$13,136 million (approximately €1,555 million) and the estimated impact on BBVA's consolidated financial statements was a net capital gain of approximately €520 million.

As of 31st December, 2014, BBVA's participation in CNCB was recognized under the heading "Non-Current assets available for sale." See Note 12 to the Consolidated Financial Statements.

Agreement to sell the participation in Citic International Financial Holding (CIFH)

On 23rd December, 2014, BBVA signed an agreement to sell its 29.68 per cent. stake in Citic International Financial Holdings Limited (**CIFH**) to CNCB. CIFH is a non-listed subsidiary of CNCB domiciled in Hong Kong. The sale price is HK\$8,162 million. The closing of the agreement is subject to obtaining the relevant regulatory approvals. The estimated negative impact on the attributable profit of the consolidated financial statements of the BBVA Group will be approximately €25 million.

As of 31st December, 2014, this participation was recognised under the heading "Non-Current assets held for sale" under the heading "*Investments in entities accounted for using the equity method –Associates*" (see Note 16 to the Consolidated Financial Statements).

2013

Sale of BBVA Panamá

On 20th July, 2013, BBVA announced that it had reached an agreement with Leasing Bogotá S.A., Panamá, a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale of BBVA's direct and indirect ownership interest (98.92 per cent.) in Banco Bilbao Vizcaya Argentaria (Panamá), S.A. (BBVA Panamá). On 19th December, 2013, after having obtained the necessary approvals, BBVA completed the sale.

The total consideration that BBVA received pursuant to this sale amounted to approximately U.S.\$645 million. BBVA received part of the consideration through the distribution of dividends from BBVA Panamá prior to the closing of the transaction amounting to U.S.\$140 million (such amount reduced the purchase price to be paid to BBVA on closing).

After deducting such distribution of dividends the capital gain for BBVA, gross of taxes, amounted to approximately €230 million which was recognised under the heading "Gains (losses) in non-current assets held for sale not classified as discontinued operations" in the consolidated income statement in 2013. For additional information, see Note 49.1 to the Consolidated Financial Statements.

Sale of pension businesses in Latin America

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

On 2nd October, 2013, with the sale of AFP Provida (as defined below), BBVA finalised this process. Below is a description of each of the transactions that have been carried out during this process:

Sale of AFP Provida (Chile)

On 1st February, 2013, BBVA reached an agreement with MetLife, Inc., for the sale of the 64.3 per cent. stake that BBVA held directly and indirectly in the Chilean pension fund manager Administradora de Fondos de Pensiones Provida S.A. (**AFP Provida**).

On 2nd October, 2013, BBVA completed the sale. The total amount in cash received by BBVA was approximately U.S.\$1,540 million, taking into account the purchase price amounting to roughly U.S.\$1,310

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

million as well as the dividends paid by AFP Provida since 1st February, 2013 amounting to roughly U.S.\$230 million. The gain on disposal, attributable to the parent company net of taxes, amounted to approximately €500 million which was recognised under the heading “Profit from discontinued operations (net)” in the consolidated income statement in 2013. For additional information, see Note 49.2 to the Consolidated Financial Statements.

Sale of BBVA AFP Horizonte, S.A. (Peru)

On 23rd April, 2013, BBVA sold its wholly-owned Peruvian subsidiary AFP Horizonte, S.A. to AFP Integra S.A. and Profuturo AFP, S.A. who have each acquired 50 per cent. of AFP Horizonte, S.A. The total consideration paid for such shares was approximately U.S.\$544 million. This consideration consisted in a cash payment of approximately U.S.\$516 million and the distribution of a dividend prior to the closing of approximately U.S.\$28 million.

The gain on disposal, attributable to parent company net of taxes, amounted to approximately €206 million at the moment of the sale and such gain was recognized under the heading “Profit from discontinued operations (net)” in the consolidated income statement in 2013. For additional information, see Note 49.2 to the Consolidated Financial Statements.

Sale of BBVA AFP Horizonte S.A. (Colombia)

On 24th December, 2012, BBVA reached an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to the former of the total stake that BBVA held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A.

On 18th April, 2013, after having obtained the necessary approvals, BBVA completed the sale. The adjusted total price was U.S.\$541.4 million. The gain on disposal, attributable to BBVA net of taxes, amounted to approximately €255 million at the time of the sale, and was recognised under the heading "Profit from discontinued operations (net)" in the consolidated income statement in 2013. For additional information, see Note 49.2 to the Consolidated Financial Statements.

Sale of Afore Bancomer (Mexico)

On 27th November, 2012, BBVA reached an agreement to sell to Afore XXI Banorte, S.A. de C.V. its entire stake directly or indirectly held in the Mexican subsidiary Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. Once the corresponding authorisation was obtained from the competent authorities, the sale was closed on 9th January, 2013.

The total sale price was U.S.\$1,735 million (approximately €1,327 million). The gain on disposal, attributable to BBVA net of taxes, was approximately €771 million. For additional information, see Note 49.2 to the Consolidated Financial Statements.

New agreement with CITIC Group

As of 17th October, 2013, BBVA reached a new agreement with the CITIC Group which contemplated the sale of BBVA's 5.1 per cent. stake in CNCB to CITIC Limited for an amount of approximately €944 million. After this sale, the stake of BBVA in CNCB was reduced to 9.9 per cent.

BBVA and the CITIC Group also agreed to adapt their strategic cooperation agreement to the new circumstances by removing the exclusivity obligations that affected the activities of BBVA in China and agreeing to negotiate new areas of cooperation among both banks.

As a result of the changes referred to above, BBVA began accounting for its investment in CNCB as an “Available-for-sale financial asset” as of 1st October, 2013. For additional information, see Note 12 to the Consolidated Financial Statements.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The change in the accounting criteria and the sale referred to above resulted in a loss attributable to the Group at the time of the sale of approximately €2,600 million which was recognised under the heading "Gains (losses) on derecognised assets not classified as non-current assets held for sale" in the consolidated income statement in 2013. For additional information, see Note 48 to the Consolidated Financial Statements.

2012

In June 2012, BBVA reached an agreement to sell its business in Puerto Rico to Oriental Financial Group Inc. The sale price was U.S.\$500 million (approximately €385 million at the exchange rate on the date of the transaction). Gross capital losses from this sale amounted to approximately €15 million (taking into account the exchange rate at the time of the transaction and the earnings of the sold companies up to the closing of the transaction, on 18th December, 2012). For additional information, see Note 48 to the Consolidated Financial Statements.

BUSINESS OVERVIEW

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

Operating Segments

Set forth below are the Group's current six operating segments:

- Banking Activity in Spain
- Real Estate Activity in Spain
- Eurasia
- Mexico
- South America
- United States

In addition to the operating segments referred to above, the Group has a Corporate Center which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including: costs from central units that have a strictly corporate function; management of structural exchange rate positions carried out by the Financial Planning unit; specific issues of capital instruments to ensure adequate management of the Group's overall capital position; proprietary portfolios such as industrial holdings and their corresponding results; certain tax assets and liabilities; provisions related to commitments with pensioners; and goodwill and other intangibles. It also comprises the following items (i) with respect to 2013, the earnings from the sale of the pension businesses in Mexico, Colombia, Peru and Chile and also the earnings of these businesses until their sale; the capital gain from the sale of BBVA Panama; and the impact of the reduction of the stake in CNCB (which led to the repricing at market value of BBVA's stake in CNCB, as well as the impact of the equity-adjusted earnings from CNCB, excluding dividends), (ii) with respect to 2012, the badwill generated by the Unnim acquisition, the capital gain from the sale of BBVA Puerto Rico, the earnings from the pension business in Latin America, and the equity-adjusted earnings from CNCB (excluding dividends), and (iii) with respect to 2011, the results from the pension business in Latin America and the equity-adjusted earnings from CNCB (excluding dividends).

The information presented below for the years ended 31st December, 2013 and 2012 reflects certain minor reclassifications made in 2014 among BBVA's operating segments; consequently such information differs slightly from the segmental information reported in BBVA's prior annual reports on Form 20-F.

The breakdown of the Group's total assets by operating segments as of 31st December, 2014, 2013 and 2012 is as follows:

As of December 31,

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| Total Assets by Operating Segment | 2014 | 2013 ⁽¹⁾ | 2012 ⁽¹⁾ |
|---|----------------|-------------------------------|---------------------|
| | | <i>(in millions of euros)</i> | |
| Banking Activity in Spain..... | 318,353 | 314,902 | 345,521 |
| Real Estate Activity in Spain..... | 17,934 | 20,582 | 22,112 |
| Eurasia ⁽²⁾ | 44,667 | 41,223 | 48,324 |
| Mexico..... | 93,731 | 81,801 | 82,722 |
| South America..... | 84,364 | 77,874 | 75,877 |
| United States..... | 69,261 | 53,046 | 53,880 |
| Subtotal Assets by Operating Segments..... | 628,310 | 589,428 | 628,436 |
| Corporate Center and other adjustments ⁽³⁾ | 3,632 | (6,732) | (7,304) |
| Total Assets BBVA Group..... | 631,942 | 582,697 | 621,132 |

- (1) Reflects certain restatements relating to, among others, the reclassification of the Group's business in Panama (sold in 2013) to the Corporate Center.
- (2) The information is presented under management criteria, pursuant to which Garanti's information has been proportionally consolidated based on the Group's 25.01 per cent. interest in Garanti.
- (3) Other adjustments include adjustments made to account for the fact that, in the Consolidated Financial Statements, Garanti is accounted for using the equity method rather than using the management criteria referred to above. For additional information, see "Item 5. Operating and Financial Review and Prospectus" of the Form 20-F.

The following table sets forth information relating to the profit by each of BBVA's operating segments and Corporate Center for the years ended 31st December, 2014, 2013 and 2012.

| | Profit/(Loss) Attributable to Parent Company | | | per cent. of Profit/(Loss) Attributable to Parent Company | | |
|---|--|---------------------|---------------------|---|---------------------|---------------------|
| | For the Year Ended December 31, | | | | | |
| | 2014 | 2013 ⁽¹⁾ | 2012 ⁽¹⁾ | 2014 | 2013 ⁽¹⁾ | 2012 ⁽¹⁾ |
| | <i>(in millions of euros)</i> | | | <i>(in percentage)</i> | | |
| Banking Activity in Spain..... | 1,028 | 589 | 1,186 | 25.3 | 18.4 | 143.7 |
| Real Estate Activity in Spain..... | (876) | (1,252) | (4,068) | (21.6) | (39.1) | (492.8) |
| Eurasia ⁽²⁾ | 565 | 449 | 404 | 13.9 | 14.0 | 48.9 |
| Mexico..... | 1,915 | 1,802 | 1,687 | 47.1 | 56.3 | 204.3 |
| South America..... | 1,001 | 1,224 | 1,172 | 24.6 | 38.2 | 142.0 |
| United States..... | 428 | 390 | 445 | 10.5 | 12.2 | 53.9 |
| Subtotal Operating Segments..... | 4,062 | 3,201 | 826 | 100.0 | 100.0 | 100.0 |
| Corporate Center..... | (1,444) | (1,117) | 850 | | | |
| Profit..... | 2,618 | 2,084 | 1,676 | | | |

- (1) Reflects certain restatements relating to, among others, the reclassification of the Group's business in Panama (sold in 2013) to the Corporate Center.
- (2) The information is presented under management criteria, pursuant to which Garanti information has been proportionally consolidated based on our 25.01 per cent. interest in Garanti.

The following table sets forth information relating to the income of each operating segment for the years ended 31st December, 2014, 2013 and 2012 and reconciles the income statement of the various operating segments to the consolidated income statement of the Group:

| | Operating Segments | | | | | | | | | |
|------------------------------|-------------------------------|-------------------------------|------------------------|--------|---------------|---------------|------------------|--------|----------------------------|------------|
| | Banking Activity in Spain | Real Estate Activity in Spain | Eurasia ⁽¹⁾ | Mexico | South America | United States | Corporate Centre | Total | Adjustments ⁽²⁾ | BBVA Group |
| | <i>(in millions of euros)</i> | | | | | | | | | |
| 2014 | | | | | | | | | | |
| Net interest income | 3,830 | (38) | 924 | 4,910 | 4,699 | 1,443 | (651) | 15,116 | (734) | 14,382 |
| Gross income | 6,622 | (132) | 1,680 | 6,522 | 5,191 | 2,137 | (664) | 21,357 | (632) | 20,725 |
| Net margin before provisions | 3,777 | (291) | 942 | 4,115 | 2,875 | 640 | (1,653) | 10,406 | (240) | 10,166 |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| | | | | | | | | | | |
|--|--------------|----------------|------------|--------------|--------------|------------|----------------|--------------|----------|--------------|
| Operating profit /(loss) before tax | 1,463 | (1,225) | 713 | 2,519 | 1,951 | 561 | (1,920) | 4,063 | (83) | 3,980 |
| Profit | 1,028 | (876) | 565 | 1,915 | 1,001 | 428 | (1,444) | 2,618 | - | 2,618 |
| 2013 | | | | | | | | | | |
| Net interest income | 3,838 | (3) | 909 | 4,478 | 4,660 | 1,402 | (671) | 14,613 | (713) | 13,900 |
| Gross income | 6,103 | (38) | 1,717 | 6,194 | 5,583 | 2,047 | (416) | 21,191 | (439) | 20,752 |
| Net margin before provisions | 3,088 | (188) | 981 | 3,865 | 3,208 | 618 | (1,584) | 9,990 | (34) | 9,956 |
| Operating profit /(loss) before tax | 230 | (1,838) | 586 | 2,358 | 2,354 | 534 | (1,680) | 2,544 | (1,589) | 954 |
| Profit | 589 | (1,252) | 449 | 1,802 | 1,224 | 390 | (1,117) | 2,084 | - | 2,084 |
| 2012 | | | | | | | | | | |
| Net interest income | 4,729 | (21) | 851 | 4,174 | 4,236 | 1,550 | (397) | 15,122 | (648) | 14,474 |
| Gross income | 6,659 | (79) | 1,665 | 5,751 | 5,308 | 2,198 | 391 | 21,892 | (68) | 21,824 |
| Net margin before provisions | 3,776 | (209) | 886 | 3,590 | 3,023 | 722 | (681) | 11,106 | 344 | 11,450 |
| Operating profit /(loss) before tax | 1,651 | (5,705) | 508 | 2,223 | 2,234 | 620 | (783) | 749 | 833 | 1,582 |
| Profit | 1,186 | (4,068) | 404 | 1,687 | 1,172 | 445 | 850 | 1,676 | - | 1,676 |

- (1) The information is presented under management criteria, pursuant to which Garanti information has been proportionally integrated based on our 25.01 per cent. interest in Garanti.
- (2) Other adjustments include adjustments made to account for the fact that, in the Consolidated Financial Statements, Garanti is accounted for using the equity method rather than using the management criteria referred above.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Banking Activity in Spain

The Banking Activity in Spain operating segment includes all of BBVA's banking and non-banking businesses in Spain, other than those included in the Corporate Center area and Real Estate Activity in Spain. The main business units included in this operating segment are:

- **Spanish Retail Network:** including individual customers, private banking, small companies and businesses in the domestic market;
- **Corporate and Business Banking (CBB):** which manages small and medium sized enterprises (SMEs), companies and corporations, public institutions and developer segments;
- **Corporate and Investment Banking (C&IB):** responsible for business with large corporations and multinational groups and the trading floor and distribution business in Spain; and
- **Other units:** which include the insurance business unit in Spain (BBVA Seguros), and the Asset Management unit, which manages Spanish mutual funds and pension funds.

In addition, it includes certain loans and advances portfolios, finance and structural euro balance sheet positions.

The following table sets forth information relating to the activity of this operating segment for the years ended 31st December, 2014, 2013 and 2012:

| | As of December 31, | | |
|--|-------------------------------|----------------|----------------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euros)</i> | | |
| Total Assets | 318,353 | 314,902 | 345,521 |
| Loans and advances to customers | 174,197 | 178,283 | 193,311 |
| <i>Of which:</i> | | | |
| Residential mortgages | 74,508 | 77,575 | 84,602 |
| Consumer finance | 5,270 | 6,703 | 7,663 |
| <i>Loans</i> | 3,946 | 4,962 | 6,043 |
| <i>Credit cards</i> | 1,324 | 1,741 | 1,620 |
| Loans to enterprises | 37,224 | 37,181 | 45,148 |
| Loans to public sector | 22,833 | 21,694 | 24,770 |
| Customer deposits | 154,261 | 157,124 | 146,008 |
| <i>Of which:</i> | | | |
| Current and savings accounts | 58,645 | 53,408 | 47,512 |
| Time deposits | 62,203 | 74,451 | 62,598 |
| Other customer funds | 17,799 | 8,436 | 9,593 |
| Assets under management | 50,749 | 42,933 | 40,156 |
| Mutual funds | 28,695 | 22,298 | 19,116 |
| Pension funds | 21,880 | 20,428 | 18,577 |
| Other placements | 174 | 206 | 2,463 |

Loans and advances to customers of this operating segment as of 31st December, 2014 amounted to €174,197 million, a 2.3 per cent. decrease from the €178,283 million recorded as of 31st December, 2013, mainly as a result of the maturities of our loan portfolio which were not offset by the higher lending activity in the period.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Customer deposits of this operating segment as of 31st December, 2014 amounted to €154,261 million, a 1.8 per cent. decrease from the €157,124 million recorded as of 31st December, 2013, mainly due to the lower remuneration of time deposits that has led to a shift of funds to demand deposits and mutual funds.

Mutual funds this operating segment as of 31st December, 2014 amounted to €28,695 million, a 28.7 per cent. increase from the €22,298 million as of 31st December, 2013. Pension funds of this operating segment as of 31st December, 2014 amounted to €21,880 million, a 7.1 per cent. increase from the €20,428 million recorded as of 31st December, 2013. These increases were mainly the result of the active marketing of a diversified portfolio of mutual and pension funds to certain customer segments in an environment of low interest rates.

This operating segment's non-performing assets ratio decreased to 6.0 per cent. as of 31st December, 2014, from 6.4 per cent. as of 31st December, 2013, mainly due to lower net additions to non-performing assets. This operating segment non-performing assets coverage ratio increased to 45 per cent. as of 31st December, 2014, from 41 per cent. as of 31st December, 2013.

Real Estate Activity in Spain

This operating segment was set up with the aim of providing specialized and structured management of the real estate assets accumulated by the Group as a result of the economic crisis in Spain. It includes primarily lending to real estate developers and foreclosed real estate assets.

The exposure, including loans and advances to customers and foreclosed assets, to the real estate sector in Spain is declining. As of 31st December, 2014, the balance stood at €12,545 million, 13.9 per cent. lower than as of 31st December, 2013. Non-performing assets of this segment have continued to decline and as of 31st December, 2014 were 16.1 per cent. lower than as of 31st December, 2013. The coverage of non-performing and potential problem loans of this segment increased to 54 per cent. as of 31st December, 2014, compared with 48 per cent. of the total amount of real-estate assets in this operating segment.

The number of real estate assets sold in 2014 was 1.5 per cent. lower than in 2013, although real estate assets sold in 2014 had a higher gross value and average price, resulting in a greater reduction in our total exposure to the real estate sector.

Eurasia

This operating segment covers the retail and wholesale banking businesses of the Group in the rest of Europe and Asia. It also includes BBVA's stake in the Turkish bank Garanti. Following management criteria, assets and liabilities corresponding to BBVA's 25.01 per cent. stake in Garanti are included in every balance sheet line.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2014, 2013 and 2012:

| | As of December 31, | | |
|--|-------------------------------|---------------|---------------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euros)</i> | | |
| Total Assets | 44,667 | 41,223 | 48,324 |
| Loans and advances to customers | 29,430 | 28,397 | 30,228 |
| <i>Of which:</i> | | | |
| Residential mortgages | 4,193 | 4,156 | 4,291 |
| Consumer finance | 4,143 | 3,983 | 4,262 |
| <i>Loans</i> | 2,877 | 2,743 | 3,051 |
| <i>Credit cards</i> | 1,266 | 1,240 | 1,212 |
| Loans to enterprises | 18,860 | 18,348 | 19,550 |
| Loans to public sector | 234 | 251 | 102 |
| Customer deposits | 22,671 | 17,634 | 17,470 |
| <i>Of which:</i> | | | |
| Current and savings accounts | 3,637 | 3,148 | 3,098 |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| | | | |
|--------------------------------------|--------------|--------------|--------------|
| Time deposits | 10,170 | 9,009 | 9,576 |
| Other customer funds | 7,145 | 4,305 | 3,795 |
| Assets under management | 2,401 | 1,966 | 2,016 |
| Mutual funds | 1,549 | 1,332 | 1,408 |
| Pension funds | 852 | 634 | 608 |

Loans and advances to customers of this operating segment as of 31st December, 2014 amounted to €29,430 million, a 3.6 per cent. increase from the €28,397 million recorded as of 31st December, 2013, as a result of the evolution of the Garanti portfolios, particularly loans denominated in Turkish lira, with a positive trend of consumer portfolios.

Customer deposits of this operating segment as of 31st December, 2014 amounted to €22,671 million, a 28.6 per cent. increase from the €17,634 million recorded as of 31st December, 2013, as a result of increased volume in foreign currency deposits of Garanti.

Mutual funds of this operating segment as of 31st December, 2014 amounted to €1,549 million, a 16.3 per cent. increase from the €1,332 million recorded as of 31st December, 2013, due to an increase of mutual funds in Luxembourg.

Pension funds of this operating segment as of 31st December, 2014 amounted to €852 million, a 34.4 per cent. increase from the €634 million recorded as of 31st December, 2013, mainly as a result of increases in Turkey and Portugal.

This operating segment's non-performing assets ratio decreased to 3.3 per cent. as of 31st December, 2014 from 3.4 per cent. as of 31st December, 2013. This operating segment non-performing assets coverage ratio increased to 92 per cent. as of 31st December, 2014 from 87 per cent. as of 31st December, 2013.

Mexico

The Mexico operating segment comprises the banking and insurance businesses conducted in Mexico by the BBVA Bancomer financial group.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2014, 2013 and 2012:

| | As of December 31, | | |
|--|-------------------------------|---------------|---------------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euros)</i> | | |
| Total Assets | 93,731 | 81,801 | 82,722 |
| Loans and advances to customers | 46,798 | 40,668 | 39,060 |
| <i>Of which:</i> | | | |
| Residential mortgages | 9,272 | 8,985 | 9,399 |
| Consumer finance | 10,902 | 10,096 | 9,785 |
| Loans | 5,686 | 4,748 | 4,421 |
| Credit cards | 5,216 | 5,348 | 5,364 |
| Loans to enterprises | 16,706 | 13,867 | 12,493 |
| Loans to public sector | 4,295 | 3,594 | 3,590 |
| Customer deposits | 45,937 | 42,452 | 35,792 |
| <i>Of which:</i> | | | |
| Current and savings accounts | 27,795 | 24,489 | 23,707 |
| Time deposits | 7,382 | 6,409 | 7,157 |
| Other customer funds | 3,914 | 3,819 | 3,207 |
| Assets under management | 22,094 | 19,673 | 19,896 |
| Mutual funds | 18,691 | 16,896 | 17,492 |
| Other placements | 3,403 | 2,777 | 2,404 |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Loans and advances to customers of this operating segment as of 31st December, 2014 amounted to €46,798 million, a 15.1 per cent. increase from the €40,668 million recorded as of 31st December, 2013, mainly due to the increase in financing to medium-sized enterprises and consumer loans.

Customer deposits of this operating segment as of 31st December, 2014 amounted to €45,937 million, a 8.2 per cent. increase from the €42,452 million recorded as of 31st December, 2013, mainly as a result of the increase in demand deposits.

Mutual funds of this operating segment as of 31st December, 2014 amounted to €18,691 million, a 10.6 per cent. increase from the €16,896 million recorded as of 31st December, 2013, mainly as a result of an improvement in corporate banking which was boosted by a marketing campaign.

This operating segment's non-performing assets ratio decreased to 2.9 per cent. as of 31st December, 2014, from 3.6 per cent. as of 31st December, 2013. This operating segment non-performing assets coverage ratio increased to 114 per cent. as of 31st December, 2014, from 110 per cent. as of 31st December, 2013.

South America

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

The business units included in the South America operating segment are:

- ***Retail and Corporate Banking***: includes banks in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.
- ***Insurance businesses***: includes insurance businesses in Argentina, Chile, Colombia, and Venezuela.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2014, 2013 and 2012:

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| | As of December 31, | | |
|--|-------------------------------|---------------|---------------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euros)</i> | | |
| Total Assets | 84,364 | 77,874 | 75,877 |
| Loans and advances to customers | 52,920 | 48,466 | 47,601 |
| <i>Of which:</i> | | | |
| Residential mortgages | 9,621 | 8,533 | 8,464 |
| Consumer finance | 13,575 | 13,112 | 12,598 |
| <i>Loans</i> | 9,336 | 9,441 | 9,231 |
| <i>Credit cards</i> | 4,239 | 3,670 | 3,366 |
| Loans to enterprises | 20,831 | 18,565 | 18,851 |
| Loans to public sector | 650 | 601 | 615 |
| Customer deposits | 56,370 | 55,167 | 52,759 |
| <i>Of which:</i> | | | |
| Current and savings accounts | 37,006 | 37,639 | 33,901 |
| Time deposits | 17,686 | 15,869 | 16,440 |
| Other customer funds | 7,301 | 5,374 | 5,467 |
| Assets under management | 8,480 | 6,552 | 5,698 |
| Mutual funds | 3,848 | 2,952 | 3,355 |
| Pension funds | 4,632 | 3,600 | 3,083 |

Loans and advances to customers of this operating segment as of 31st December, 2014 amounted to €52,920 million, a 9.2 per cent. increase from the €48,466 million recorded as of 31st December, 2013, mainly due to increased activity, particularly in small business finance and lending to corporates.

Customer deposits of this operating segment as of 31st December, 2014 amounted to €56,370 million, a 2.2 per cent. increase from the €55,167 million recorded as of 31st December, 2013, mainly due to an increase in the balance of current and saving accounts in Venezuela and in time deposits in Chile and Colombia.

Mutual funds of this operating segment as of 31st December, 2014 amounted to €3,848 million, a 30.3 per cent. increase from the €2,952 million recorded as of 31st December, 2013, mainly as a result of the positive performance in Argentina, Chile and Peru.

Pension funds of this operating segment as of 31st December, 2014 amounted to €4,632 million, a 28.7 per cent. increase from the €3,600 million recorded as of 31st December, 2013, mainly as a result of the increased volumes in Bolivia.

This operating segment's non-performing assets ratio was 2.1 per cent. as of 31st December, 2014 and 2013. This operating segment non-performing assets coverage ratio decreased to 138 per cent. as of 31st December, 2014, from 141 per cent. as of 31st December, 2013.

United States

This operating segment encompasses the Group's business in the United States. BBVA Compass accounted for approximately 94 per cent. of the area's balance sheet as of 31st December, 2014. Given its weight, most of the comments below refer to BBVA Compass. This operating segment also covers the assets and liabilities of the BBVA office in New York, which specialises in transactions with large corporations.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2014, 2013 and 2012:

| | As of December 31, | | |
|--|--------------------|------|------|
| | 2014 | 2013 | 2012 |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
(in millions of euros)

| | | | |
|--|---------------|---------------|---------------|
| Total Assets | 69,261 | 53,046 | 53,880 |
| Loans and advances to customers | 49,667 | 38,067 | 36,885 |
| <i>Of which:</i> | | | |
| Residential mortgages | 11,876 | 9,591 | 9,176 |
| Consumer finance | 5,812 | 4,464 | 4,422 |
| Loans | 5,291 | 3,984 | 3,942 |
| Credit cards | 522 | 481 | 480 |
| Loans to enterprises | 25,202 | 19,427 | 19,292 |
| Loans to public sector | 3,706 | 2,772 | 1,961 |
| Customer deposits | 51,394 | 39,844 | 39,132 |
| <i>Of which:</i> | | | |
| Current and savings accounts | 38,438 | 29,800 | 29,060 |
| Time deposits | 8,853 | 7,300 | 7,885 |
| Other customer funds | 2,803 | 1,348 | 775 |

Loans and advances to customers of this operating segment as of 31st December, 2014 amounted to €49,667 million, a 30.5 per cent. increase from the €38,067 million recorded as of 31st December, 2013, as a result of growth in all of the segment's portfolios.

Customer deposits of this operating segment as of 31st December, 2014 amounted to €51,394 million, a 29.0 per cent. increase from the €39,844 million recorded as of 31st December, 2013, mainly due to an increase in the balance of current and saving accounts as a result of the campaigns designed to attract deposits.

This operating segment's non-performing assets ratio decreased to 0.9 per cent. as of 31st December, 2014, from 1.2 per cent. as of 31st December, 2013, as a result of a decrease in non-performing loans and a growth of loans and advances to customers. This operating segment non-performing assets coverage ratio increased to 167 per cent. as of 31st December, 2014, from 134 per cent. as of 31st December, 2013, as a result of the decrease in non-performing assets.

Organisational Structure

As of 31st December, 2014, the Group was made up of 299 consolidated entities and 116 entities accounted for using the equity method.

The companies are principally domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Cayman Islands, Chile, Colombia, Ecuador, France, Germany, Ireland, Italy, Luxembourg, Mexico, Netherlands, Netherlands Antilles, Peru, Portugal, Spain, Switzerland, United Kingdom, United States of America, Uruguay and Venezuela. In addition, BBVA has an active presence in Asia.

Below is a simplified organisational chart of BBVA's most significant subsidiaries as of 31st December, 2014.

| Subsidiary | Country of Incorporation | Activity | BBVA Voting Power | BBVA Ownership | Total Assets (*) |
|---------------------------------------|---------------------------------|-----------------|--------------------------|-----------------------|-------------------------------|
| | | | | | <i>(in millions of euros)</i> |
| | | | <i>(in percentages)</i> | | |
| BBVA BANCOMER, S.A. DE C.V. | Mexico | Bank | 100.00 | 99.97 | 85,940 |
| COMPASS BANK..... | United States | Bank | 100.00 | 100.00 | 70,583 |
| BANCO PROVINCIAL S.A. – | | | | | |
| BANCO UNIVERSAL | Venezuela | Bank | 55.21 | 55.21 | 21,157 |
| BBVA SEGUROS, S.A. DE | | | | | |
| SEGUROS Y REASEGUROS | Spain | Insurance | 99.95 | 99.95 | 18,113 |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| Subsidiary | Country of Incorporation | Activity | BBVA | BBVA | Total |
|---|--------------------------|-----------|-------------------------|-----------|-------------------------------|
| | | | Voting Power | Ownership | Assets (*) |
| | | | <i>(in percentages)</i> | | <i>(in millions of euros)</i> |
| BANCO CONTINENTAL, S.A. | Peru | Bank | 46.12 | 46.12 | 17,542 |
| BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A. | Chile | Bank | 68.18 | 68.18 | 16,275 |
| BBVA COLOMBIA, S.A. | Colombia | Bank | 95.43 | 95.43 | 14,592 |
| BBVA BANCO FRANCES, S.A. | Argentina | Bank | 75.93 | 75.93 | 6,927 |
| BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A. | Portugal | Bank | 100.00 | 100.00 | 5,203 |
| PENSIONES BANCOMER, S.A. DE C.V. | Mexico | Insurance | 100.00 | 100.00 | 4,119 |
| SEGUROS BANCOMER, S.A. DE C.V. | Mexico | Insurance | 100.00 | 99.97 | 3,499 |
| BANCO DEPOSITARIO BBVA, S.A. | Spain | Bank | 100.00 | 100.00 | 2,709 |
| BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A. | Uruguay | Bank | 100.00 | 100.00 | 2,603 |
| BBVA BANCO DE FINANCIACION S.A. | Spain | Bank | 100.00 | 100.00 | 2,159 |
| BBVA VIDA, S.A. DE SEGUROS Y REASEGUROS | Spain | Insurance | 100.00 | 100.00 | 2,151 |

(*) Figures under financial statements of the subsidiary prepared in accordance with the requirements applicable to that subsidiary

Selected Financial Data

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

Consolidated statement of income data

| | Year ended 31st December | | |
|--|------------------------------|--------|--------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euro)</i> | | |
| Net interest income..... | 14,382 | 13,900 | 14,474 |
| Net profit | 3,082 | 2,836 | 2,327 |
| Net profit attributable to parent company..... | 2,618 | 2,084 | 1,676 |

Consolidated balance sheet data

| | As at 31st December | | |
|---|------------------------------|---------|---------|
| | 2014 | 2013 | 2012 |
| | <i>(in millions of euro)</i> | | |
| Total assets | 631,942 | 582,697 | 621,132 |
| Loans and receivables (net) | 372,375 | 350,945 | 371,347 |
| Customers' deposits..... | 319,060 | 300,490 | 282,795 |
| Debt certificates and subordinated liabilities..... | 72,191 | 74,676 | 98,070 |
| Non-controlling interests | 2,511 | 2,371 | 2,372 |
| Total equity..... | 51,609 | 44,565 | 43,661 |

DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than 5 and no more than 15 members. All members of the Board of Directors are elected to serve three-year terms. BBVA's Board Regulations state that the Board of Directors must try to ensure that it is comprised of a majority of non-executive directors.

BBVA's corporate governance system is based on the distribution of functions between the Board of Directors, the Executive Committee and other specialised Board Committees, namely: the Audit and Compliance Committee; the Appointments Committee; the Remuneration Committee; and the Risk Committee. BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors. The Executive Committee is responsible for such business of BBVA as the Board of Directors resolves to confer on it in accordance with prevailing legislation, Company Bylaws or Board Regulations.

Board of Directors

The Board of Directors of BBVA is currently comprised of 15 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 employment history.

BBVA may, from time to time, enter into transactions in the ordinary course of its business, and on an arm's-length basis, with the Directors.

BBVA's Regulations for the Board of Directors include rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that Directors with a potential conflict of interest may not participate in meetings at which those situations are being considered. Accordingly, there are no potential conflicts of interest between the private interests or other duties of the Directors and their duties to BBVA.

| Name | Current Position | Date Nominated | Date Re-elected | Present Principal Outside Occupation and Employment History(*) |
|---|---|------------------|-----------------|--|
| Francisco González Rodríguez ⁽¹⁾ | Chairman and Chief Executive Officer | 28 January, 2000 | 15 March, 2013 | Chairman and CEO of BBVA, since January 2000; Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. |
| Carlos Torres Vila ⁽¹⁾ | President and Chief Operating Officer(**) | 4 May, 2015 | Not applicable | President and Chief Operating Officer of BBVA, since 4th May, 2015. He started at BBVA on September 2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and BBVA Strategy & Corporate Development Director from January 2009 to March 2014. |
| Tomás Alfaro Drake ⁽²⁾⁽³⁾⁽⁴⁾ | Independent Director | 18 March, 2006 | 14 March, 2014 | Chairman of the Appointments Committee of BBVA since 25th May, 2010. Director of Internal Development and Professor in the Finance department of Universidad Francisco de Vitoria. |
| José Miguel Andrés | Independent | 13 March, 2015 | Not | Chairman of the Audit and Compliance Committee of BBVA since 4th May, 2015. |

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

| Name | Current Position | Date Nominated | Date Re-elected | Present Principal Outside Occupation and Employment History(*) |
|--|-------------------------|-----------------------|------------------------|---|
| Torrecillas ⁽²⁾⁽⁵⁾ | Director | | applicable | Chairman of Ernst & Young Spain from 2004 to 2014, where he has been a partner since 1987 and has also held a series of senior offices, including Director of the Banking Group from 1989 to 2004 and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013. He is also a member of the Official Register of Account Auditors and the Register of Auditor Economists. |
| Ramón Bustamante y de la Mora ⁽⁴⁾⁽⁵⁾ | External Director | 28 January, 2000 | 15 March, 2013 | Was Senior Managing Director and Chairman of the Control Committee, Senior Managing Director of Retail Banking and Non-Executive Deputy Chairman of Argentaria and Chairman of Unitaria (1997). |
| José Antonio Fernández Rivero ⁽³⁾⁽⁵⁾⁽⁶⁾ | Independent Director | 28 February, 2004 | 13 March, 2015 | Chairman of Risk Committee since 30th March, 2004; in 2001 was appointed Group General Manager until January 2003. Has been the director representing BBVA on the Boards of Telefónica, Iberdrola, and of Banco de Crédito Local, and Chairman of Adquira. |
| Ignacio Ferrero Jordi ⁽¹⁾⁽⁴⁾ | External Director | 28 January, 2000 | 15 March, 2013 | Chairman of the Board of Directors of Idilia Foods, S.L., Chairman of the Board of Directors of Grupo Idilia, S.L., and member of the Board of AECOC (Asociación Española de Codificación Comercial). |
| Belén Garijo López ⁽²⁾ | Independent Director | 16 March, 2012 | 13 March, 2015 | President and CEO of Merck Serono, Member of the Executive Board and CEO of Merck Healthcare and a Member of the Board of Directors of L'Oréal. Chair of the International Executive Committee of PhRMA, ISEC (Pharmaceutical Research and Manufacturers of America) since 2011. |
| José Manuel González-Páramo Martínez-Murillo | Executive Director | 29 May, 2013 | 14 March, 2014 | Executive Director of BBVA since 29th May, 2013. Member of the European Central Bank (ECB) Governing Council and Executive Committee from 2004 to 2012. Chairman of European DataWarehouse GmbH since 2013. Head of BBVA's Global Economics, Regulation and Public Affairs. |
| Carlos Loring Martínez de Irujo ⁽²⁾⁽⁴⁾ | Independent Director | 28 February, 2004 | 14 March, 2014 | Chairman of the Remuneration Committee of BBVA since May 2010 (former Chairman of the Appointments and Remuneration Committee). Was Partner of J&A Garrigues, from 1977 until 2004. |
| Lourdes Máiz Carro ⁽²⁾ | Independent Director | 14 March, 2014 | Not applicable | Secretary of the Board of Directors and Director of the Legal Services at Iberia, Líneas Aéreas de España. Joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado) and from 1992 until 1993 she was Deputy to the Director in the Ministry of Public Administration. From 1993 to 2001 held various positions in the Public Administration. |
| José | External Director | 28 January, 2000 | 13 March, | Was appointed Director and General |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Current Position | Date Nominated | Date Re-elected | Present Principal Outside Occupation and Employment History(*) |
|---|----------------------|------------------|-----------------|---|
| Maldonado Ramos ⁽¹⁾⁽³⁾ | | | 2015 | Secretary of BBVA, in January 2000. Took early retirement as Bank executive in December 2009. |
| José Luis Palao García-Suelto ⁽³⁾⁽⁵⁾ | Independent Director | 1 February, 2011 | 14 March, 2014 | Senior Partner of the Financial Division in Spain of Arthur Andersen, from 1979 until 2002. Independent consultant from 2002 to 2010. |
| Juan Pi Llorens ⁽⁴⁾⁽⁵⁾ | Independent Director | 27 July, 2011 | 13 March, 2015 | Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe, Vice President of Technology & Systems Group at IBM Europe and Vice President of the Finance Services Sector at GMU (Growth Markets Units) in China. He was executive President of IBM Spain. |
| Susana Rodríguez Vidarte ⁽¹⁾⁽³⁾⁽⁵⁾ | External Director | 28 May, 2002 | 14 March, 2014 | Holds a Chair in Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. Member of Instituto de Contabilidad y Auditoría de Cuentas (Spanish Accountants and Auditors Institute) and Doctor in Economic and Business Sciences from Universidad de Deusto. |

(*) Where no date is provided, the position is currently held.

(**) To be filed before the Register of Senior Officers of the Bank of Spain.

- (1) Member of the Executive Committee
- (2) Member of the Audit and Compliance Committee
- (3) Member of the Appointments Committee
- (4) Member of the Remuneration Committee
- (5) Member of the Risk Committee
- (6) Lead Director

Major Shareholders and Share Capital

As of 13 May, 2015, no person, corporation or government beneficially owned, directly or indirectly, 5 per cent. or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 30th May, 2015, there were 940,619 registered holders of BBVA's shares, with an aggregate of 6,305,238,012 shares, of which 725 shareholders with registered addresses in the United States held a total of 1,450,496,951 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.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Legal Proceedings

Several entities of the Group are party to legal actions in a number of jurisdictions (including, among others, Spain, Mexico and the United States) arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of legal counsel, BBVA considers that none of such actions is material, individually or in the aggregate, and none is expected to result in a material adverse effect on the Group's financial position, results of operations or liquidity, either individually or in the aggregate. The Group's Management believes that adequate provisions have been made in respect of such legal proceedings and considers that the possible contingencies that may arise from such ongoing lawsuits are not material and therefore do not require disclosure to the markets.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. The Issuers and the Guarantor take responsibility for the correct extraction and reproduction of the information in this section concerning the Clearing Systems, but none of the Issuers, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised bookentry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the NYSE MKT LLC, Inc. and the Financial Industry Regulatory Authority, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

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

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

BOOK-ENTRY CLEARANCE SYSTEMS

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

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

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

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

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

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

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

Euroclear and Clearstream, Luxembourg

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

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

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

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

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of a Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants’ account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the U.S. Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

BOOK-ENTRY CLEARANCE SYSTEMS

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the relevant Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

SPAIN

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

Acquisition of the Notes

The issue of, subscription for, transfer and acquisition of the Notes is exempt from Transfer and Stamp Tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) and Value Added Tax (*Impuesto sobre el Valor Añadido*).

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 5/2004 of 5th March approving the consolidated text of the Non-Resident Income Tax Law (*Impuesto sobre la Renta de los no Residentes*), as amended by Law 26/2014 of 27th November, Law 27/2014 of 27th November on Corporate Income Tax (*Impuesto sobre Sociedades*), Law 35/2006 of 28th November on Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*), as amended by Law 26/2014 of 27th November, Law 19/1991 of 6th June approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*) and Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law (*Impuesto sobre Sucesiones y Donaciones*). Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1776/2004 of 30th July approving the Non-Resident Income Tax Regulations, Royal Decree 439/2007 of 30th March, approving the Individuals Income Tax Regulations as amended by Royal Decree 1003/2014 of 5th December and Royal Decree 1777/2004 of 30th July approving the Corporate Income Tax Regulations).

Consideration has also been given to Spanish legislation on the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary, Law 10/2014 and RD 1065/2007 (as amended by RD 1145/2011), approving the General Regulations relating to tax inspection and management procedures and developing the common rules of the procedures to apply taxes.

Income obtained by Noteholders who are Non-Resident Income Tax payers in Spain in respect of the Notes

Income obtained by Noteholders who are Non-Resident Income Tax payers, both in respect of interest and in connection with the transfer, repayment or redemption of the Notes, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation in Spain under Legislative Royal Decree 5/2004 of 5th March approving the Consolidated Non-Resident Income Tax Law, as amended by Law 26/2014, of 27th November, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation (**DTT**).

Income not obtained through a permanent establishment in Spain in respect of the Notes

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain is exempt from Non-Resident Income Tax (see “-Tax Reporting Obligations of the Issuers and the Guarantor”).

TAXATION

Income obtained through a permanent establishment in Spain in respect of the Notes / Corporate Income Tax taxpayers.

The holding of Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by non-Spanish resident holders acting through a permanent establishment in Spain in respect of the Notes will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as Spanish Corporate Income Tax taxpayers and, therefore, it shall be computed as taxable income in accordance with the general rules set out in the Corporate Income Tax Law and will therefore be taxed at the current rate of 28 per cent. (25 per cent. from 1st January, 2016).

According to RD 1145/2011, the Issuers and the Guarantor are not obliged to withhold any tax amount on income derived from payment of interest, redemption or repayment of the Notes provided that the information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent as it is described in section “*Taxation - Tax Reporting Obligations of the Issuers and the Guarantor*”.

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 59(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements laid down by the reply to the Directorate General for Taxation’s (Dirección General de Tributos) consultation, on 27th July, 2004, indicating that in the case of issuances made by entities with tax residency in Spain (as in the case of each of the Issuers), application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries. Notes issued under the Programme are expected to satisfy these requirements.

Individuals with tax residency in Spain

Income obtained by Noteholders who are Personal Income Tax taxpayers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of an individual’s capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 20 per cent. to 24 per cent. and from 19 per cent. to 23 per cent. from 1st January, 2016).

The above mentioned income will be subject to the corresponding personal income tax withholding at the applicable tax rate (currently 20 per cent. and 19 per cent. from 1st January, 2016). Article 44 of the RD 1065/2007 has established new information procedures for debt instruments issued under the Law 10/2014 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the relevant Issuer to the Paying Agent for the whole amount, provided that such information procedures are complied with.

Nevertheless, withholding tax at the applicable rate (currently 20 per cent. and 19 per cent. from 1st January, 2016) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

According to RD 1145/2011, the Issuers and the Guarantor are not obliged to withhold any tax amount provided that the information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent as it is described in section “*Tax Reporting Obligations of the Issuers and the Guarantor*”.

However, regarding the interpretation of the “*Tax Reporting Obligations of the Issuers and the Guarantor*” please refer to “*Risk Factors - Spanish tax rules*”.

Wealth Tax

According to Royal Decree-law 13/2011 dated 16th September, 2011, as amended by Law 36/2014, dated 26th December, 2014, individuals with tax residency in Spain are subject to Wealth Tax in the tax year 2015 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31st December, 2015.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory, exceed €700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any exemption which may apply.

As a consequence of the European Court of Justice judgment (Case C-127/12), the Net Wealth Tax Law has been amended by Law 26/2014, of 27th November. As a result, Non-Spanish tax resident individuals who are residents in the EU or in the European Economic Area can apply the legislation of the region in which the highest value of the assets and rights of the individuals are located.

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

The transfer of the Notes to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) in accordance with the applicable Spanish and State rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

However, a judgment from the European Court of Justice dated 3rd September, 2014 declared that Spanish Inheritance Tax Act is against the principle of free movement of capital within the EU as Spanish residents are granted tax benefits that, in practice, allow them to pay much lower taxes than non-residents. According to Law 26/2014, of 27th November, it will be possible to apply tax benefits approved in some Spanish regions to EU residents by following certain specific rules.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

Tax rules for payments made by the Guarantor

Payments which may be made by the Guarantor to Noteholders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuers.

Tax Reporting Obligations of the Issuers and the Guarantor

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from preference shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of RD 1065/2007, as amended by RD 1145/2011, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognised by Spanish law or by the law of another OECD country (such as DTC, Euroclear or Clearstream), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the

TAXATION

relevant Issuer submits a statement to the relevant Issuer, the form of which is included in the Agency Agreement, with the following information:

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

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the Paying Agent should provide the relevant Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on the date, the entities obliged to provide the declaration fail to do so, the relevant Issuer or the Paying Agent on its behalf will make a withholding at the general rate (currently 20 per cent. and 19 per cent. from 1st January, 2016) on the total amount of the return on the relevant Notes otherwise payable to such entity.

Notwithstanding the foregoing, the Issuers have agreed that in the event withholding tax should be required by law, the relevant Issuer shall pay such additional amounts as would have been received had no such withholding or deduction been required, except as provided in Condition 7 and as otherwise described in this Offering Circular.

As at the date of this Offering Circular, the Guarantor has entered into an agreement with a Tax Certification Agent in order to establish a procedure for the disclosure of information regarding Noteholders who are resident in Spain for tax purposes. Such information will be provided, to the Spanish Tax Authorities by the Guarantor. Regarding the interpretation of Article 44 RD 1065/2007 and the new simplified information procedures please refer to "*Risk Factors - Spanish tax rules*".

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

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

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

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1st January, 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

EU SAVINGS DIRECTIVE

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an

TAXATION

individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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 24th March, 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the relevant Issuer (a **Recalcitrant Holder**). Each Issuer is classified as an FFI.

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

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction

TAXATION

would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Spain have entered into an agreement (the **US-Spanish IGA**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-Spanish IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that any Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Each Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

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

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

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (such programme agreement as further amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 30th June, 2015 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 stabilisation activities may only be carried on by the Stabilisation Manager named in the applicable Final Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (ii) it is an Institutional Accredited Investor which has delivered an IAIN Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

- (c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (i) to the relevant Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAIN Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (RULE 144A)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN **INSTITUTIONAL ACCREDITED INVESTOR**); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) to non-U.S. persons outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A or (C) to an Institutional Accredited Investor that provides a duly executed investment letter in the form set out in the Agency Agreement and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“NEITHER THIS SECURITY NOR THE GUARANTEE HEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION, AS DETERMINED AND CERTIFIED BY THE RELEVANT DEALER OR, IN THE CASE OF AN ISSUE OF NOTES ON A SYNDICATED BASIS, THE RELEVANT LEAD MANAGER, OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART, SALES MAY NOT BE MADE UNLESS MADE (I) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT OR (III) TO INSTITUTIONAL “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT PROVIDE A DULY EXECUTED INVESTMENT LETTER SUBSTANTIALLY IN THE FORM SET OUT IN THE AGENCY AGREEMENT.”; and

- (h) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the U.S. Registrar an IAIN Investment Letter. Upon execution and delivery of an IAIN Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The IAIN Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (d) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that an Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the **Relevant Implementation Date**, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) 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 (a) to (c) 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

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 which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Spain

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time (**Regulation No. 11971**); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the *Code monétaire et financier*.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

The PRC

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Singapore

The Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the **Securities and Futures Act**). Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold or made the subject of an invitation for

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

subscription or purchase nor will the Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(1) of the Securities and Futures Act), or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) that corporation or the beneficiaries' rights and interest (howsoever defined) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (a) to an institutional investor or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law; or
- (d) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefore.

None of the Issuers, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the shareholders' meeting and the Board of Directors of BSF dated 30th May, 2012, a resolution of the shareholders' meeting and of the Board of Directors of BSC dated 30th May, 2012, and a resolution of the shareholders' meeting and of the Board of Directors of BUS dated 30th May, 2012. The giving of Guarantees has been duly authorised by a resolution of the shareholders' meeting of the Guarantor dated 13th March, 2015 and by a resolution of the Board of Directors of the Guarantor dated 28th April 2015.

Details of each issue under the Programme must be evidenced in a public deed of issue (*Escritura de Emisión*).

Issues of Notes under the Programme are also required to comply with certain formalities contained in the Spanish Companies Act, including the registration of the public deed of issue in the *Registro Mercantil*.

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 3rd July, 2015.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the relevant Issuer or the Guarantor and from the specified office of the Paying Agent for the time being in London:

- (a) the bylaws (with an accurately reproduced English translation thereof) of each Issuer and the bylaws (with an accurately reproduced English translation thereof) of the Guarantor;
- (b) the audited financial statements of each of BSF, BSC and BUS in respect of the financial years ended 31st December, 2013 and 2014, and the consolidated and non-consolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2013 and 2014 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuers (if any) and the Guarantor and the most recently published condensed interim consolidated financial statements (if any) of the Issuers and the Guarantor (in each case with an accurately reproduced English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuers do not prepare unaudited interim accounts. The Guarantor currently prepares condensed interim consolidated financial statements on a quarterly basis and audited (under auditing standards generally accepted in Spain) consolidated interim reports on a semi-annual basis;
- (d) the Programme Agreement, the Agency Agreement, the Guarantees, the Deeds of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Offering Circular; and

GENERAL INFORMATION

- (f) any future offering circulars, prospectuses, information memoranda, supplements to this Offering Circular and Final Terms and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the prospects of any of the Issuers or the Group since 31st December, 2014.

There has been no significant change in the financial position of the Group since 31st March, 2015 and there has been no significant change in the financial or trading position of any of the Issuers since 31st December, 2014.

Litigation

There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of any of the Issuers, the Guarantor or the Group.

Independent Auditors

The auditors of the BSF, BSC and BUS are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*) who have audited the Issuers' accounts which have been prepared in accordance with generally accepted accounting principles and practices in Spain for each of the two financial years ended 31st December, 2013 and 31st December, 2014.

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, 2013 and 31st December, 2014 which have been prepared in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 and in compliance with IFRS-IASB.

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.

ISSUERS

BBVA Senior Finance, S.A. Unipersonal

Gran Vía, 1
Bilbao
Spain

BBVA Subordinated Capital, S.A. Unipersonal

Gran Vía, 1
Bilbao
Spain

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

Gran Vía, 1
Bilbao
Spain

GUARANTOR

Banco Bilbao Vizcaya Argentaria, S.A.

Plaza de San Nicolas, 4
48005 Bilbao
Spain

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch

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

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

Deutsche Bank Trust Company Americas

60 Wall Street
New York
New York 10005
United States

EURO REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A

2 Boulevard Konrad Adenauer
L-115, Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Luxembourg SA

2 Boulevard Konrad Adenauer
L-1115 Grand Duchy of Luxembourg

LEGAL ADVISERS

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

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

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

J&A GARRIGUES, S.L.P.

Hermosilla, 3
28001 Madrid
Spain

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

Clifford Chance, S.L.

Paseo de la Castellana 110
28046 Madrid
Spain

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.

C/ Saucedo, 28,
28050, Madrid
Spain

Barclays Bank PLC

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

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

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

Commerzbank Aktiengesellschaft

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

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch

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

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale

29, boulevard Hausmann
75009 Paris
France

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

Wells Fargo Securities International Limited

One Plantation Place
30 Fenchurch Street
London EC3M 3BD
United Kingdom

Wells Fargo Securities, LLC

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

INDEPENDENT AUDITORS

To the Issuers and the Guarantor

Deloitte, S.L.

Plaza Pablo Ruiz Picasso, 1

Torre Picasso

28020 Madrid

Spain