Offering Circular

BBVA International Preferred, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities

irrevocably and unconditionally guaranteed to the extent set forth herein by

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability under the laws of Spain)

Issue price: 100%

Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each (the "**Preferred Securities**") are being issued by BBVA International Preferred, S.A. Unipersonal (the "**Issuer**") on 22nd September, 2005 (the "**Closing Date**").

The Preferred Securities will entitle holders to receive (subject to the limitations described under "*Conditions of the Preferred Securities*") non-cumulative cash distributions ("**Distributions**") accruing at a rate of 3.798% per annum from (and including) the Closing Date up to (but excluding) 22nd September, 2015 payable on each 22nd September. The first Distribution is payable on 22nd September, 2006. From (and including) 22nd September, 2015, Distributions will accrue at a rate of 0.65% plus 1% per annum above Three Month EURIBOR (as defined in "*Conditions of the Preferred Securities*") payable on 22nd December, 22nd March, 22nd June and 22nd September in each year falling after 22nd September, 2015. In each case Distributions accrue on the liquidation preference of Euro 50,000 per Preferred Security.

The Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole or in part, on any Distribution Payment Date (as defined in "*Conditions of the Preferred Securities*") falling on or after 22nd September, 2015, at the liquidation preference of Euro 50,000 per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period (as defined in "*Conditions of the Preferred Securities*") to the date fixed for redemption. Prior to 22nd September, 2015, the Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole but not in part, on any Distribution Payment Date if, *inter alia*, they cease to qualify as Tier 1 capital of the Group (as defined below) pursuant to Spanish banking regulations. If the Preferred Securities are redeemed as a result of the Preferred Securities ceasing to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations prior to 22nd September, 2015, the redemption price shall be the higher of (a) the liquidation preference of Euro 50,000 per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption and (b) the Make Whole Amount (as defined in "*Conditions of the Preferred Securities*").

In the event of the liquidation of the Issuer or Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Bank**" or the "**Guarantor**"), holders of Preferred Securities will be entitled to receive (subject to the limitations described under "*Conditions of the Preferred Securities*"), in respect of each Preferred Security, their respective liquidation preference of Euro 50,000, plus any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the liquidation distribution.

The payment of Distributions and payments upon liquidation or redemption with respect to the Preferred Securities are irrevocably and unconditionally guaranteed by the Bank on a subordinated basis to the extent described under "*The Guarantee*". The Bank and its consolidated subsidiaries are referred to herein as the "**Group**".

The Preferred Securities are expected, upon issue, to be assigned an A1 rating by Moody's Investors Services, Inc. ("**Moody's**"), an A rating by Fitch Ratings España SAU (Fitch Ratings) ("**Fitch"**) and an A- rating by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Potential holders are alerted to the statements on page 3 regarding the tax treatment in Spain of income in respect of Preferred Securities and to the disclosure requirements imposed on the Guarantor relating to the identity of holders of Preferred Securities. In particular, income in respect of the Preferred Securities will be subject to withholding tax if certain information regarding holders is not received by the Guarantor on time as described herein.

The Preferred Securities will be issued in bearer form and will be represented by a global Preferred Security deposited on or about the Closing Date with a common depositary for Euroclear Bank S.A./N V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**" and, together with Euroclear, the "**European Clearing Systems**").

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 12.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Preferred Securities to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Preferred Securities to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market.

References in this Offering Circular to the Preferred Securities being "**listed**" (and all related references) shall mean that the Preferred Securities have been admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange's Gilt-Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC.

The Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Preferred Securities are being offered outside the United States by the Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Joint Bookrunners

Merrill Lynch International | **Barclays Capital** | **Citigroup** | **Lehman Brothers**

Structuring Adviser

Joint Lead Manager

Banco Bilbao Vizcaya Argentaria, S.A.

The date of this Offering Circular is 20th September, 2005.

*This Offering Circular comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**"). This Offering Circular has also been approved by the UK Listing Authority as an approved prospectus for the purposes of section 85 of the Financial Services and Markets Act 2000.*

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (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. Information contained in the section headed "Description of Banco Bilbao Vizcaya Argentaria, S.A." which has been obtained from an independent source has been accurately reproduced and, as far as the Guarantor is aware, no facts have been omitted which would render this information inaccurate or misleading.

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

The Managers have not separately 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 Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Preferred Securities or their distribution.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Preferred Securities other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Preferred Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Preferred Securities.

The distribution of this Offering Circular and the offering, sale and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. In particular, there are certain restrictions on offers, sales and deliveries of Preferred Securities and on distribution of this Offering Circular and other offering material relating to the Preferred Securities in the United States, the United Kingdom, Spain and Italy, see "Subscription and Sale".

The Preferred Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Preferred Securities may not be offered, sold or delivered in the United States or to U.S. persons, see "Subscription and Sale".

*In this Offering Circular, unless otherwise specified, references to "**€**", "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.*

This Offering Circular may only be used for the purposes for which it has been published. No person is authorised to give information other than that contained herein and in the documents incorporated by reference herein and which are made available for inspection by the public at the registered office of the Issuer and the specified office set out below of each Paying Agent (as defined in "Conditions of the Preferred Securities").

SPANISH TAX TREATMENT

Under Spanish law, income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 15%, in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5th July). Under Law 13/1985, the Guarantor is required to submit to the Spanish tax authorities certain details relating to holders of the Preferred Securities. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 15%. Neither the Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases, see "Conditions of the Preferred Securities – Taxation" and "Taxation and Disclosure of Holder Information in Connection with Payments of Distributions".

The European Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Guarantor and the Principal Paying Agent (as defined in "Conditions of the Preferred Securities") in the collection of the details referred to above from holders of the Preferred Securities. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities, see "Conditions of the Preferred Securities – Form and Status". The procedures agreed and fully described in the Agency Agreement (as defined in "Conditions of the Preferred Securities") may be amended to comply with Spanish laws and regulations and operational procedures of the European Clearing Systems.

As at the date of this Offering Circular, the European Clearing Systems are in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Managers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

The Issuer and the Guarantor, as applicable, may, in the future, make a withholding on payments to holders of Preferred Securities who are subject to corporation tax in Spain if currently held opinions of the Spanish tax authorities change, see "Taxation and Disclosure of Holder Information in Connection with Payments of Distributions – 2. Legal Entities with Tax Residency in Spain".

STABILISATION

In connection with the issue of the Preferred Securities, Merrill Lynch International (the "Stabilising Manager") (or any person acting for the Stabilising Manager) may over-allot (provided that the aggregate liquidation preference of Preferred Securities allotted does not exceed 105 per cent. of the aggregate liquidation preference of the Preferred Securities) or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilising action. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Preferred Securities is made and, if begun, may be ended at any time, but it must end no later than 30 days after the Closing Date and 60 days after the date of allotment of the Preferred Securities. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

CONTENTS

SUMMARY

This summary must be read as an introduction to this Offering Circular and any decision to invest in any Preferred Securities should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference.

The following summary has been extracted without material adjustment from, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Circular with which it should be read in conjunction. Spanish law and regulations may differ from laws and regulations in other jurisdictions, and investors should therefore not assume that the Preferred Securities have the same features as preference shares or other similar instruments in any other jurisdiction.

Issuer: BBVA International Preferred, S.A. Unipersonal.

The Issuer was incorporated on 30th June, 2005 for an indefinite period of time as a limited liability company (*sociedad anónima*) under the laws of the Kingdom of Spain. The Issuer is a direct wholly-owned subsidiary of the Bank. The Issuer has no subsidiaries.

The Issuer has not conducted any operations or issued any debt obligations in any form to date. The authorised share capital of the Issuer is Euro 60,102 divided into 10,017 ordinary shares, each with a par value of Euro 6. The subscribed and fully paid up share capital is Euro 60,102.

The objects of the Issuer are to issue preferred securities pursuant to Law 13/1985 with the Guarantee of the Bank, as specified in Article 2 of the Issuer's by-laws (*estatutos*).

Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.

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

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

BBVA's business areas are:

- Retail Banking in Spain and Portugal: formed by BBVA's retail banking, asset management and private banking businesses in Spain and Portugal, covering the residential customer and small and medium entities ("**SME**") segments in these markets. This area also includes the Finanzia /Uno-e group (which specialises in the e-banking business, consumer financing and card product distribution), BBVA Portugal, BBVA's private banking businesses and BBVA's mutual and pension fund management and insurance businesses.
- Wholesale and Investment Banking: includes BBVA's business activities with large companies and institutions through national and international corporate banking and institutional banking. In

addition, this business area includes BBVA's trading businesses located in Spain, Europe and New York, BBVA's equity distribution and origination business and security deposit and custody service business, as well as the part of BBVA's real estate business that is not developed by the Group through interests in large corporations.

- Banking in America: includes the operations of each of BBVA's subsidiary banks in Latin America and their investee companies, including pension management companies and insurance companies, as well as BBVA's international private banking business.
- Corporate Activities and Other: includes BBVA's holdings in large industrial corporations and in financial entities, as well as the activities and results of BBVA's support units, such as the Assets and Liabilities Management Committee. In addition, this business area includes BBVA's other operations or activities that, by their nature, cannot be assigned to another business area, such as country risk provisions and amortisation of goodwill (except for those relating to the holdings owned by the Business and Real Estate Projects unit, which is included in the Wholesale and Investment Banking business area).

Risk Factors: There are certain factors that may affect the Issuer's and/or the Guarantor's ability to fulfil its obligations under the Preferred Securities. These are set out under "*Risk Factors*" below and include risks relating to BBVA's sensitivity to a downturn in the Spanish economy through the concentration of its loan portfolio in Spain, its exposure to the Spanish real estate market and the high levels of indebtedness among its Spanish customer base, risks relating to BBVA's Latin American business, risks relating to competition and other general banking risks including exchange rate and credit risks. In addition there are certain factors which are material for the purpose of assessing the market risks associated with the Preferred Securities, see "*Risk Factors*".

Issue size: Euro 550,000,000.

Issue details: Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (*participaciones preferentes*), each with a liquidation preference of Euro 50,000.

The Bank has requested that the Preferred Securities qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations.

Liquidation Preference: Euro 50,000 per Preferred Security.

While the Preferred Securities are represented by the global Preferred Security, the Preferred Securities will be tradeable in the European Clearing Systems in an amount equal to Euro 50,000 per Preferred Security and integral multiples of Euro 1,000 thereafter.

Use of Proceeds: The proceeds of the issue of the Preferred Securities, after paying any issue expenses, will be, in accordance with Spanish law, deposited on a permanent basis with the Bank or with another member of the Group and will be used for the Group's general corporate purposes (which include profit making). The funds raised from the issue of the Preferred Securities and so deposited will be available to absorb losses of the Bank if and when they occur once there is a reduction in the shareholder's equity to zero and its reserves have been exhausted.

Distributions (*remuneración*): The Preferred Securities will entitle holders to receive (subject as described below) non-cumulative cash distributions. Distributions on the Preferred Securities will accrue from the Closing Date and will be payable, subject to the Limitations on Distributions described below, out of the Issuer's own legally available resources and distributable items.

Distributions will accrue at the Distribution rate of 3.798% per annum for the period from (and including) the Closing Date to (but excluding) 22nd September, 2015 and thereafter at 0.65% plus 1.00% per annum above Three Month EURIBOR. Distributions are payable on each 22nd September up to and including 22nd September, 2015 (each, a "**Distribution Payment Date** (**Fixed**)") (the first such Distribution payment being 22nd September, 2006) and, thereafter, on 22nd December, 22nd March, 22nd June and 22nd September in each year falling after 22nd September, 2015 (each, a "**Distribution Payment Date** (**Floating**)").

For further information, see "*Conditions of the Preferred Securities – Distributions*".

Limitations on Distributions: Investors' rights to receive Distributions on the Preferred Securities are conditional upon the following:

(a) the aggregate of such Distributions, together with any other distributions previously paid during the then current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; and

(b) even if Distributable Profits are sufficient under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or on Parity Securities issued by it.

If Distributions are not paid in full or in part on the Preferred Securities on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the above Limitations on Distributions, the right of the holders of the Preferred Securities to receive a Distribution from the Issuer or the Bank, as the case may be, in respect of the relevant Distribution Period will be extinguished. In such a case, neither the Issuer nor the Bank shall pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred

Securities or to the Bank's obligation under the Guarantee, as the case may be, until such time as the Issuer or the Bank, as the case may be, shall have resumed the payment in full of Distributions on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating).

Guarantee: The payment of Distributions, the Early Redemption Amount, the Liquidation Distribution and the Redemption Price shall be irrevocably, jointly (in Spanish *solidariamente*) and unconditionally guaranteed by the Guarantor subject, in the case of Distributions, to the Limitations on Distributions described above. In addition, the Guarantee is subject to the limitations described under "*Liquidation Rights*" below.

In the event that proceedings for the liquidation, dissolution or winding up of the Bank are commenced or there is a reduction in the shareholders' equity of the Bank pursuant to Article 169 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), the Liquidation Distribution will be subject to the limitations set out under "*Liquidation Rights*" below.

For a full description of the Guarantee, see "*The Guarantee*".

Ranking of the Guarantee: The Bank's obligations under the Guarantee will rank (a) junior to all liabilities of the Bank (including subordinated liabilities); (b) *pari passu* with any Parity Securities issued by the Bank and any obligation assumed by the Bank under any guarantee of any Parity Securities of any Subsidiary; and (c) senior to the Bank's ordinary shares and any other class of share capital expressed to rank junior as to participation in profits to the Bank's obligations under the Guarantee.

Ranking of the Preferred Securities: The Preferred Securities will be unsecured and subordinated obligations of the Issuer and will rank (a) junior to all liabilities of the Issuer including subordinated liabilities, (b) *pari passu* with each other and with any Parity Securities of the Issuer and (c) senior to the Issuer's ordinary shares.

Optional Redemption: The Preferred Securities may be redeemed at the option of the Issuer subject to the prior consent of the Bank of Spain, in whole or in part, at the Redemption Price per Preferred Security on any Distribution Payment Date falling on or after 22nd September, 2015. The Preferred Securities may also be redeemed at the option of the Issuer subject to the prior consent of the Bank of Spain, in whole but not in part, at the Redemption Price per Preferred Security on any Distribution Payment Date if, as a result of a tax law change on or after the Closing Date, the Issuer or the Bank, as the case may be, would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Issuer or the Bank, as the case may be, would be materially reduced.

Prior to 22nd September, 2015, the Preferred Securities are redeemable, at the option of the Issuer subject to the prior consent of the Bank of Spain, in whole but not in part, on any Distribution Payment Date if they cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations. If the Preferred Securities are redeemed as a result of the Preferred Securities ceasing to qualify as Tier 1 capital of the Group

	pursuant to Spanish banking regulations prior to 22nd September, 2015, the redemption price per Preferred Security shall be the higher of (a) the Redemption Price and (b) the Make Whole Amount.
	For further information, see "*Conditions of the Preferred Securities – Optional Redemption*".
Liquidation Distribution:	The Liquidation Distribution payable in relation to each Preferred Security shall be its Liquidation Preference per Preferred Security plus, if applicable, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the Liquidation Distribution.
Liquidation Rights:	Except as described under "*Conditions of the Preferred Securities – Distributions*", the Preferred Securities will confer no right to participate in the profits or surplus assets of the Issuer.
	If proceedings for the liquidation, dissolution or winding up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*) are commenced, the Issuer shall be liquidated by the Bank and the holders of Preferred Securities at the time outstanding will be entitled to receive only the Liquidation Distribution in respect of each Preferred Security held by them. In such an event, the Liquidation Distribution relating to each Preferred Security shall not exceed the amount which would have been paid from the assets of the Bank had the Preferred Securities been issued by the Bank.
	Except as described above, the Bank shall not liquidate or procure a liquidation of the Issuer.
Purchases:	Under current Spanish law none of the Issuer, the Bank or any other Subsidiary may purchase Preferred Securities, save with the prior consent of the Bank of Spain and in any event no earlier than 22nd September, 2015. In the event that such purchases are permitted by law before 22nd September, 2015, they may be made by tender, in the open market or by private agreement.
Pre-emptive rights:	The Preferred Securities do not grant their holders preferential subscription rights in respect of any possible future issues of preferred securities by the Issuer, the Bank or any other Subsidiary.
Voting Rights:	The Preferred Securities shall not confer any entitlement to receive notice of or attend or vote at any meeting of the shareholders of the Issuer. Notwithstanding the above, the holders of the Preferred Securities will have the right, under certain circumstances, to participate in the adoption of certain decisions in the General Meeting.
	For further information, see "*Conditions of the Preferred Securities – Constitution of the Syndicate and Exercise of Rights by Holders of Preferred Securities*".
Taxation:	Save as set out below, all payments in respect of the Preferred Securities will be made without deduction for or on account of withholding taxes

imposed by Spain. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.

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

Under Spanish law income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 15%, in the case of (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5th July, 1991). In addition, holders who fail to provide information regarding their identity and tax residence will also receive payments subject to Spanish withholding tax.

For further information, see "*Conditions of the Preferred Securities – Taxation*".

Disclosure of identity of holders: Under Law 13/1985 (as amended), the Guarantor is obliged to disclose to the Spanish Tax and Supervisory Authorities the identity of holders of the Preferred Securities.

The European Clearing Systems are expected to follow certain procedures to facilitate the Principal Paying Agent in the collection of the details referred to above from holders of the Preferred Securities. If the European Clearing Systems are, in the future, unable to facilitate the collection of such information they may decline to allow the Preferred Securities to be cleared through the relevant European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities.

As at the date of this Offering Circular, the European Clearing Systems are in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Managers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

For further information, see "*Taxation and Disclosure of Holder Information in Connection with Payments of Distributions*".

Form: The Preferred Securities will be issued in bearer form and will be represented by a single global Preferred Security deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

	Accordingly, for so long as the Preferred Securities are so deposited, holders will have no direct rights against the Issuer or the Bank and rights against the Issuer or the Bank will only be exercisable through the relevant European Clearing System. Definitive Preferred Securities will only be issued directly to holders in exceptional circumstances.
Ratings:	The Preferred Securities are expected, on issue, to be assigned an A1 rating by Moody's, an A rating by Fitch and an A- rating by S&P. *A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.*
Governing Law:	The Preferred Securities and the Guarantee will be governed by the laws of Spain.
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for the Preferred Securities to be admitted to the Official List and to the London Stock Exchange for the Preferred Securities to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Preferred Securities in the United States, the United Kingdom, Spain and Italy.

RISK FACTORS

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

In addition, factors which are material for the purpose of assessing the market risks associated with the Preferred Securities are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Preferred Securities, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Preferred Securities may occur for other reasons and neither the Issuer nor the Guarantor represent that the statements below regarding the risks of holding the Preferred Securities are exhaustive. 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 Issuer's ability to fulfil its obligations under the Preferred Securities

Dependence on other Group members.

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

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

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

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

The Guarantor has historically developed its lending business in Spain, which continues to be its main place of business. As of 31st December, 2004, business activity in Spain accounted for 76.46 per cent. of its loan portfolio. Any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on its loan portfolio and, as a result, on its financial condition and results of operations.

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

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

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

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

The sound economic growth, the strength of the labour market and a decrease in interest rates in Spain has caused an increase in the demand for mortgage loans in the last few years. This has had repercussions in housing prices, which have also risen significantly. As residential mortgages are one of the Guarantor's main assets, comprising 40 per cent., 42 per cent. and 44 per cent. of its loan portfolio at 31st December, 2002, 2003 and 2004, respectively, it is currently highly exposed to developments in real estate markets. A strong increase in interest rates or unemployment in Spain might have a significant negative impact in mortgage payment delinquency rates. An increase in such delinquency rates could have an adverse effect on the Guarantor's business, financial condition and results of operations.

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

Spanish households and firms have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable interest rates make debt service on such loans more vulnerable to changes in interest rates than in the past. The increase in households' and firms' indebtedness also limits their ability to incur additional debt, decreasing the number of new products the Guarantor may otherwise be able to sell them.

A sudden shortage of funds could cause an increase in the Guarantor's costs of funding and an adverse effect on its operating revenues.

Historically, one of the Guarantor's principal sources of funds has been savings and demand deposits. Time deposits represented 35.0 per cent., 31.1 per cent. and 29.3 per cent. of its total funding at 31st December, 2002, 2003 and 2004, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant changes in market interest rates for these types of deposit products and resulting increased competition for such funds, be a less stable source of deposits than savings and demand deposits. In addition, since the Guarantor relies heavily on short-term deposits for its funding, it cannot be sure that, in the event of a sudden or unexpected shortage of funds in the banking systems or money markets in which it operates, it will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

The Guarantor faces increasing competition in its business lines.

The markets in which the Guarantor operates are highly competitive. Financial sector reforms in the markets in which it operates have increased competition among both local and foreign financial institutions, and it believes that this trend will continue. For example, the adoption of the euro as the common currency throughout the EU is making it easier for European banks to compete against it in Spain. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete.

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

- department stores (for some credit products);
- leasing companies;
- factoring companies;

- mutual funds;
- pension funds; and
- insurance companies.

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

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

The Guarantor's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by national governments, domestic and international economic and political conditions and other factors.

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

In addition, income from treasury operations is particularly vulnerable to interest rate volatility. Since approximately 69 per cent. of the Guarantor's portfolio consists of variable interest rate loans maturing in more than one year, rising interest rates may also bring about an increase in the non-performing loan portfolio.

The Guarantor must adopt new accounting standards in 2005 that will impact on its financial reporting.

In 2004 the Guarantor prepared its financial statements in accordance with Spanish GAAP, and prepared a reconciliation of certain items to U.S. GAAP as required by SEC regulations. Under current EU law, listed EU companies had to apply from 1st January, 2005 International Financial Reporting Standards ("**IFRS**") adopted by the EU in preparing their consolidated financial statements.

Applying these standards to the Guarantor's consolidated financial statements will imply a change in the presentation of its financial information since the financial statements will include more components and reflect classification differences, and additional disclosure will be required. Additionally, there will be a change in the valuation of certain items. Regarding the former, at this moment it is not possible to determine the exact impact that this new regulation will entail compared to Spanish GAAP, since new pronouncements from the International Accounting Standards Board ("**IASB**"), or pronouncements that are not endorsed by the EU prior to the preparation of its 31st December, 2005 consolidated financial statements, may have an impact on its financial statements. Regarding the latter, the Guarantor has performed a preliminary analysis of how the adoption of IFRS will impact its financial condition and results of operations. The Guarantor cannot be sure, however, that it will not experience any decreases in its shareholders' equity or that its net income, each as calculated under IFRS, will not decrease when it prepares its 2005 consolidated financial statements under IFRS. The Guarantor cannot be sure that any such decrease in shareholders' equity or net income would not have a material adverse effect on its results of operations and financial condition.

Risks Relating to Latin America.

The devaluation of the Argentine peso, high inflation and other adverse macroeconomic conditions in Argentina and related emergency measures adopted by the Argentine government in 2001 and 2002, have had, and may continue to have, a material adverse effect on the Guarantor's business, financial condition and results of operations.

The Argentine economy experienced a severe crisis in 2001 and 2002 marked by the continued movement of capital out of Argentina, the end of convertibility of the peso, devaluation, and the return of inflation. The crisis had a strong impact on the financial system and jeopardised the solvency and liquidity of banks. In 2003 and 2004, the Argentine economy stabilised and experienced significant growth but uncertainty regarding the scope, sustainability and pace of the recovery remained.

The Argentine economic and social situation has quickly deteriorated in the past and may quickly deteriorate in the future and the Guarantor cannot be sure that the Argentine economy will continue to experience sustained growth.

The emergency measures adopted by the Argentine government in response to the economic crisis at the end of 2001 and during 2002 that affected the Guarantor's results of operations included: freezing public debt payments, ending convertibility between the Argentinean peso and the dollar, imposing cash withdrawal limits on sight and savings accounts, re-scheduling of term deposit maturities and converting dollar assets and liabilities to pesos at different exchange rates.

As a result of the emergency measures described below under "*Description of Banco Bilbao Vizcaya Argentaria, S.A.*", the Guarantor has written off its entire investment in Argentina to date. However, despite its provisions and write-downs, a deterioration in the Argentine economy or further emergency measures adopted by the government in Argentina could have a material adverse effect on its business, financial condition and results of operations.

The Guarantor cannot be sure that the laws and regulations currently governing the Argentinean economy will not change in the future, or that any changes which may occur will not adversely affect its business, financial condition or results of its operations in the country, or the business which it transacts with counterparties located in the country.

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

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

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

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

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

Financial and securities markets in Latin American countries in which the Guarantor operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition and operating results of its subsidiaries in Latin America.

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

The Guarantor operates commercial banks in 10 Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. It is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation of assets. The Guarantor's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. The Guarantor's expansion in these markets requires it to respond to rapid changes in market conditions in these countries. It cannot be sure that it will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

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

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

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

Factors which are material for the purpose of assessing the market risks associated with the Preferred Securities

The Preferred Securities may not be a suitable investment for all investors.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Securities, the merits and risks of investing in the Preferred Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Securities and the impact the Preferred Securities will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Securities, including where the currency for distributions is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Preferred Securities and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Preferred Securities are subject to optional redemption by the Issuer, subject to the prior consent of the Bank of Spain.

The optional redemption feature of the Preferred Securities is likely to limit their market value. During any period when the Issuer may elect to redeem the Preferred Securities, the market value of the Preferred Securities 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 Issuer may be expected to redeem the Preferred Securities when its cost of borrowing is lower than the distribution rate payable on the Preferred Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the distribution rate on the Preferred Securities 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.

The Issuer's obligations under the Preferred Securities are subordinated.

The Issuer's obligations under the Preferred Securities will be unsecured and subordinated and will rank (a) junior in priority of payment to all liabilities of the Issuer including subordinated liabilities, (b) *pari passu* with each other and with any Parity Securities (as defined in "*Conditions of the Preferred Securities*") of the Issuer and (c) senior to the Issuer's ordinary shares. Although the Preferred Securities may pay a higher distribution rate than comparable securities which are not subordinated or as subordinated as the Preferred Securities, there is a real risk that an investor in the Preferred Securities will lose all or some of his investment should the Issuer and the Guarantor become insolvent.

The payment of Distributions, the Liquidation Distribution, the Early Redemption Amount and the Redemption Price (each as defined in "*Conditions of the Preferred Securities*") in respect of the Preferred Securities has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee. The Guarantor's obligations under the Guarantee will be unsecured and subordinated and will rank (a) junior in priority of payment to all liabilities of the Guarantor (including subordinated liabilities), (b) *pari passu* with any Parity Securities issued by the Guarantor and any obligation assumed by the Guarantor under any guarantee of any Parity Securities of any subsidiary and (c) senior to the Guarantor's ordinary shares and any other class of share capital expressed to rank junior as to participation in profits to the Guarantor's obligations under the Guarantee.

After payment in full of unsubordinated claims, but before distributions to shareholders, under articles 92 and 158 of Law 22/2003, of 9th July, on Insolvency as amended ("**Law 22/2003**"), the Issuer and the Guarantor will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts; (iii) interest; (iv) fines; (v) claims of creditors which are related to the Issuer or the Guarantor; and (vi) detrimental claims against the Issuer or the Guarantor where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*).

Risks related to the Preferred Securities generally

Set out below is a brief description of certain risks relating to the Preferred Securities generally.

Trading in the clearing systems.

Although the Preferred Securities have a liquidation preference of Euro 50,000 per Preferred Security, it is possible that the Preferred Securities may be traded in the clearing systems in amounts in excess of Euro 50,000 that are not integral multiples of Euro 50,000. In such a case, should definitive Preferred Securities be required to be issued, a holder who does not have an integral multiple of Euro 50,000 in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Preferred Securities unless and until such time as his holding becomes an integral multiple of Euro 50,000.

Change of law.

The conditions of the Preferred Securities are based on Spanish 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 law or administrative practice after the date of this Offering Circular.

EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to 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 Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Preferred Security as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Risks related to the market generally

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

The secondary market generally.

The Preferred Securities 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 Preferred Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Preferred Securities.

Exchange rate risks and exchange controls.

Payments made by the Issuer and the Guarantor will be in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (i) the Investor's Currency-equivalent yield on the Preferred Securities, (ii) the Investor's Currency-equivalent value of the redemption monies payable on the Preferred Securities and (iii) the Investor's Currency-equivalent market value of the Preferred Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less than expected, or may receive nothing at all.

Interest rate risk

Investment in the Preferred Securities involves the risk that changes in market interest rates (prior to 22nd September, 2015) may adversely affect the value of the Preferred Securities.

Credit ratings may not reflect all risks.

The Preferred Securities are expected, upon issue, to be assigned an A1 rating by Moody's, an A rating by Fitch and an A- rating by S&P. 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 Preferred Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(1) the Guarantor's annual report on Form 20-F for the fiscal year ended 31st December, 2004 filed with the U.S. Securities and Exchange Commission (which includes, on pages F-1 to F-176 thereof, the published annual audited consolidated financial statements of the Guarantor as at, and for each of the years ending, 31st December, 2004, 31st December, 2003 and 31st December, 2002 (including the audit report issued in respect thereof)); and

(2) the published semi-annual interim unaudited financial statements of the Guarantor (on a consolidated basis) for the six month period ending 30th June, 2005,

provided that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document all or the relative portion of which is subsequently incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of documents incorporated by reference in this Offering Circular can be obtained from the Bank at Paseo de la Castellana, 81, 28046 Madrid and from the Principal Paying Agent at 5 Carmelite Street, London EC4Y 0PA.

CONDITIONS OF THE PREFERRED SECURITIES

The Preferred Securities (as defined below) are issued by virtue of (i) the shareholders meeting of BBVA International Preferred, S.A. Unipersonal (the "**Issuer**"), held on 6th July, 2005 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 6th July, 2005 and the giving of the Guarantee (as defined below) has been authorised by the meeting of the Board of Directors (*Consejo de Administración*) of Banco Bilbao Vizcaya Argentaria, S.A. (the "**Bank**"), held on 6th May, 2005 (together, the "**Corporate Resolutions**") and in accordance with the Law 13/1985, of 25th May, on investment ratios, capital adequacy and information requirements for financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros*) as amended by Law 19/2003, of 4th July, on the legal regime on movements of capital and economic transactions and the prevention of money laundering (*Ley 19/2003, de 4 de julio, sobre el regimen jurídico de los movimientos de capitales y de las transacciones económicos con el exterior y sobre determinadas medidas de prevención del blanqueo de dinero*) ("**Law 19/2003**").

The Preferred Securities will be created by virtue of a public deed registered with the Mercantile Registry of Vizcaya on or about the Closing Date (as defined below) (the "**Public Deed of Issuance**").

Paragraphs in italics are a summary of certain procedures of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**" and, together with Euroclear, the "**European Clearing Systems**") and certain other information applicable to the Preferred Securities and will not be included in the Public Deed of Issuance. The European Clearing Systems may, from time to time, change their procedures.

1. Definitions

For the purposes of the Preferred Securities, the following expressions shall have the following meanings:

"**Adjusted Yield**" means the Bond Yield plus 0.50 per cent.;

"**Agency Agreement**" means the agency agreement dated 22nd September, 2005 relating to the Preferred Securities;

"**Agent Bank**" means Citibank, N.A. and includes any successor agent bank appointed in accordance with the Agency Agreement;

"**Agents**" means the agents appointed in accordance with the Agency Agreement;

"**Bond Yield**" means the rate per annum equal to the annual yield to maturity of the Comparable Bond Issue, assuming a price equal to the Comparable Bond Price for the Calculation Date;

"**Calculation Agent**" means Citibank, N.A. and includes any successor calculation agent appointed in accordance with the Agency Agreement;

"**Calculation Date**" means the third TARGET Settlement Day prior to the Early Redemption Date;

"**CET**" means Central European Time;

"**Closing Date**" means 22nd September, 2005;

"**Comparable Bond Issue**" means, with respect to the Early Redemption Date, the bond selected by the Quotation Agent that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity from the Early Redemption Date to the First Call Date;

"**Comparable Bond Price**" means (a) the average of five Reference Bond Dealer Quotations, after excluding the highest and lowest such Reference Bond Dealer Quotations (or, in the case of repeated highest and/or lowest quotations, only one of such repeated highest and/or lowest quotations), or (b) if the Quotation Agent obtains fewer than five such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations;

"**Distributions**" means the non-cumulative cash distributions determined in accordance with paragraph 2 below;

"**Distribution Payment Date**" means each Distribution Payment Date (Fixed) and each Distribution Payment Date (Floating);

"**Distribution Period**" means the period from and including one Distribution Payment Date (Fixed) (or, in the case of the first Distribution Period, the Closing Date) or Distribution Payment Date (Floating) (as the case may be) to but excluding the next Distribution Payment Date (Fixed) or Distribution Payment Date (Floating) (as the case may be);

"**Distributable Profits**" means, in respect of any Fiscal Year of the Bank, the lesser of the net profit (calculated in accordance with the Bank of Spain's calculation standards), of (i) the Bank or (ii) the Group, in each case, as reflected in the reserved financial statements of the Bank and the Group, respectively, submitted to the Bank of Spain in compliance with regulations applicable from time to time to financial institutions relating to their obligation to file such financial statements. For reserved financial statements for 2004, the standards contained in Circular 4/1991, 14th June, on accounting standards and formats of financial statements shall be applicable and, for reserved financial statements for 2005 and beyond, Circular 4/2004, 22nd December, on Public and Restricted Financial Reporting Standards and Model Financial Statements shall be applicable. In the event that on any Distribution Payment Date, the reserved financial statements of the Bank and/or the Group, respectively, referred to above have not been submitted to the Bank of Spain, the Distributable Profits shall be the lesser of the net profit (calculated in accordance with the Bank of Spain's calculation standards), of (i) the Bank or (ii) the Group, in each case determined by reference to the latest reserved financial statements of the Bank and the Group, respectively, submitted to the Bank of Spain. In all cases, the net profit shown in the reserved financial statements of the Bank and the Group, respectively, shall be audited figures and if the net profit figure contained in such reserved financial statements is different from that contained in the published annual financial statements of the Group, prepared in accordance with Circular 4/2004, 22nd December, on Public and Restricted Financial Reporting Standards and Model Financial Statements, the amount of, and reason for, such difference shall be highlighted by the Bank in the relevant annual report prepared by it containing such published annual financial statements of the Group;

The reserved financial statements of the Bank and the Group, respectively, are prepared for, and delivered to, the Bank of Spain purely for supervisory reasons as required under applicable Spanish law.

"**Early Redemption Amount**" means an amount payable in respect of each Preferred Security, which shall be (a) if the Early Redemption Date falls before the First Call Date, the higher of (i) the Redemption Price and (ii) the Make Whole Amount and (b) otherwise, the Redemption Price;

"**Euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

"**Euro-zone**" means the region comprised by Member States of the European Union which have adopted the Euro in accordance with the Treaty establishing the European Community, as amended;

"**Fiscal Year**" means the accounting year of the Issuer or the Bank, as the case may be, as set out in its by-laws;

"**General Meeting**" means the general meeting of holders of preferred securities (*participaciones preferentes*) of the Issuer (including holders of the Preferred Securities) convened in accordance with the Regulations;

"**Group**" means the Bank together with its consolidated Subsidiaries;

"**Guarantee**" means the guarantee dated 22nd September, 2005 and given by the Bank in respect of the Issuer's obligations under the Preferred Securities for the benefit of holders of Preferred Securities;

"**Liquidation Distribution**" means, subject to the limitation set out under paragraphs 2.5 and 2.8, the Liquidation Preference per Preferred Security plus, if applicable, pursuant to paragraphs 2.5 and 2.8 below, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the Liquidation Distribution;

"**Liquidation Preference**" means Euro 50,000 per Preferred Security;

"**Make Whole Amount**" means an amount in Euro rounded to the nearest cent (half a cent being rounded upwards), as determined by the Calculation Agent, equal to the sum of (a) the then present value of the Liquidation Preference, and (b) the then present values of the scheduled Distribution amounts, calculated on the basis of the Liquidation Preference, from (and including) the Early Redemption Date to the First Call Date. The present values of (a) and (b) shall be calculated by discounting the Liquidation Preference and the scheduled Distribution amounts from the Early Redemption Date to the First Call Date at the Adjusted Yield on the basis of the Day Count Fraction (Fixed);

"**Offering Circular**" means the offering circular dated 20th September, 2005 relating to the Preferred Securities;

"**Parity Securities**" means (as the case may be) any preferred securities (*participaciones preferentes*) issued under Law 19/2003 from time to time by the Bank, the Issuer, or by any other Subsidiary which is guaranteed by the Bank or any preferential participations, preferential shares or preference shares (*acciones preferentes*) issued prior to the Closing Date by any other Subsidiary incorporated outside The Kingdom of Spain and which are guaranteed by the Bank;

"**Paying Agents**" means the Principal Paying Agent and the other paying agent named in the Agency Agreement and includes any successors thereto appointed from time to time in accordance with the Agency Agreement;

"**Payment Business Day**" means a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for foreign exchange dealings and on which TARGET is operating;

"**Preferred Securities**" means the Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Securities issued by the Issuer on the Closing Date;

"**Primary Bond Dealer**" means any credit institution or financial services institution that regularly deals in bonds and other debt securities;

"**Principal Paying Agent**" means Citibank, N.A. (or any successor Principal Paying Agent appointed by the Issuer from time to time and notice of whose appointment is published in the manner specified in paragraph 8 below);

"**Quotation Agent**" means any international bank or securities firm in London of international repute, appointed by the Issuer for the purpose of carrying out the role of Quotation Agent in respect of the Preferred Securities;

“**Redemption Price**” means the Liquidation Preference plus accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption per Preferred Security;

“**Reference Banks**” means any four major banks in the euro-zone interbank market selected by the Agent Bank, with the agreement of the Bank;

“**Reference Bond Dealer**” means either the Quotation Agent or any other Primary Bond Dealer selected by the Quotation Agent after consultation with the Issuer;

“**Reference Bond Dealer Quotations**” means the average, as determined by the Quotation Agent, of the bid and ask prices for the Comparable Bond Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Bond Dealer at 11:00 a.m. (London time) on the Calculation Date;

“**Relevant Screen Page**” means Moneyline Telerate Screen Page 248 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month EURIBOR;

“**Subsidiary**” means any entity over which the Bank may have, directly or indirectly, control in accordance with Article 4 of the Securities Market Act (*Ley del Mercado de Valores*);

“**Syndicate**” means the syndicate of all holders of preferred securities (*participaciones preferentes*) of the Issuer (including holders of the Preferred Securities);

“**TARGET**” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System; and

“**TARGET Settlement Day**” means any day on which TARGET, or any successor thereto, is operating.

2. Distributions

2.1 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) the Closing Date to (but excluding) 22nd September, 2015 at the rate of 3.798 per cent. per annum (the “**Distribution Rate (Fixed)**”) payable in arrear on 22nd September in each year falling on or before 22nd September, 2015 (each, a “**Distribution Payment Date (Fixed)**”).

If a Distribution is required to be paid in respect of a Preferred Security on any other date, it shall be calculated by the Agent Bank by applying the Distribution Rate (Fixed) to the Liquidation Preference in respect of each Preferred Security, multiplying the product by the Day Count Fraction (Fixed) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For this purpose, “**Day Count Fraction** (**Fixed**)” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and “**Regular Period**” means each period from (and including) a Distribution Payment Date (Fixed) (or, in the case of the first period, the Closing Date) to (but excluding) the next Distribution Payment Date (Fixed).

2.2 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) 22nd September, 2015, payable on 22nd December, 22nd March, 22nd June and 22nd September in each year falling after 22nd September, 2015 (each, a “**Distribution Payment Date (Floating)**”); provided, however, that if any Distribution Payment Date (Floating) would otherwise fall on a date which is not a TARGET Settlement Day, it will be postponed to the next TARGET Settlement Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding TARGET Settlement Day. Each period beginning on (and including) a Distribution Payment Date

(Floating) (or, in the case of the first period, 22nd September, 2015) to (but excluding) the next Distribution Payment Date (Floating) is a "**Distribution Period (Floating)**".

The rate of Distributions applicable to the Preferred Securities (the "**Distribution Rate (Floating)**") for each Distribution Period (Floating) will be determined by the Agent Bank by applying the rate equal to Three Month EURIBOR plus 0.65 per cent. plus 1.00 per cent. per annum to the Liquidation Preference in respect of each Preferred Security multiplying the product by the Day Count Fraction (Floating) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For this purpose, "**Day Count Fraction (Floating)**" means the number of days in the period from and including the date from which the relevant Distribution begins to accrue for the relevant period of calculation to but excluding the date on which it falls due, divided by 360.

2.3 For the purpose of calculating the Distribution Rate (Floating), "**Three Month EURIBOR**" means the rate for deposits in Euro which appears on the Relevant Screen Page as at 11:00 am (Brussels time) (or such other time as may be customary for the daily reset of such rate) on the day that is two TARGET Settlement Days preceding the first day of the relevant Distribution Period (Floating).

If such rate does not appear on the Relevant Screen Page on the day that is two TARGET Settlement Days preceding the first day of the relevant Distribution Period (Floating), Three Month EURIBOR for the relevant Distribution Period (Floating) will be determined on the basis of the rates at which three month deposits in Euro are offered by the Reference Banks at approximately 11:00 am (Brussels time) on the day that is two TARGET Settlement Days preceding the first day of the relevant Distribution Period (Floating) to prime banks in the Euro-zone interbank market for a period of three months commencing on the first day of the relevant Distribution Period (Floating) and in an amount that is representative for a single transaction in the relevant market at the relevant time. The Agent Bank will request the principal Euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, Three Month EURIBOR for the relevant Distribution Period (Floating) will be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Three Month EURIBOR for the relevant Distribution Period (Floating) will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank at approximately 11:00 am (Brussels time) on the day that is two TARGET Settlement Days preceding the first day of the relevant Distribution Period (Floating) for loans in Euro to leading banks in the Euro-zone for a period of three months commencing on the first day of such Distribution Period (Floating) and in an amount that is representative for a single transaction in the relevant market at the relevant time, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, Three Month EURIBOR for such Distribution Period (Floating) shall be either (i) Three Month EURIBOR in effect for the last preceding Distribution Period (Floating) to which one of the preceding subparagraphs of this definition of Three Month EURIBOR shall have applied or (ii) if none, the Distribution Rate (Fixed).

The Agent Bank shall, as soon as practicable after 11:00 am (Brussels time) on each day on which the Distribution Rate (Floating) is calculated, determine, subject as provided in paragraph 2.5 below, the Distribution payable on each Preferred Security for the relevant Distribution Period (Floating).

The Agent Bank shall cause the Distribution Rate (Floating) and the Distribution payable, subject as provided in paragraphs 2.5 and 2.8 below, for each Distribution Period (Floating) and the relative Distribution Payment Date (Floating) to be notified to the Issuer, the Bank, the Principal Paying Agent and, for so long as any Preferred Security is admitted to the official list maintained by the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") and is admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market, the London Stock Exchange plc as soon as possible after their determination but in no event later than the first day of the relevant period. The Distribution Rate (Floating) and Distribution Payment Date (Floating) may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Distribution Period (Floating).

2.4 The Issuer will be discharged from its obligations to pay Distributions declared on the Preferred Securities by payment to the Agent Bank for the account of the holder of the relevant Preferred Securities on or after the relevant Distribution Payment Date. Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in Euro by transfer to an account capable of receiving Euro payments, as directed by the Agent Bank.

If any date on which any payment is due to be made on the Preferred Securities would otherwise fall on a date which is not a Payment Business Day, it will be postponed to the next Payment Business Day and the holder shall not be entitled to any further interest or other payment in respect of any such delay.

In order to facilitate compliance with Law 19/2003, Royal Decree 1778/2004, Royal Decree 4/2004 and Order of 22nd December 1999, the Issuer, the Guarantor, the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and their respective participants have initially established certain procedures to ensure that each payment (where applicable subject to withholding in accordance with paragraph 7) shall be received by the Principal Paying Agent for the account of such person as Euroclear, Clearstream, Luxembourg or their respective participants, as the case may be, have certified to be the beneficial owner (titular) of the relevant Preferred Security in their "certificate for own account investments" or "certificate for third party investments" as of the Distribution Payment Date in accordance with the procedures described in the Agency Agreement.

As at the date of this Offering Circular, the European Clearing Systems are in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Offering Circular is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Managers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

It is intended that the Preferred Securities will be represented by a global Preferred Security in bearer form for the total number of the Preferred Securities. Such global Preferred Security will be delivered into the physical custody of a common depositary for the European Clearing Systems on or about the Closing Date. The European Clearing Systems will make payment of any amounts received by them to their accountholders in accordance with their published rules and regulations.

2.5 Investors' rights to receive Distributions on the Preferred Securities are conditional upon the following:

2.5.1 the aggregate of such Distributions, together with any other distributions previously paid during the then-current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; or

2.5.2 even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or on Parity Securities issued by it.

Except for the limitations set out above, Distributions on the Preferred Securities will be payable, on each Distribution Payment Date, out of the Issuer's own legally available resources and distributable items.

2.6 If the Issuer does not pay a Distribution with respect to a Distribution Period (as contemplated herein) other than as a result of the limitations set out in paragraph 2.5 above, the Issuer's payment obligation in respect thereof will be satisfied if and to the extent that the Bank pays such Distribution pursuant to the Guarantee.

2.7 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if Distributions are not paid on a Distribution Payment Date in respect of the Preferred Securities as a result of the limitations set out in paragraph 2.5 above or are paid partially then the right of the holders of the Preferred Securities to receive a Distribution or an unpaid part thereof in respect of the relevant Distribution Period will be extinguished and neither the Issuer nor the Bank will have any obligation to pay the Distribution accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

2.8 If, as a result of the limitations described in paragraph 2.5 above, a Distribution is not paid in full on the Preferred Securities, all distributions paid upon the Preferred Securities and any Parity Securities will be paid *pro rata* in relation to the liquidation preference of such securities. Therefore, the Distribution amount to be received by the holders of Preferred Securities on such Distribution Payment Date will depend on the total liquidation preference amount of the outstanding Preferred Securities and Parity Securities, and on the distributions scheduled to be paid on such securities, each as of the time of such payment.

2.9 If Distributions are not paid in full on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the limitations set out above, then neither the Issuer nor the Bank shall pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Bank's obligations under the Guarantee, as the case may be, until such time as the Issuer or the Bank shall have resumed the payment in full of Distributions on the Preferred Securities on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating).

2.10 Save as described in this paragraph 2, the Preferred Securities will confer no right to participate in the profits of the Issuer.

3. Liquidation Distribution

3.1 Subject as provided below, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, the Preferred Securities will confer an entitlement to receive out of the assets of the Issuer available for distribution to holders of Preferred Securities, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares or any other class of shares of the Issuer ranking junior to the Preferred Securities.

The payment of the Liquidation Distribution is guaranteed by the Bank.

3.2 Notwithstanding the availability of sufficient assets of the Issuer to pay a full liquidation distribution in respect of the Preferred Securities or any Parity Securities of the Issuer if, at the time such liquidation distribution is to be paid, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), the liquidation distribution relating to all Parity Securities (including the Preferred Securities), shall not exceed the amount which would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, of all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to the Guarantee) had Parity Securities (including the Preferred Securities) been issued by the Bank and ranked (A) junior to all creditors of the Bank, (B) *pari passu* with the Parity Securities, if any, of the Bank, and

(C) senior to the Bank's ordinary shares. The Issuer shall be released from its obligation to pay such Liquidation Distributions by payment to the bearer of the relevant Preferred Securities.

3.3 If, upon any Liquidation Distribution described in paragraph 3.1 being made, the amounts payable are limited by reason of paragraph 3.2, such amounts will be payable *pro rata* among holders of Parity Securities in proportion to the amounts that would have been payable but for such limitation, taking into account that the liquidation preference for each series of preferred securities of the Issuer may be different, the payment of such liquidation preference amounts will be made *pro rata* to the aggregate of the liquidation preference of the preferred securities held by each holder, and not by reference to the number of preferred securities held by each holder. After payment of the full or limited Liquidation Distribution in respect of a Preferred Security as described in paragraphs 3.1 and 3.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Issuer.

Except as provided in paragraph 3.2 above, the Bank undertakes not to permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

4. Optional Redemption

4.1 Subject to paragraphs 4.2 and 4.3 below, the Preferred Securities shall not be redeemable prior to the Distribution Payment Date falling on 22nd September, 2015 (the "**First Call Date**"). All, or some only, of the Preferred Securities may be redeemed at the option of the Issuer, subject to the prior consent of the Bank and the Bank of Spain, on any Distribution Payment Date falling on or after the First Call Date, at the Redemption Price per Preferred Security.

In the case of a partial redemption of the Preferred Securities, redemption will be effected on a *pro rata* basis in relation to the Liquidation Preference of the Preferred Securities and the Liquidation Preference of the Preferred Securities shall be reduced accordingly.

4.2 If, prior to the First Call Date, the Preferred Securities cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations, as a result of a change in Spanish law, applicable Spanish banking regulations or any change in the official application or interpretation thereof becoming effective on or after the Closing Date, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date (the "**Early Redemption Date**"), at the Early Redemption Amount per Preferred Security.

4.3 If, as a result of a tax law change on or after the Closing Date, the Issuer or the Bank, as the case may be, would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Issuer or the Bank, as the case may be, would be materially reduced, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date, at the Redemption Price per Preferred Security.

4.4 The decision to redeem the Preferred Securities must be irrevocably notified by the Issuer upon not less than 30 nor more than 60 days' notice prior to the relevant redemption date in accordance with paragraph 8 below.

4.5 If the Issuer gives notice of redemption of the Preferred Securities, then by 12:00 (London time) on the relevant redemption date, the Issuer will:

4.5.1 irrevocably deposit with the Principal Paying Agent funds sufficient to pay the Redemption Price or the Early Redemption Amount, as the case may be; and

4.5.2 give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price or the Early Redemption Amount, as the case may be, to the holders of the Preferred Securities.

4.6 If the notice of redemption has been given, and the funds deposited as required, then on the date of such deposit:

4.6.1 distributions on the Preferred Securities called for redemption shall cease;

4.6.2 such Preferred Securities will no longer be considered outstanding; and

4.6.3 the holders will no longer have any rights as holders except the right to receive the Redemption Price.

4.7 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Issuer or the Bank improperly withholds or refuses to pay the Redemption Price or the Early Redemption Amount, as the case may be, of the Preferred Securities, Distributions will continue to accrue at the rate specified from the redemption date to the date of actual payment of the Redemption Price or the Early Redemption Amount, as the case may be.

5. Purchases of Preferred Securities

In order to comply with certain Spanish capital adequacy regulations in force as at the Closing Date, neither the Issuer, the Bank nor any Subsidiary shall at any time purchase Preferred Securities, save with the prior consent of the Bank of Spain and in any event no earlier than the First Call Date. Notwithstanding the foregoing, if Spanish law were to change and such purchases were permitted before the First Call Date then, subject to the applicable law then in force, the Issuer, the Bank or any other Subsidiary may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Any Preferred Securities so purchased by the Issuer, the Bank or any other Subsidiary shall be cancelled immediately.

6. Constitution of the Syndicate and Exercise of Rights by Holders of Preferred Securities

6.1 The Syndicate will be constituted upon registration of the Public Deed of Issuance with the Mercantile Registry of Vizcaya. The rules governing the functioning of the Syndicate and the rules governing its relationship with the Issuer are contained in the regulations of the Syndicate (the "**Regulations**") attached to the Public Deed of Issuance.

By purchasing this Preferred Security, the holder hereof automatically becomes a member of the Syndicate and is also deemed to have agreed to the terms of the Regulations and the appointment of the *Comisario* (the "**Commissioner**") in accordance with the terms of the Regulations. The Commissioner shall be the chairperson and the legal representative of the Syndicate. The Issuer shall also regulate the automatic membership of the Syndicate of each holder of any other preferred securities issued by the Issuer from time to time. Each such holder shall, upon purchasing the relevant preferred security issued by the Issuer, agree to automatically become a member of the Syndicate and shall be deemed to have accepted the terms of the Regulations and the appointment of the Commissioner. No person shall be entitled to purchase any preferred security issued by the Issuer from time to time without becoming a member of the Syndicate. All holders of preferred securities issued by the Issuer from time to time shall only be entitled to exercise their rights as holders of such preferred securities in accordance with the terms of the Regulations.

The object and purpose of the Syndicate is to regulate the voting rights of the holders of preferred securities issued from time to time by the Issuer and to govern the relationship between such holders. The registered office of the Syndicate is Paseo de la Castellana, 81, 28046 Madrid.

6.2 The holders of the Preferred Securities will have no voting rights. Notwithstanding the foregoing, the holders of the Preferred Securities will, in the circumstances set out in paragraphs 6.2.1, 6.2.2 and 6.2.3 below, have the right to participate in the adoption of certain decisions in the General Meetings.

6.2.1 Failure to pay Distributions

(a) In the event that neither the Issuer nor the Bank (by virtue of the Guarantee) pays full Distributions in respect of the Preferred Securities on any Distribution Payment Date (Fixed) or on four consecutive Distribution Payment Dates (Floating), the holders of the Preferred Securities may, through the General Meeting, resolve to appoint two further members to the board of directors of the Issuer and may also remove or replace such directors.

These rights will be enjoyed not only by the holders of Preferred Securities, but shall be exercised together with all other holders of preferred securities of the Issuer and in respect of which the Issuer and the Bank have also failed to make payments.

In the event that the Issuer issues further preferred securities the holders of all preferred securities in respect of which the Issuer and Bank have failed to meet their payment obligations in accordance with their respective terms must act together as a single class in the adoption of any resolution referred to in paragraph (b) below.

(b) Any resolution appointing, removing or replacing any directors of the board of directors of the Issuer shall be made by a majority (at least 51 per cent.) of the aggregate liquidation preference of the preferred securities of the Issuer in respect of which the Issuer or the Bank has failed to pay distributions in accordance with their respective terms.

It should be noted that liquidation preferences may be different for different series of preferred securities.

(c) The Commissioner will convene a General Meeting of holders of Preferred Securities within thirty days following the non-payment of Distributions as set out in paragraph (a) above. If the Commissioner does not convene the General Meeting within thirty days, the holders of the preferred securities representing at least 10 per cent. of the aggregate liquidation preference of the preferred securities may convene such meeting.

(d) The rules governing the convening and holding of General Meetings are set out in Chapter II of the Regulations.

(e) Immediately following a resolution for the appointment or the removal of additional members to or from the board of directors of the Issuer, the Commissioner shall give notice of such appointment or removal to:

(i) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and

(ii) the shareholders of the Issuer, so that they may hold a universal meeting of shareholders.

The shareholder of the Issuer has undertaken to vote in favour of the appointment or removal of the directors so named by a General Meeting and to take all necessary measures to approve such appointment or removal. Under the articles of the Issuer, the board of directors must have a minimum of three members and a maximum of 12.

As at the date of the Offering Circular the board of directors has five directors.

(f) The foregoing shall apply, in respect of the Preferred Securities, provided that, where the Issuer has failed to fulfil its obligation to make Distributions in respect of the Preferred Securities, the Bank has not discharged such obligations pursuant to the Guarantee.

(g) Any member of the board of directors of the Issuer named pursuant to the foregoing shall vacate his position if, subsequent to the circumstances giving rise to his appointment, the Issuer or the Bank makes Distributions in respect of the Preferred Securities on any Distribution Payment Date (Fixed) or on four consecutive Distribution Payment Dates (Floating).

(h) Both the appointment and the dismissal of directors shall be notified by the Issuer in accordance with paragraph 8 below.

6.2.2 Amendment to the Terms and Conditions of the Preferred Securities, further Issuances and no Seniority

(a) Any amendment to the terms and conditions of the Preferred Securities shall be approved by the holders of the Preferred Securities. Such amendments will be approved with the written consent of holders of at least two-thirds of all outstanding Preferred Securities or by a resolution of at least two-thirds of the holders of all outstanding Preferred Securities adopted in a General Meeting.

(b) If the Issuer, or the Bank under any guarantee, has paid in full the most recent distribution payable on each series of the Issuer's preferred securities, the Issuer may without the consent or sanction of the holders of its preferred securities: (i) take any action required to issue additional preferred securities or authorise, create and issue one or more other series of preferred securities of the Issuer ranking equally with the Preferred Securities, as to the participation in the profits and assets of the Issuer, without limit as to the amount; or (ii) take any action required to authorise, create and issue one or more other classes or series of shares of the Issuer ranking junior to the Preferred Securities, as to the participation in the profits or assets of the Issuer.

(c) By purchasing this Preferred Security, the holder hereof agrees to renounce any rights of seniority or preference that may be conferred upon it (if any) under applicable Spanish law over any holder of such other preferred securities issued by the Issuer from time to time and which are created by virtue of a public deed registered in accordance with applicable Spanish law.

6.2.3 Liquidation, Dissolution or Winding-up of the Issuer

If the shareholders of the Issuer propose a resolution providing for the liquidation, dissolution or winding-up of the Issuer, the holders of all the outstanding preferred securities of the Issuer:

(a) will be entitled to receive notice, through the Commissioner, of the general meeting of shareholders called to adopt this resolution provided that only the Commissioner shall be entitled to attend, but without any right to vote at, such general meeting of shareholders; and

(b) will be entitled to hold a separate and previous General Meeting and vote together as a single class without regard to series on such resolution, but not on any other resolution.

Such resolution will not be effective unless approved by the holders of a majority in liquidation preference of all outstanding preferred securities of the Issuer.

The result of the above mentioned vote shall be disclosed by the Commissioner at the general shareholders meeting of the Issuer as well as the fact that the shareholders of the Issuer have undertaken to vote in the corresponding general shareholders meeting in accordance with the vote of the separate general meeting of holders. Notice, attendance or approval is not required if the liquidation, dissolution and winding-up of the Issuer is initiated due to (i) the liquidation, dissolution or winding up of the Bank; or (ii) a reduction in shareholders' equity of the Bank under Article 169 of the Corporations Law of Spain (*Ley de Sociedades Anónimas*).

The Issuer shall notify the Commissioner in writing of any meeting at which the holders of the Preferred Securities are entitled to vote. This notice will include a statement regarding: (i) the date, time and place of the meeting; and (ii) a description of any resolution to be proposed for adoption at the meeting at which the holders are entitled to vote; and (iii) instructions for the delivery of proxies. The Commissioner will convene a General Meeting accordingly.

The Bank has undertaken not to permit or take any action to cause the liquidation, dissolution or winding up of the Issuer, except as provided in paragraph 3.2 above.

6.3 The Preferred Securities do not grant their holders pre-emption rights in respect of any possible future issues of preferred securities by the Issuer, the Bank or any other Subsidiary.

6.4 Neither the Issuer nor any other Subsidiary nor the Bank may issue, or guarantee the issue of, any preferred securities or securities or other instruments equivalent to preferred securities ranking, either directly or through a guarantee, senior to the Preferred Securities, unless the Guarantee is amended so as to rank *pari passu* with any such issue of senior securities.

6.5 No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.

6.6 Notwithstanding that the Preferred Securities confer an entitlement to vote under any of the circumstances described above, neither the Bank nor any Subsidiary of the Bank, to the extent that it is a holder of preferred securities of the Issuer, shall be so entitled to vote.

7. Taxation

7.1 All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Bank (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Bank shall pay such additional amounts as would have been received had no such withholding or deduction been required.

7.2 Neither the Issuer nor the Bank shall be required to pay any additional amounts as referred to in paragraph 7.1 in relation to any payment in respect of Preferred Securities:

(i) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with The Kingdom of Spain other than the mere holding of Preferred Securities; or

(ii) to, or to a third party on behalf of, a holder in respect of whom the Issuer or the Bank, or the Paying Agent on its behalf, does not receive such details concerning such holder's identity and country of residence as it requires in order to comply with Law 19/2003, Royal Decree 1778/2004 of 30th July, Royal Legislative Decree 4/2004 of 5th March and Order of 22nd December, 1999; or

(iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

(iv) where the withholding or deduction referred to in paragraph 7.1 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a holder of Preferred Securities who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to a paying agent in another Member State of the European Union; or

(vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain or a resident of a tax haven (as defined in Royal Decree 1080/1991 of 5th July); or

(vii) to, or to a third party on behalf of, a Spanish resident corporate entity if the Spanish tax authorities determine that the Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27th July, 2004 and require a withholding to be made.

A list of the tax havens referred to in paragraph 7.2(vi) as at the date of this Offering Circular is set out on page 70 of this Offering Circular.

7.3 For the purposes of paragraph 7, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable has not been received by the Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders of Preferred Securities, notice to that effect shall have been duly given to the holders of Preferred Securities in accordance with paragraph 8 below.

See "Taxation and Disclosure of Holder Information in Connection with Payments of Distributions" for a fuller description of certain tax considerations (particularly in relation to holders which are resident in Spain) relating to the Preferred Securities, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Bank relating to the identity of holders of Preferred Securities.

8. Notices

Notices, including notice of any redemption of the Preferred Securities, will be given by the Issuer (i) so long as any Preferred Security is admitted to the official list maintained by the UK Listing Authority and is admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market, and the UK Listing Authority so requires, by publication in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or, if such a publication is not practicable, in a leading daily newspaper in English and having general circulation in Europe and (ii) by mail to Euroclear and Clearstream Luxembourg (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice, request or communication relates).

In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

Copies of any notices given to holders of the Preferred Securities shall also be sent to the Commissioner.

9. Form and Status

The Preferred Securities will be issued in bearer form.

It is intended that a global Preferred Security representing the Preferred Securities will be delivered by the Issuer to a common depositary for Euroclear and Clearstream, Luxembourg. As a result, accountholders should note that they will not themselves receive definitive Preferred Securities but instead Preferred Securities will be credited to their securities account with the relevant European Clearing System. It is anticipated that only in exceptional circumstances (such as the closure of Euroclear and Clearstream, Luxembourg, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from Euroclear and Clearstream, Luxembourg or failure to comply with the terms and conditions of the Preferred Securities by either the Issuer or the Bank) will definitive Preferred Securities be issued directly to such accountholders.

The Preferred Securities are unsecured and subordinated obligations of the Issuer and rank (a) junior to all liabilities of the Issuer including subordinated liabilities, (b) *pari passu* with each other and with any Parity Securities of the Issuer and (c) senior to the Issuer's ordinary shares.

10. Use of Proceeds

The net proceeds of the Preferred Securities are Euro 547,250,000 and in accordance with Law 19/2003 will be deposited in their entirety on a permanent basis with the Bank or with another member of the Group and will be used for the Group's general corporate purposes (including profit making).

The funds raised from the issue of the Preferred Securities and so deposited will be available to absorb losses of the Bank if and when they occur once there is a reduction in the shareholder's equity to zero and its reserves have been exhausted.

11. Agents

In acting under the Agency Agreement and in connection with the Preferred Securities, the Agents act solely as agents of the Issuer and the Bank and do not assume any obligations towards or relationship of agency or trust for or with any of the holders of the Preferred Securities.

The initial Agents and their initial specified offices are listed in the Agency Agreement. The Issuer and the Bank reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, a successor agent bank, a successor calculation agent and additional or successor paying agents; provided, however, that the Issuer and the Bank will maintain (i) a Principal Paying Agent, (ii) a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive and (iii) if, and for so long as, the Preferred Securities are admitted to the official list maintained by the UK Listing Authority and are admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market and the rules of the UK Listing Authority so require, a Paying Agent having its specified office in London.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the holders of the Preferred Securities.

12. Prescription

To the extent that article 950 of the Spanish Commercial Code (*Código de Comercio*) applies to the Preferred Securities, claims relating to the Preferred Securities will become void unless such claims are duly made within three years of the relevant payment date.

13. Governing Law and Jurisdiction

13.1 The Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

13.2 The Issuer hereby irrevocably agrees for the benefit of the holders of the Preferred Securities that the courts of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Preferred Securities and that accordingly any suit, action or proceedings arising out of or in connection with the Preferred Securities (together referred to as "**Proceedings**") may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of Madrid. Nothing contained in this clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

THE GUARANTEE

The following is the text of the Guarantee relating to the Preferred Securities.

THIS GUARANTEE (the "**Guarantee**"), dated 22nd September, 2005, is executed and delivered by Banco Bilbao Vizcaya Argentaria, S.A., a limited liability company (*sociedad anónima)* incorporated under the laws of the Kingdom of Spain (the "**Bank**" or the "**Guarantor**") for the benefit of the Holders (as defined below).

WHEREAS, the Bank wishes to procure the issue by BBVA International Preferred, S.A. Unipersonal, a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the "**Issuer**") of Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (the "**Preferred Securities**") and the Bank wishes to issue this Guarantee for the benefit of the Holders.

NOW, THEREFORE the Bank executes and delivers this Guarantee for the benefit of the Holders.

1. Interpretation

1.1 Definitions

As used in this Guarantee, the following terms shall, unless the context otherwise requires, have the following meanings:

"**Bank Shares**" means any ordinary shares of the Bank;

"**Conditions**" means the conditions of the Preferred Securities, as set out in the Offering Circular;

"**Fiscal Year**" means the accounting year of the Guarantor as set out in its by-laws;

"**Guarantee Payments**" means (without duplication) (i) any accrued but unpaid Distribution payable on the Preferred Securities for the most recent Distribution Period; (ii) the Redemption Price or the Early Redemption Amount, as the case may be, payable on the redemption of Preferred Securities; and (iii) the Liquidation Distributions due on the Liquidation Date;

"**Holder**" means any holder from time to time of any Preferred Security; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, Holder shall not include the Bank or any Subsidiary (including the Issuer);

"**Liquidation Date**" means the date of final distribution of the assets of the Issuer in the case of any liquidation, dissolution or winding-up of the Issuer (whether voluntary or involuntary);

"**Offering Circular**" means the offering circular dated 20th September, 2005 relating to the Preferred Securities; and

"**Spain**" means the Kingdom of Spain.

1.2 Other defined terms

Terms used but not defined in this Guarantee shall have the meanings ascribed thereto in the Conditions.

1.3 Clauses

Any reference in this Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 Headings

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Guarantee.

2. Guarantee

2.1 Guarantee

Subject to the limitations contained in the following paragraphs of this Clause 2, the Bank irrevocably, jointly (in Spanish, *solidariamente*) and unconditionally agrees to pay in full to the Holders, the Guarantee Payments (to the extent not paid by the Issuer), as and when due upon receipt of a notice by any Holder demanding payment, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is unconditional and irrevocable.

2.2 Limitations to the Guarantee Payments in relation to the Distributions

Notwithstanding Clause 2.1, a Holder's right to receive any Guarantee Payment in respect of Distributions (including accrued and unpaid Distributions relating to the Redemption Price, Early Redemption Amount or Liquidation Distribution) on any Preferred Securities is conditional upon the following:

2.2.1 the aggregate of such Distributions, together with any other distributions previously paid during the then current Fiscal Year and any distributions proposed to be paid during the then current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; or

2.2.2 even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations affecting financial institutions which fail to meet their capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or Parity Securities issued by it.

2.3 Limitations to the Guarantee Payments in relation to the Liquidation Distributions

Notwithstanding Clause 2.1, if, at the time that any liquidation distributions are to be paid by the Bank in respect of the Preferred Securities or any other Parity Securities, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporation Law *(Ley de Sociedades Anónimas*) the liquidation distribution with respect to all Parity Securities (including the Preferred Securities) shall not exceed the amount that would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, of all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to this Guarantee) had Parity Securities (including the Preferred Securities) been issued by the Bank and ranked (A) junior to all liabilities of the Bank, (B) *pari passu* with Parity Securities issued by the Bank, if any, and (C) senior to the Bank Shares.

2.4 Pro rata Payments

If the amounts described in Clause 2.1 cannot be paid by reason of any limitation referred to in Clause 2.2 or 2.3, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitations. The determination of any such limitation of the Bank's obligations under this Guarantee as set forth will be made on the relevant Distribution Payment Date, Early Redemption Date, redemption date or Liquidation Date, as the case may be.

2.5 Ranking of the Guarantee

The Bank agrees that subject to applicable laws, the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank (a) junior to all liabilities of the Bank (including subordinated liabilities); (b) *pari passu* with any Parity Securities issued by the Bank and any obligation assumed by the Bank under any guarantee in favour of holders of any Parity Securities issued by any Subsidiary; and (c) senior to the Bank Shares and any other class of share capital expressed to rank junior as to participation in profits to the Bank's obligations hereunder.

2.6 Acceptance of the Guarantee

The mere subscription of Preferred Securities will be deemed for all purposes to constitute the plain and full acceptance of this Guarantee.

3. Characteristics of the Guarantor's obligations under the Guarantee

3.1 Waiver

The Guarantor waives any right or benefit (of order or *excussio* and division) to which it may be entitled under Spanish law with regard to objecting to make any payment by virtue of the Guarantee.

The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee, and shall not be able to demand that the Holders of the Preferred Securities exhaust any of their rights or take any legal action against the Issuer prior to taking action against the Guarantor (*Garantía Solidaria* under Spanish law).

3.2 Obligations and Commitments of the Guarantor

The obligations and commitments of the Guarantor shall not be affected by any of the following circumstances:

3.2.1 the waiver by the Issuer, either by the application of a legal provision or for any other reason, to fulfil any commitment, term or condition, whether implicit or explicit, in relation to the Preferred Securities; or

3.2.2 the extension of the Distribution Payment Date, the Liquidation Date or the date for payment of the Redemption Price or the Early Redemption Date with regard to the Preferred Securities or the extension granted for the fulfilment of any other obligation related to the Preferred Securities; or

3.2.3 any breach, omission or delay by the Holders in exercising the rights granted by the Preferred Securities; or

3.2.4 the liquidation, dissolution, or sale of any asset given as a guarantee, temporary receivership, bankruptcy, receivership proceedings or renegotiation of debt affecting the Issuer; or

3.2.5 any defect in or invalidity of the Preferred Securities; or

3.2.6 transactions involving any obligation guaranteed by this Guarantee or undertaken by virtue of this Guarantee.

The Holders of Preferred Securities shall not be obliged in any circumstances to notify the Guarantor of the occurrence of any of the above circumstances and nor shall they be obliged to obtain the Guarantor's consent in relation to the same.

3.3 Subrogation

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Guarantee. The Bank shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If any amount shall be paid to the Bank in violation of the preceding sentence, the Bank agrees to pay over such amount to the Holders.

3.4 Deposit of the Guarantee

This Guarantee shall be deposited with and held by Citibank, N.A. as Principal Paying Agent until all the obligations of the Bank have been discharged in full. The Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee. A Holder may enforce this Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Bank. Subject to Clause 3.1, all waivers contained in this Guarantee shall be without prejudice to the Holder's right to proceed against the Issuer. The Bank agrees that this Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Guarantee.

4. Other obligations of the Guarantor under the Guarantee

4.1 No further issues

The Bank will not issue any preferred securities or other instruments equivalent to preferred securities ranking senior to its obligations under this Guarantee or give any guarantee in respect of any preferred securities or other instruments equivalent to preferred securities, issued by any Subsidiary, if such guarantee would rank senior to this Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Profits) unless, in each case, this Guarantee is amended so that it ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment of Distributable Profits as, any such other preferred securities or securities or other instruments equivalent to preferred securities or other such guarantee.

4.2 Non-Payments

The Bank undertakes that if any amount required to be paid pursuant to this Guarantee in respect of any Distribution payable in respect of the most recent Distribution Period has not been paid, whether by reason of the limitations of Clause 2.2 and 2.3 or otherwise, no distributions (except distributions in the form of the Bank Shares or other shares of the Bank ranking junior to the obligations of the Bank under this Guarantee) will be declared or paid or set aside for payment, or other distribution made, upon the Bank Shares or any other class of share capital or any securities of the Bank ranking junior to this Guarantee, nor will any Bank Shares or any other class of share capital or securities of the Bank ranking *pari passu* with or junior to the obligations of the Bank under this Guarantee, be redeemed, repurchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such Bank Shares, class of share capital or securities) by the Bank (except by conversion into or in exchange for shares or securities of the Bank ranking junior to this Guarantee), until such time as the Issuer or the Bank pursuant to this Guarantee shall have made payment in full of Distributions on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating) in respect of all Preferred Securities then outstanding.

4.3 Ownership

The Guarantor undertakes to hold (directly or indirectly) 100 per cent. of the ordinary shares of the Issuer so long as any Preferred Securities of the Issuer shall remain outstanding, and not to permit or take any action to cause the liquidation, dissolution or winding up of the Issuer except as provided in paragraph 3.2 of the terms and conditions of the Preferred Securities.

4.4 Voting Rights

The Bank undertakes in connection with the right of the Holders to participate in the adoption of certain decisions in the General Meetings as contemplated in the Conditions:

4.4.1 to vote, in the corresponding general meeting of shareholders of the Issuer, in favour of the appointment or removal of the directors so named by the General Meetings and to take all necessary measures in such regard;

4.4.2 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the dissolution and winding-up of the Issuer; and

4.4.3 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the issuance of further Preferred Securities or of other preferred securities where the Issuer has not duly made the most recent distribution required in respect of the preferred securities issued and outstanding at the time.

4.5 Compliance with the Preferred Securities

The Guarantor agrees to comply with any obligations expressed to be undertaken by it under the terms of the Preferred Securities.

5. Termination of the Guarantee

This Guarantee shall terminate and be of no further force and effect upon payment in full of the Redemption Price or the Early Redemption Amount, as the case may be, or purchase and cancellation of all Preferred Securities or payment in full of the Liquidation Distributions, provided, however, that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Guarantee must be restored by a Holder for any reason whatsoever.

6. General

6.1 Successors and Assigns

Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the Holders, each of whom shall be entitled severally to enforce this Guarantee against the Bank. The Bank shall not transfer its obligations hereunder without the prior approval of (i) the Bank of Spain and (ii) the Holders of not less than two-thirds in Liquidation Preference of the Preferred Securities or by resolution of a General Meeting approved by the Holders of Preferred Securities representing at least two-thirds of the Liquidation Preference, provided, however, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders. The convening and holding of the General Meeting shall be done in accordance with the Regulations.

The Bank shall notify (i) any request for approval from the Holders and (ii) any merger, consolidation, transfer or assignment, each as referred to in this Clause 6.1, in accordance with Clause 6.4.

6.2 Transfers

This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

6.3 Amendments

Except for those changes (a) required by Clause 4.1 hereof, (b) which do not adversely affect the rights of Holders or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 6.1 (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of (i) the Bank of Spain and (ii) the Holders of not less than two-thirds in Liquidation Preference of the Preferred Securities or by resolution of a General Meeting approved by the Holders of the Preferred Securities representing at least two-thirds of the Liquidation Preference. The calling and holding of such General Meeting shall be done in accordance with the Regulations.

6.4 Notices

6.4.1 Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given by facsimile transmission), shall be deemed given upon mailing of confirmation, to:

Banco Bilbao Vizcaya Argentaria, S.A.
Paseo de la Castellana, 81
28046 Madrid

Facsimile: +34 91 537 4011

Attention: Ana Fernandez

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to Citibank, N.A. as Principal Paying Agent.

6.4.2 Any notice, request or other communication required to be given by the Bank under this Guarantee will be given by it (i) so long as any Preferred Security is admitted to the official list maintained by the UK Listing Authority and admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market, and the UK Listing Authority so requires, by publication in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or, if such a publication is not practicable, in a leading daily newspaper in English and having general circulation in Europe and (ii) by mail to Euroclear and Clearstream, Luxembourg (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice, request or communication relates).

In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

6.5 Annual Reports

The Bank will furnish any prospective Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the Bank Shares.

7. Law and Jurisdiction

7.1 Law

This Guarantee shall be governed by, and construed in accordance with, Spanish law.

7.2 Jurisdiction

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and that accordingly any suit, action or proceedings arising out of or in connection with this Guarantee (together referred to as "**Proceedings**") may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of Madrid. Nothing contained in this clause shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

THIS GUARANTEE is executed as of the date first above written on behalf of the Bank.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

DESCRIPTION OF BBVA INTERNATIONAL PREFERRED, S.A. UNIPERSONAL

The Issuer was incorporated on 30th June, 2005 for an indefinite period of time as a limited liability company (*sociedad anónima*) under the laws of the Kingdom of Spain, with its registered office at Gran Vía, 1 Bilbao (telephone number: 00 34 91 5376696). The Issuer is registered in Volume 4569, Book 0, Page BI-43064, Inscription 1 of the Mercantile Registry of Vizcaya (*Registro Mercantil*). The Issuer is a direct wholly-owned subsidiary of the Bank. The Issuer has no subsidiaries.

The Issuer has not conducted any operations, issued any debt obligations in any form or prepared any audited financial statements to date. The authorised share capital of the Issuer is Euro 60,102 divided into 10,017 ordinary shares, each with a par value of Euro 6. The subscribed and fully paid up share capital is Euro 60,102.

The objects of the Issuer are to issue preferred securities pursuant to Law 13/1985 with the Guarantee of the Bank, as specified in Article 2 of the Issuer's by-laws (*estatutos*).

The name and other position in the Group of each of the directors of the Issuer are set out below:

Name	Position	Other position in the Group
Carlos Pertejo Munoz	Director/President	Director of Financial Management of BBVA
Jose Luis Domínguez	Director	Director of Funding of BBVA
Ana Fernandez Manrique	Director	Director of Management of BBVA
Juan Carlos Garcia Perez	Director	Manager of BBVA
Tomas Sanchez Zabala	Director	Manager of BBVA

The business address of each of the directors of the Issuer is Paseo de la Castellana, 81, 28046, Madrid, Spain.

There exists no potential conflicts of interest between (i) any duties owed to the Issuer by any director of the Issuer and (ii) the private interests and/or other duties of such directors.

The directors of the Issuer do not have any significant functions outside the Group.

The auditors of the Issuer are Deloitte, S.L.

The Issuer does not need to comply with the Spanish corporate governance regime because it does not list securities on the Spanish Official Secondary Market. Nevertheless, as a Spanish company, the Issuer is subject to the Spanish Companies Act (*Ley de Sociedades Anónimas*) and any applicable European regulations, which may include provisions relating to corporate governance which apply to all limited liability companies.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

History and Development of the Bank

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

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a "*sociedad anónima*" or "S.A.") under the Spanish Corporations Law on 1st October, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on 18th December, 1999 and registered on 28th January, 2000. It is registered in the Mercantile Registry, in Companies Ledger 2,083, folio 1, inscription 1st, Sheet number BI-17-A. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Paseo de la Casetellana, 81, 28046, Madrid, Spain. BBVA's telephone number is 00 34 91 5376696. BBVA is incorporated for an unlimited term.

On 29th March, 2005, BBVA's Board of Directors approved the launch of an exchange offer for the approximately 85.3 per cent. of the shares of Banco Nacionale del Lavoro, S.p.A. ("**BNL**") which it did not already own (the "**BNL Exchange Offer**"). Under the terms of the BNL Exchange Offer, BBVA is offering one of its ordinary shares for every five ordinary shares of BNL. On 8th April, 2005, BNL's board of directors announced that it considered the terms of the BNL Exchange Offer to be fair and on 27th April, 2005, the Commission of European Union approved the BNL Exchange Offer as compatible with the European common market. On 14th April, 2005, the Commissione Nazionale per la Borsa (the Italian securities regulator) approved the BNL Exchange Offer and on 13th May, 2005, the Bank of Italy authorised BBVA to acquire more than 50 per cent. of BNL's shares. On 14th June, 2005, an Extraordinary Meeting of Shareholders of BBVA approved a capital increase to finance the BNL Exchange Offer. Under the terms of the proposed capital increase, BBVA will issue up to a maximum of 531,132,133 new ordinary shares. BBVA's shareholders also resolved to delegate to its Board of Directors the authority to determine the appropriate moment to undertake the capital increase. On 21st June, 2005, the Bank of Spain announced that it would not oppose the capital increase.

BBVA launched the exchange offer on 20th June, 2005 and the final day on which acceptances would be accepted was 22nd July, 2005. BBVA informed the markets, on 22nd July, 2005, that, given the announcement on 18th July, 2005 by Unipol Assicurazioni ("**Unipol**"), by which Unipol disclosed several shareholder agreements giving them control of over 46.95 per cent. of BNL's share capital, it was foreseeable that BBVA's offer would not be accepted by a number of shareholders representing a percentage that would allow BBVA to reach a stake over 50 per cent. in BNL. In such circumstances BBVA disclosed its intention not to acquire the BNL shares that would adhere to the offer if such shares would not allow BBVA to reach a stake over 50 per cent. in BNL.

Business Overview

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

Business Areas

The following is a description of BBVA's business areas:

- **Retail Banking in Spain and Portugal**: formed by BBVA's retail banking, asset management and private banking businesses in Spain and Portugal, covering the residential customer and small and medium entities ("**SME**") segments in these markets. This area also includes the Finanzia / Uno-e group (which specialises in the e-banking business, consumer financing and card product distribution), BBVA Portugal, BBVA's private banking businesses and BBVA's mutual and pension fund management and insurance businesses.

- **Wholesale and Investment Banking**: includes BBVA's business activities with large companies and institutions through national and international corporate banking and institutional banking. In addition, this business area includes its trading businesses located in Spain, Europe and New York, its equity distribution and origination business and security deposit and custody service business, as well as the part of its real estate business that is not developed by the Group through interests in large corporations.

- **Banking in America**: includes the operations of each of BBVA's subsidiary banks in Latin America and their investee companies, including pension management companies and insurance companies, as well as its international private banking business.

- **Corporate Activities and Other**: includes its holdings in large industrial corporations and in financial entities, as well as the activities and results of its support units, such as the Assets and Liabilities Management Committee ("**ALCO**"). In addition, this business area includes its other operations or activities that, by their nature, cannot be assigned to another business area, such as country risk provisions and amortisation of goodwill (except for those relating to the holdings owned by the Business and Real Estate Projects unit, which is included in the Wholesale and Investment Banking business area).

The foregoing description of BBVA's business areas is consistent with its current internal organisation. The financial information for its business areas for the years 2004, 2003 and 2002 presented below has been prepared on a uniform basis. Unless otherwise indicated, the financial information provided below for each business area does not reflect the elimination of transactions between companies within one business area or between different business areas, since it considers these transactions to be an integral part of each business area's activities.

In BBVA's Annual Report for the years ended 31st December, 2003 and 2002, due to the economic, political and social crises that affected its Argentinean operations in such period, BBVA provided additional disclosure on its Argentinean operations and discussed such operations as if they comprised a separate business area. In 2004, economic, political and social conditions in Argentina have stabilised and the Argentine economy has experienced significant growth. As a result of such stabilisation and growth, BBVA's management no longer tracks its Argentine operations as a separate business area and, accordingly, in its Annual Report for the year ended 31st December, 2004 (which is incorporated by reference in this Offering Circular) it does not discuss its Argentinean operations separately, but rather as part of the business area Banking in America, where these operations were included in BBVA's Annual Report for 2001 and for prior years.

The following table provides net attributable profit information for BBVA's business areas for the years ended 31st December, 2004, 2003 and 2002 (in millions of euro).

	Net Attributable Profit/(Loss)			% of Subtotal			% of Net Attributable Profit/(Loss)		
	Year Ended 31st December,								
Business Area	2004	2003	2002	2004	2003	2002	2004	2003	2002
Retail Banking in Spain and Portugal	1,410	1,239	1,266	45%	51%	53%	50%	56%	74%
Wholesale and Investment Banking	515	468	382	16%	19%	16%	18%	21%	22%
Banking in America	1,239	725	726	39%	30%	31%	44%	32%	42%
Subtotal	3,164	2,432	2,374	100%	100%	100%	112%	109%	138%
Corporate Activities and Other	(363)	(206)	(656)				(12%)	(9%)	(38%)
Net Attributable Profit	2,802	2,227	1,719				100%	100%	100%

Retail Banking in Spain and Portugal

The Retail Banking in Spain and Portugal area's main lines of activity focused on providing banking services to private individuals, retailers and small and medium-sized entities, as well as managing mutual funds, pensions and insurance brokerage. This area developed its business activities through 3,397 branch offices.

At 30th June, 2005 the business units included in the Retail Banking in Spain and Portugal business area are:

- Commercial Banking and Small and Medium Entities (SME) Banking;
- Asset Management and Private Banking;
- BBVA Portugal;
- Special Financial Services; and
- Insurance Business in Europe.

Total net lending in this business area as of 31st December, 2004 was approximately €109,591 million, an increase of 20.0 per cent. from €91,295 million as of 31st December, 2003, principally due to growth in mortgage lending and personal loans.

The non-performing loan ("**NPL**") ratio fell to 0.61 per cent. as of 31st December, 2004, from 0.85 per cent. as of 31st December, 2003. The loan coverage ratio rose to 379.4 per cent. as of 31st December, 2004 from 269.5 per cent. as of 31st December, 2003.

Total customer funds (mainly deposits, mutual and pension funds), were €115,399 million as of 31st December, 2004, an increase of 48.7 per cent. compared to 2003 as a result of an increase in deposits collected during the year. Mutual funds under management were €41,988 million as of 31st December, 2004, an increase of 10.5 per cent. compared to 2003.

Commercial Banking and Small and Medium Entities (SME) Banking

This business unit's main lines of activity were focused on the development of the Financial Services Plan (BBVA's business model for this business area adopted in 2002) including Personal Financial Services aimed at residential customers and Commercial Financial Services for SMEs and businesses.

- Personal Financial Services: focuses on retail customers and is aimed at providing customers with more value from their relationship with BBVA by being offered a wider range of products and services at attractive prices made available through different channels, along with solutions tailored to their specific needs.

- Commercial Financial Services: focuses on professionals, businesses and SMEs by providing them with customised services, a comprehensive range of products and continuous quality financial advice.

In 2004, lending by Commercial Banking achieved a 20.4 per cent. increase to €102,601 million from €85,245 million in 2003, principally due to strong growth in mortgage products such as Hipoteca Fácil (Easy Mortgage). Mortgages increased to €13,646 million during 2004, an increase of 39.8 per cent. over 2003. The Commercial Banking unit reinforced its range of innovative products for car owners through several credit card products offered through joint ventures. These products included the Master Solred and Mutua Automovilística credit cards.

Mutual and pension funds managed by the Commercial Banking business unit increased during 2004 by 7.1 per cent. and 12.9 per cent., respectively.

The SME Banking unit's total loan portfolio was over €36 billion as of 31st December, 2004, a 20 per cent. increase compared to 2003. Billing for leasing and billing for renting, factoring and confirming registered an increase of 25 per cent. and 30 per cent. compared to 2003, respectively.

Customer funds under management by the SME Banking unit increased by €791 million in 2004, primarily due to the success of five mutual funds distributed by the SME Banking network and designed by the Asset Management unit to enable SMEs to optimise their cash-flow management.

The SME Banking unit also distributed insurance products such as Segurpyme, Seguleasing, Keyman and Keyman Plus to provide coverage for companies' assets, business and people. As of 31st December, 2004, the SME Banking unit insured approximately 7,000 of BBVA's clients with a total of 41,270 policies and generated €14.5 million in premium revenue.

Asset Management and Private Banking

This unit is the result of the reorganisation of BBVA's private banking activities carried out in 2003. The goal of this reorganisation was to align product creation with its distribution networks and simultaneously give an overall view of the high-income customer segment. Together with subunits that focus primarily on designing and managing products, this unit has responsibility for managing this customer segment.

Total assets managed by this unit as of 31st December, 2004 were €66 billion, an increase of 14.4 per cent. over 2003.

BBVA's private banking business, through its BBVA Patrimonios and Personal Banking subunits, managed total assets of €13.5 billion in 2004, an increase of 12.6 per cent. over 2003. BBVA Patrimonios's business strategy is aimed at increasing the returns it offers to high-net worth customers by employing a team of private banking specialists directly accessible to such customers. The Personal Banking subunit has improved the services it offers to its customer base by marketing funds from the principal mutual funds companies available internationally.

BBVA Portugal

BBVA Portugal experienced significant growth in 2004. Customer loans increased by 21.3 per cent., in part due to a 43 per cent. increase in mortgage lending due primarily to the success of the Hipoteca Custa Final mortgage product.

The BBVA Portugal unit's funds under management increased by 16.6 per cent. in 2004 principally due to strong growth in mutual fund assets, which increased by 20 per cent. over 2003. BBVA also launched new structured deposit products in 2004, as well as mixed deposits that combine fixed deposits with mutual funds.

Special Financial Services

The Special Financial Services unit which operates through Finanzia and BBVA's online bank Uno-e Bank S.A., operates in the following lines of business: the financing of cars, consumer items and equipment, e-banking, bill payment and car and equipment renting. The workforce is made up of 885 employees; with a distribution network of 37 branches and a customer base of 2.4 million.

- Finanzia manages collaboration agreements with distributors, manufacturers and importers in order to finance their sales. Total net lending amounted to €2,252 million at 31st December, 2004.
- Uno-e Bank had funds under management of €877 million as of 31st December, 2004, principally due to cross-marketing products and increasing its personal loan and mortgage portfolio.

As of 31st December, 2004, total net lending and customer funds managed by this unit were €3,123 million and €941 million, respectively, and the NPL ratio improved by 81 basis points to 1.47 per cent., with a coverage ratio of 162.7 per cent.

European Insurance

The European Insurance business unit comprises several subunits that manage BBVA's insurance business in Spain and Portugal. Such subunits engage in direct sales of coverage (through BBVA Seguros) for life, savings, multi-peril, home and construction insurances, as well as reinsurance and insurance brokering through BBVA Correduría and BBVA Broker.

Wholesale and Investment Banking

The Wholesale and Investment Banking business area focuses on large corporate, governmental, non-governmental organisations and institutional investor clients.

The business units included in this business area are:

- Global Corporate Banking;
- Institutional Banking;
- Global Markets and Distribution;
- Business and Real Estate Projects; and
- Global Transaction Services.

As of 31st December, 2004, lending in this area was €41,672 million, an increase of 5.9 per cent. over 2003. Non-performing loans decreased 57.6 per cent. to an NPL ratio of 0.19 per cent. as of 31st December, 2004, compared to 0.50 per cent. as of 31st December, 2003, principally due to an improvement in risk quality. Funds managed (deposits and mutual funds) recorded an increase of 14.1 per cent. compared to 2003.

Global Corporate Banking

The Global Corporate Banking business unit provides services to large Spanish and multinational corporations. Its organisational structure is aimed at improving the capacity to satisfy customer needs with an integral offer of products and services that feature special characteristics for each local market. The unit is represented in 15 countries by the following subunits:

- Global and Investment Banking: formed by the Capital Markets, Fixed-Income Security Origination and Corporate Finance product units, which serve the different areas of the Group.
- Corporate Banking Ibérica: specialising in Spanish and Portuguese corporations.
- Corporate Banking Europe and Asia: servicing European and Asian markets from its branches in London, Paris, Milan, Frankfurt, Tokyo, Hong Kong and Beijing.
- Corporate Banking America: managing the wholesale business of the United States and the Group's banks in Latin America from its branch in New York.

In 2004, the Global Corporate Banking unit managed over €21.6 billion in loans and approximately €10 billion of customer funds. The Capital Markets subunit is responsible for BBVA's syndicated loan and structured financing transaction activities, including significant transactions in Spain during 2004 carried out by Telefónica, Iberdrola, Enagas, Red Eléctrica de España and Ferrovial, while in Latin America BBVA was involved as mandated lead arranger in syndicated loans to Pemex, Telmex and Codelco as well as the financing of the "Sistema Carretero del Oriente" of the Mexican federal government.

Institutional Banking

The Institutional Banking business unit focuses on governmental and institutional clients, including the Spanish government and the governments of Spain's autonomous communities as well as private organisations, associations, foundations and insurance companies. The Institutional Banking unit operates in these markets under the BBVA brand name and through Banco de Crédito Local ("**BCL**"), an entity specialising in long-term financing.

In 2004, the Institutional Banking unit submitted 44 bids for public contracts launched by the Central Government. Among the new contracts awarded to the Institutional Banking unit were the management of the treasury of the State Lotteries and Bets organisation and the Official Gazette of Spain and designation by the European Commission as its treasurer bank in Spain.

Global Markets and Distribution

The Global Markets and Distribution business unit focuses on a wide range of securities market-oriented activities. This business unit engages in both treasury operations on behalf of BBVA and transactions for third-parties. In the equity securities area the Global Markets and Distribution business unit acted as book runner in BBVA's capital increase and Banco Sabadell's public bid to finance its purchase of Banco Altántico. Global Markets and Distribution was also the global coordinator in the initial public offerings of Cintra and Fadesa.

The Global Markets and Distribution unit's derivative trading activities decreased in 2004 due to downward trends in these markets, while the fixed-income securities business increased during 2004 principally due to the cross-selling of products and services with other BBVA business areas and units. For example, the Global Markets and Distribution unit has made fixed-income and equity security products, as well as mutual funds, available for marketing and sale through BBVA's retail banking branch network. The Global Markets and Distribution unit also established its independent research subunit BBVA Research in September 2004 to ensure an independent and integral view of markets and geographical areas.

The Global Markets and Distribution unit is particularly active in a number of securities and trading markets, including the AIAF fixed-income market, the Spanish stock market, the Spanish foreign exchange market for euro/U.S. dollar transactions and the Spanish government debt securities market.

Business and Real Estate Projects

The Business and Real Estate Projects unit manages a portfolio of enterprises and real estate businesses, with an approach based on four key elements: profitability, rotation, liquidity and optimisation of the use of economic capital. The unit manages a portfolio of 116 investments with a book value as of 31st December, 2004 of €841 million and unrealised gains amounting to €859 million compared to €749 million as of 31st December, 2003. Its investment portfolio is diversified among the real estate, capital goods and services sectors.

Divestitures from this investment portfolio in 2004 amounted to approximately €550 million, generating capital gains of €250 million. The most significant dispositions were the sale of its 3 per cent., 5 per cent., 33.3 per cent. and 17.2 per cent. interests in the capital stock of Gamesa, Acerinox, Grubarges and Vidrala, respectively.

In 2004, the Business and Real Estate Projects unit launched the brand Anida, which currently has a property development portfolio of 3 million m^2 of buildable land and almost 4,000 buildings under management.

Global Transaction Services

The Global Transaction Services unit supports the specialised management of corporate and institutional transaction business both in the wholesale area and in the Group's other areas, offering a wide range of products and services, including domestic and international collections and payments, loans, trade bill discounting, factoring, confirming, credit cards, foreign trade, electronic banking, correspondent banking and cash pooling systems services.

Banking in America

Unless otherwise specified, information included below relating to macroeconomic data in the Latin American countries in which BBVA operates, such as gross domestic product ("**GDP**") or inflation, has been drawn from its internal statistical studies based on information published by local governmental or regulatory authorities.

The economic conditions in the Latin American countries in which BBVA operates improved in 2004, with average growth in GDP of 6 per cent. Inflation was relatively moderate in 2004, whereas trends in interest rates have been mixed. In Mexico, increased interest rates had a positive effect on the Banking in America area's net interest income, whereas the decrease in interest rates in Venezuela and Chile had a negative effect on the area's net interest income. The majority of Latin American currencies experienced lower declines in value against the dollar in 2004 compared to 2003, with some currencies appreciating in value against the dollar. However, the depreciation of the dollar's value against the euro has negatively impacted the Banking in America business area's contribution to BBVA's consolidated profits.

The Banking in America business area includes the banks, pension fund managers and insurance companies managed by BBVA in Latin American countries, as well as BBVA's international private banking business. BBVA's Banking in America activities are carried out through 3,300 branches in the region with over 51,000 employees.

The Banking in America business area strategy in 2004 has been to restore growth in lending, where after years of restrictions, conditions are now more favourable. This strategy was reflected in specific acquisitions, which sought to complement the strong growth potential of the area's existing businesses with growth by acquiring other businesses with similarly strong potential for growth. Examples of such acquisitions include the purchase of minority holdings in Bancomer and the purchase of Hipotecaria Nacional to improve the area's position within the growing mortgage segment in Mexico, as well as the acquisitions of Laredo National Bancshares in Texas and Valley Bank in California (each of which were integrated into the area's new U.S. subunit), which were selected as targets because of their potential for increased growth within BBVA's Banking in America area due to this area's experience in specific customer segments traditionally serviced by these acquired businesses.

As of 31st December, 2004, the Banking in America business area had total assets of €74,992 million, which represented 24.1 per cent. of BBVA's total assets. In 2004 the net attributable profit of this business area was €1.2 billion, which represented 44.2 per cent. of the Group's total net attributable profit.

BBVA's Mexican operations form the core of its activities in Latin America and they contributed approximately two-thirds of the Banking in America business area's total assets, operating profit and pre-tax profit as of 31st December, 2004.

The following is a description of BBVA's operations and the economic and political factors that most significantly affect such operations, on a country-by-country basis, in the Banking in America business area. The operating results described below refer to each individual unit's contribution to the Banking in America business area's operating results, unless otherwise stated.

Mexico

BBVA reaffirmed its strategic commitment to Mexico by successfully launching a tender offer for 40.6 per cent. of the shares of Bancomer it did not already own in February 2004. After the conclusion of the tender offer process and subsequent purchases, its interest in Bancomer increased to a 99.7 per cent. interest in its share capital as of 31st December, 2004.

The continued recovery of the U.S. economy in 2004, particularly in terms of industrial output, benefited BBVA's business in Mexico, which had the highest rate of growth in GDP in the last three years (approximately 4 per cent.). This economic growth led to a moderate rise in inflation (approximately 5 per cent.). Exchange rates, however, were volatile. As of 31st December, 2004, exchange rates for the Mexican peso had depreciated 4.3 per cent. and 13 per cent. against the dollar and the euro, respectively, from exchange rates as of 31st December, 2003. This volatility in exchange rates, as well as the increase in interest rates in the U.S., led the Bank of Mexico to implement a restrictive monetary policy, which led to a rise in interest rates. The TIIE (Mexico's Interbank offered rate), which had fallen below the 5 per cent. mark at the beginning of 2004, was at 8.9 per cent. at 31st December, 2004. The average TIIE rate for 2004 was 7.2 per cent., compared to 6.8 per cent. in 2003. Long-term interest rates experienced a sharp increase in 2004, which had a negative effect on Bancomer's results of operations.

Within this economic background, Bancomer has experienced increased growth in its operations, in spite of increasing competition in the Mexican banking sector. Total net lending at 31st December, 2004 was €13.5 billion, an increase of 15.8 per cent. compared to 2003. Bancomer retained its position as one of the Mexican market leaders, with a market share of 28.6 per cent. as of 31st December, 2004 (source: *Sistema de Intercambio de Bancos,* December 2004).

Bancomer's retail products that experienced the highest growth rates were consumer loans and credit cards, which jointly increased by 62.8 per cent. in 2004. Bancomer issued 1.5 million credit cards during 2004 and nearly 500,000 "Creditón Nómina" loans were granted. Bancomer also granted more than 39,000 car loans in 2004.

Bancomer's Corporate and Institutional Banking subunit focused its resources on granting loans to SMEs, with an increase of 46 per cent. compared to 2003. The commercial loan portfolio for large corporations was approximately €5.9 billion by 31st December, 2004, a 28 per cent. increase compared to 2003. Bancomer's mortgage portfolio began to improve in 2004. The total mortgage portfolio (excluding UDI trusts) was €865 million, an increase of 22.9 per cent. over 2003.

In January 2005, Bancomer bought Hipotecaria Nacional, one of the leading home financiers in Mexico, with the goal of complementing BBVA Bancomer's commercial mortgage loan business with residential mortgage loans, while also providing Bancomer with a new segment of customers for cross-marketing purposes.

Bancomer is the leader in Mexico in terms of customer deposits, with a market share of 32.7 per cent. as of 31st December, 2004 (source: *Sistema de Intercambio de Bancos,* December 2004). In 2004, Bancomer continued its policy of increasing the range of deposit products available while focusing on increasing the volume of lower cost deposits. Much of the growth in deposits is due to the success of the various "Savings Fortnights" organised during 2004, which allowed Bancomer to maintain its position as market leader in this segment.

As part of its initiative to offer diversified products in the area of mutual funds, Bancomer launched the "Fondo Triple," a guaranteed-return fund that proved highly successful in 2004. BBVA Bancomer had a market share in mutual funds of 19.3 per cent., 26 basis points higher than at the close of 2003.

In the area of pension fund management and insurance, the Group operates in Mexico through Afore BBVA Bancomer in pensions, BBVA Pensiones Bancomer in the annuities business, BBVA Seguros Bancomer in insurance and Preventis-Meximed (recently merged with Vitamédica) in the area of health.

Pension funds in Mexico did not experience positive growth or returns in 2004 as a result of both the slow recovery of employment rates and the volatility of financial markets, all of which had a negative impact on the income of pension fund managers. However, even under these circumstances, Afore Bancomer increased its fee income slightly and enjoyed increases of 13.3 per cent. in net profit and 65.6 per cent. in net attributable profit.

BBVA's insurance companies in Mexico had a joint net attributable profit of €55 million, a 23.8 per cent. increase over 2003. BBVA Seguros Bancomer experienced a 15.8 per cent. increase in the volume of premiums managed.

Argentina

The Argentine economy experienced a severe crisis in 2001 and 2002, marked by the continued movement of capital out of Argentina, the end of convertibility of the peso, the devaluation of the peso and the return of inflation. The emergency measures adopted by the Argentine government in response to the economic crisis at the end of 2001 and during 2002 that affected BBVA's results of operations included: freezing public debt payments, ending convertibility between the Argentinean peso and the dollar, imposing cash withdrawal limits on sight and savings accounts, re-scheduling of term deposit maturities and converting dollar assets and liabilities to pesos at different exchange rates. In 2001, BBVA took substantial provisions and write-downs totalling €1,354 million relating to its investments in, and exposure to, Argentina. In 2002, BBVA took an additional provision of €131 million. In 2004, the Argentine economy stabilised and experienced significant growth, but uncertainty regarding the scope, sustainability and pace of the recovery remained.

In 2004, the GDP of Argentina grew by 8 per cent. and the Argentine economy also benefited from an increase in domestic and foreign investment. Inflation increased to 6.1 per cent. in 2004 and interest rates remained steady at an average rate of approximately 3 per cent., which was similar to the average rate in 2003. The exchange rate of the Argentine peso against the U.S. dollar ranged between ARP2.85 and ARP3.00 to $1.00, which was similar to the exchange rates between these currencies in 2003. However, the Argentine peso depreciated 8.1 per cent. against the euro in 2004.

The financial sector of the Argentine economy benefited from an increase in deposits in 2004, principally due to the increased liquidity resulting from government tax incentives that encouraged customers to deposit their savings in banking products. Banco Francés also benefited from an increase in lending of 25 per cent. in 2004, which had fallen for several prior years.

Banco Francés increased its lending activity during 2004, which had been significantly reduced in prior years due to the Argentine financial crisis, and continued to provide basic bill payment and check cashing services, which had generated the majority of its revenues in 2002 and 2003. The financial brokerage business of Banco Francés also improved in 2004.

Loans to the private sector (mainly personal loans, credit cards to individuals and export financing, through financial trusts and short-term credit lines, for companies) increased by 19.3 per cent. in 2004. Banco Francés focused successfully on reducing its credit exposure to the public sector in 2004, leading to an improvement in its asset mix.

As a result of these developments, Banco Francés's net interest income increased 286.3 per cent. in 2004, compared to 2003, while its net fee income increased 29.3 per cent. in 2004 compared to 2003. The efficiency ratio of Banco Frances improved to 47.7 per cent. Banco Francés also implemented a debt rescheduling policy of the non performing loans portfolio, leading to a decrease in provisions for non-performing loans during 2004 compared to 2003.

These improvements have led to an increase in net attributable profit in 2004, despite the significant costs incurred in making payments to clients under judicial orders which permitted clients to withdraw deposits at a higher peso-dollar exchange rate than the prevailing market rate.

Banco Francés designed a compliance plan to comply with new minimum capital requirements established by the Argentine Central Bank in January 2004. The most important measures taken were (i) a capital increase with a par value of ARP385 million, which BBVA subscribed to by capitalising a €78 million loan it granted to Banco Francés and (ii) the sale to BBVA by Banco Francés of its entire interest in Banco Francés (Cayman) Limited for $238.5 million. As a result of these and other measures, Banco Francés had net assets of over ARP1.6 billion at 31st December, 2004, more than ARP1.0 billion above the required minimum.

BBVA's affiliate, the Consolidar Group, operates in the Argentine pension fund sector and had more than 1.5 million participants and assets under management of ARP10,378 million, with a market share of 19.6 per cent. as of November, 2004 (source: *Superintendecia Administradora de Fondos de Jubilaciones y Pensiones*). For 2004, Consolidar Group's net attributable profit was €17 million.

Chile

In 2004, the macroeconomic situation in Chile was generally favourable and the country experienced GDP growth of 5.6 per cent., compared to 3.2 per cent. in 2003. Favourable economic growth was due in part to improvements in exports and the recovery of internal demand. An increase in the prices of raw materials and the appreciation in the value of the Chilean peso kept inflation low in 2004. However, interest rates rose 50 basis points following increases in U.S. lending rates, to close at 31st December, 2004 at 2.25 per cent.

The financial sector in Chile experienced a considerable increase in loans, from a growth rate of 5.7 per cent. during 2003 to approximately 13 per cent. in 2004. BBVA Chile had lending growth of 16.9 per cent. and a market share in lending of 7.7 per cent. in 2004, compared to 7.2 per cent. in 2003 (source: *the Supertintendencia Bancaria* as of 30th November, 2004). BBVA Chile's consumer-banking subunit experienced a growth rate of 16.9 per cent., with a good performance in mortgage loans and new products such as the Mini Visa. BBVA Chile's corporate banking subunit's total net lending increased by 5.1 per cent. and experienced a 22.4 per cent. increase in overall wholesale banking.

BBVA Chile's deposits increased by 27 per cent. in 2004, primarily due to the success of products such as the PLUS time deposit. BBVA Chile's market share in deposits increased to 8.6 per cent. in 2004 (source: *the Supertintendencia Bancaria* as of 30th November, 2004) compared to 7.8 per cent. in 2003.

BBVA's Chilean pension fund manager affiliate, AFP Provida, had funds under management of $19,134 million as of 31st December, 2004. Provida's market share in pension fund management was 31.5 per cent. as of 31st December, 2004, according to the *Superintendencia de Administradoras de Fondos de Pensiones* of Chile, with approximately 2.9 million pension fund participants. In 2004, Provida earned a net attributable profit of €15 million.

Colombia

The Colombian economy experienced an increase in GDP of 3.8 per cent., as well as moderate inflation and relatively stable interest rates.

Total net lending by BBVA Colombia (formerly known as Banco Ganadero) exceeded €1.3 billion in 2004, an increase of 28.1 per cent. compared to 2003. BBVA Colombia's market share of lending increased by 1 per cent. in 2004 to 8.0 per cent. (source: *Superintendencia Bancaria* of Colombia, November 2004). This growth was experienced across all BBVA Colombia's subunits. In its consumer banking subunit some of the most important products were the "*Creditón*", "easy mortgages" and the launch of the mini-sized cards. New products introduced by BBVA Colombia's corporate banking subunit were the first credit card for SMEs in Colombia, business cards, the agricultural credit campaign and the CDT business gift.

In 2004, BBVA Colombia's deposits increased by 21.6 per cent., increasing its market share to 8.1 per cent. (source: *Superintendencia Bancaria* of Colombia, November, 2004). This growth was principally due to the success of low-cost products, particularly savings accounts.

BBVA operates in the Colombian pensions market through AFP BBVA Horizonte Pensiones y Cesantías, with an 18.2 per cent. market share in pension funds managed (source: *Superintendencia Bancaria* of Colombia, November, 2004). Net attributable profit from AFP BBVA Horizonte Pensiones y Cesantías was €7 million in 2004, a 24.2 per cent. increase from 2003.

Panama

The Panamanian economy experienced an increase in GDP of 4 per cent. during 2004, which allowed the financial sector of the economy to improve the quality of its credit portfolio. BBVA Panama's total net lending increased by 14.7 per cent. while deposits increased by 11.1 per cent., principally due to strong growth in banking business with private individuals and the success of new products targeted at specific groups based on their potential for growth.

BBVA operates in the pensions market in Panama through two companies, BBVA Horizonte and Progreso, which manage a total of €263 million.

Paraguay

The most significant development in Paraguay's economy in 2003 was the continued sharp decline in interest rates from 17 per cent. to 6 per cent. The Paraguayan economy in 2004 also benefited from low inflation, the stability of the guarani (local currency) and a 2.7 per cent. increase in GDP.

BBVA Paraguay focused its actions on price management and lending, seeking to diversify its customer base to reduce risk and increase interest and fee income. By 31st December, 2004 BBVA Paraguay's total net lending increased by 38.1 per cent. compared to 2003, with a market share of 17.3 per cent. (source: *Superintendencia de Bancos*, November, 2004). Deposits increased by 39.4 per cent. in 2004 compared to 2003, with a market share of 15.8 per cent. (source: *Superintendencia de Bancos*, November, 2004).

Peru

The Peruvian economy experienced an increase in GDP of approximately 4.5 per cent. during 2004. The Peruvian economy in 2004 also benefited from low inflation, the appreciation of the sol (local currency) against the dollar and historically low interest rates.

In 2004, BBVA Banco Continental's loans and deposits increased by 2.4 per cent. and 1.5 per cent. compared to 2003, with market shares of 20.8 per cent. and 25.9 per cent., respectively (source: *Superintendencia de Banca y Seguros* of Peru, November, 2004).

BBVA operates in the Peruvian pension fund sector through BBVA Horizonte, with assets under management of €1,954 million as of 31st December, 2004, representing a market share of 25.5 per cent. (source: *Superintendencia de Banca y Seguros* of Peru, December 2004) and a net attributable profit of €11 million.

Puerto Rico

The Puerto Rican economy experienced an increase in GDP of approximately 2.5 per cent. in 2004 compared to 1.6 per cent. in 2003.

In retail banking, BBVA Puerto Rico's car financing division (BBVA Auto) granted over $400 million in new loans, an 11 per cent. increase over 2003, with an aggregate portfolio of approximately $1 billion, while in the mortgage market, BBVA Puerto Rico increased its portfolio of mortgage loans by $178 million, a 40 per cent. increase over 2003. The number of loans awarded to SMEs by BBVA Puerto Rico in 2004 increased by 478 per cent.

In September 2004, BBVA Puerto Rico issued $150 million in floating rate senior notes maturing in 2007 and $50 million in subordinated notes maturing in 2014.

BBVA operates in the Puerto Rican insurance market through BBVA Seguros INC, which had €18 million in insurance premium revenues in 2004, an increase of 17.8 per cent. over 2003.

Uruguay

The Uruguayan economy experienced an increase in GDP of approximately 10 per cent. in 2004, with inflation at approximately 9 per cent. Uruguay's sovereign risk in 2004 was the lowest level since the financial crisis of 2002. The peso (local currency) appreciated against the U.S. dollar.

During 2004, BBVA Uruguay's market share in lending was 10.7 per cent. (source: *Banco Central* of Uruguay, November, 2004). In 2004, BBVA Uruguay implemented a strict pricing policy for deposits, which succeeded in reducing its average cost to below 1 per cent., while maintaining the aggregate amount of deposits stable with a market share of 10.2 per cent. (source: *Banco Central* of Uruguay, November, 2004).

Despite the trends in the exchange rate, since all liquid assets are invested in U.S. dollars, and inflation, BBVA Uruguay managed to reduce its losses to €5 million in 2004, as compared to a €20 million loss in 2003.

Venezuela

The Venezuelan economy experienced an increase in GDP of approximately 12.3 per cent. in 2004, principally due to high oil prices. Increased levels of investments denominated in foreign currencies resulting from oil exports and the strict control of exchange rates led to a significant increase in liquidity, with a corresponding significant fall in interest rates.

In 2004, BBVA Banco Provincial's management sought to adapt its strategic objectives to the economic situation of the country. Lending and deposits increased by 91.4 per cent. and 47.9 per cent., respectively, compared to 2003.

BBVA operates in the Venezuelan insurance market through BBVA Seguros Provincial, which had net attributable profit of €3 million in 2004, with €6 million in insurance premium revenues in 2004 generated by bank assurances granted of €7 million, an increase of 11.8 per cent. and 13.7 per cent., respectively, over 2003.

Other countries

BBVA also has pension fund management operations in Bolivia and the Dominican Republic.

During 2004, BBVA sold its pension fund management business in El Salvador for U.S.$42.8 million (€34.76 million). The sale generated a profit of €12.3 million.

International Private Banking

The International Private Banking business unit focuses on providing investment advice and asset management services to high net worth individuals. In 2004, the process for the implementation and improvement of a management model for the International Private Banking business unit, and the customer segmentation process began in 2003, was completed. The area closed its offices in Latin America and all the unit's activities are being concentrated in the offices of Andorra, Zurich and Miami.

In 2004, BBVA's International Private Banking business unit faced a difficult economic scenario, primarily due to volatility in international financial markets and the depreciation of the U.S. dollar against the euro. Total funds managed reached €1.3 billion at 31st December, 2004. Fees generated in 2004 increased by 3.3 per cent. over 2003 to €145 million with a net attributable profit for 2004 of €68 million.

Corporate Activities and Other

The Corporate Activities and Other business area includes BBVA's portfolio of strategic and financial investments, the ALCO and other BBVA units that cannot be assigned to any other business area. The results from operations of the Corporate Activities and Other business area include the amortisation of goodwill (except for goodwill associated with business and real estate projects, which is included in BBVA's Business and Real Estate Projects business unit) and provisions associated with country risk and other items that cannot properly be allocated to any one business area.

Assets and Liabilities Management Committee

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

ALCO's hedging policy permitted BBVA to decrease the negative effect of exchange rate depreciation on reserves by €170 million at a cost of €47 million net of taxes. In addition, ALCO's hedging policy contributed €103 million, net of taxes, to BBVA's income from market operations in 2004.

ALCO also actively manages interest rate risk. As of 31st December, 2004, BBVA's portfolio of fixed-income assets, which is held to reduce the negative effect on BBVA's net interest income of a fall in interest rates, amounted to €22,987 million. The portfolio generated €310 million of net interest income and €62 million of net trading income in 2004.

Large Industrial Corporations

The Large Industrial Corporations unit manages BBVA's strategic investments in certain large industrial companies, mainly in the Spanish telecommunications and energy sectors. In 2004, this unit had a net attributable profit of €408 million, an increase of 53.7 per cent. compared to 2003. During 2004, €689 million of investments and €749 million of divestments were made, which generated capital gains of €168 million. Divestments made in January 2004, amounting to €304 million, were intended to generate cash to finance part of the acquisition of the minority interest in Bancomer.

As of 31st December, 2004, the market value of BBVA's large industrial corporations portfolio amounted to approximately €5 billion, with unrealised capital gains of approximately €1.6 billion.

Financial Holdings

The financial holdings unit manages BBVA's financial investments. As of 31st December, 2004, this unit owned BBVA's interests in Banca Nazionale del Lavoro and Bradesco, having sold its interests in Banco Atlántico in March, 2004 pursuant to a tender offer by Banco Sabadell for all of Banco Atlántico's outstanding shares, giving rise to a €218 million capital gain.

Organisational Structure

Below is a simplified organisational chart of BBVA's significant subsidiaries as of 30th April, 2005. An additional 883 companies are domiciled in the following countries: Germany, Brazil, Belgium, Costa Rica, Cuba, Chile, Ecuador, Bolivia, El Salvador, Spain, France, Netherlands, Ireland, Italy, Luxembourg, Morocco, Mexico, United Kingdom, Switzerland, United States, Canada, Panama, Paraguay, the Dominican Republic and Uruguay.

Subsidiary	Country	Activity	BBVA Voting Power	BBVA Ownership	Total Assets
			(per cent.)		*(in millions of euro)*
Administradora de Fondos Para el Retiro Bancomer, S.A. de C.V	Mexico	Financial Services	100.00	97.23	96
Administradora de Fondos de Pensiones Provida	Chile	Financial Services	64.32	64.32	229
Banc Internacional D'Andorra, S.A.	Andorra	Bank	51.00	51.00	2,377
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	Portugal	Bank	100.00	100.00	3,612
Banco Bilbao Vizcaya Argentaria Puerto Rico, S.A.	Puerto Rico	Bank	100.00	100.00	4,497
Banco Continental, S.A.	Peru	Bank	92.04	46.05	3,458
Banco de Crédito Local, S.A.	Spain	Bank	100.00	100.00	12,635
Banco Provincial S.A.-Banco Universal	Venezuela	Bank	55.60	55.60	3,204
BBVA Chile, S.A.	Chile	Bank	66.27	66.27	4,982
BBVA Banco Francés, S.A.	Argentina	Bank	76.10	76.08	3,418
BBVA Colombia, S.A.	Colombia	Bank	95.37	95.37	2,171
Grupo Financiero BBVA Bancomer, S.A. de C.V.	Mexico	Bank	99.88	99.88	545
BBVA Privanza Bank (Switzerland) Ltd.	Switzerland	Bank	100.00	100.00	557
BBVA Privanza Bank (Jersey) Ltd.	Channel Islands	Bank	100.00	100.00	376
BBVA Seguros, S.A.	Spain	Insurance	99.93	87.11	14,331
Consolidar A.F.J.P, S.A.	Argentina	Financial Services	100.00	87.11	69
Finanzia, Banco de Credito, S.A.	Spain	Bank	100.00	100.00	1,780
Uno-e Bank, S.A.	Spain	Bank	67.00	67.00	81
Laredo National Bancshares Inc.[(1)]	U.S.	Bank	100.00	100.00	297
Valley Bank	U.S.	Bank	100.00	100.00	81

(1) Information for Laredo National Bancshares Inc. is as of 31st May, 2005. BBVA acquired 100% of the shares of Laredo National Bancshares Inc. on 28th April, 2005.

Trend Information

The European financial services sector is likely to remain competitive with increasing numbers of providers of financial services and alternative distribution channels. Further consolidation in the sector (through mergers, acquisitions or alliances) is likely as the other major banks look to increase their market share or combine with complementary businesses. It is foreseeable that regulatory changes will take place in the future that will diminish barriers to such consolidation transactions.

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

- uncertainties relating to economic growth expectations and interest rate cycles, especially in the United States, and the impact they may have over the yield curve and exchange rates;
- the effect that an economic slowdown may have over Latin American markets and fluctuations in local interest and exchange rates;
- the chance that a worsening in the macroeconomic environment will further deteriorate the quality of credit;
- a downturn in capital markets or a downturn in investor confidence, linked to factors such as geopolitical risk;
- inflationary pressures and the resulting negative effect they may have on interest rates and economic growth;
- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, BBVA plans for expansion into other European markets could be affected by entry barriers in such countries; and
- a severe decline in housing prices in the various countries where BBVA hold mortgages over residential homes as collateral.

Selected Financial Data

Spanish GAAP Data

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

Consolidated statement of income data

	Year ended December 31, 2004	Year ended December 31, 2003
	(in millions of euro)	
Net interest income	7,069	6,741
Ordinary revenue	11,053	10,656
Net operating income	5,440	4,895
Net attributable profit	2,802	2,227

Consolidated Balance Sheet Data

	Year ended December 31, 2004	Year ended December 31, 2003
	(in millions of euro)	
Total assets	311,072	287,150
Loans and leases, net	170,248	148,827
Deposits	147,051	141,049
Capital and reserves[1]	14,270	11,473

(1) Capital and reserves caption includes capital stock, additional paid-in capital, and retained earnings.

Transition to International Financial Reporting Standards

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 a European Union 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 the IFRS. Therefore, BBVA will be required to prepare its consolidated financial statements for the year ending 31st December, 2005 in conformity with the IFRS which had been ratified by the European Union at that date.

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards, BBVA's consolidated financial statements for 2005 must necessarily include, for comparison purposes, a consolidated balance sheet as of 31st December, 2004 and a consolidated statement of income for the year then ended prepared in accordance with IFRS.

On 22nd December, 2004 the Bank of Spain issued Circular 4/2004 on Public and Restricted Financial Reporting Standards and Model Financial Statements, which sets forth new accounting rules applicable to Spanish banks based on IFRS.

BBVA is currently implementing a plan for transition to IFRS, which includes, among other things, an analysis of the differences between Spanish GAAP and IFRS, the selection of the accounting policy to be applied when alternative policies are permitted and an assessment of changes in reporting procedures and systems it will be required to undertake in order to transition to IFRS.

As of the date of this Offering Circular, BBVA is in the process of preparing its Consolidated Financial Statements for the year ended 31st December, 2004 in accordance with the IFRS currently in force. However, continuing developments in IFRS could occur until 31st December, 2005 and, accordingly, there is uncertainty concerning what IFRS will be in effect when BBVA prepares its first consolidated financial statements in accordance with IFRS as of and for the year ended 31st December, 2005. Consequently, to date, BBVA is unable to estimate the net effect that applying IFRS will have on its results of operations or financial condition, or any component thereof. The effect of such differences, however, may be material, individually or in the aggregate, to financial items reported in its Consolidated Financial Statements relating to, among other things, the accounting treatment for derivative instruments, financial instruments, intangible assets, deferred costs, business combinations and goodwill. The adoption of IFRS may, as a result, affect the valuation methods BBVA uses to measure and evaluate BBVA's performance and make it more difficult to compare its results of operations and financial condition for periods in respect of which IFRS is applied to BBVA's results of operations and financial conditions to periods in respect of which Spanish GAAP was applied.

Directors and Senior Management

BBVA is managed by a board of directors which, in accordance with its current by-laws (*Estatutos*) as approved by the General Meeting of shareholders on 28th February, 2004, must consist of no less than nine and no more than 16 members. All members of the board of directors are elected to serve five-year terms. One fifth of the members are subject to re-election every year by the shareholders at a general meeting.

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

BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors, which, under BBVA's Regulations of the Board of Directors, must be comprised of at least half plus one independent director. The Board of Directors delegates all management functions, except those that it must retain due to legal or statutory requirements, to the Executive Committee.

Board of Directors

The Board of Directors of BBVA is currently comprised of 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 five-year employment history.

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

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

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History (*)
Francisco González Rodríguez[1]	Chairman and Chief Executive Officer	18th December, 1999	26th February, 2005	Director, Empresa Nacional de Electricidad, S.A., October 1996 – October 2000; Chairman, Argentaria, May 1996 – January 2000; Chairman, Uno-e Bank, S.A., December 1999 – January 2000; Chairman, BBVA, since January 2000.
José Ignacio Goirigolzarri Tellaeche[1]	President and Chief Operating Officer	18th December, 2001	1st March, 2003	Director, Telefónica. S.A., April 2000-April 2003; Vice President, Repsol YPF, S.A., April 2002 – April 2003; Director, BBVA Bancomer Servicios, S.A; Director, Grupo Financiero BBVA Bancomer; Director, BBVA Bancomer, S.A.; Managing Director, Retail Banking, BBV, 1995 – 2000; Managing Director, Banking in America, BBVA, 2000 – 2001, President and Chief Operating Officer, BBVA, since 2001.
Juan Carlos Álvarez Mezquíriz[1] [3]	Independent Director	18th December, 1999	10th March 2001	Managing Director, Grupo Eulen; Director, Bodegas Vega Sicilia, S.A.
Richard C. Breeden	Independent Director	29th October, 2002	28th February, 2004	Chairman, Richard C. Breeden & Co.; Chairman, President and CEO, Equivest Finance, Inc., 1996 – 2002; Bankruptcy Trustee, Bennett Funding Group, 1996-2002.
Ramón Bustamente y de la Mora[2][4]	Independent Director	18th December, 1999		Director, Ctra. Inmo. Urba. Vasco-Aragonesa, S.A.
José Antonio Fernández Rivero[4]	Non-independent External Director	28th February, 2004		Appointed General Manager of BBVA Systems and Operations, 1999, Appointed Group General Manager, 2000, since 2003; Deputy Chairman of Telefónica and Member of its Audit and Regulation Committees, Member of the Board and Executive Committee of Iberdrola, Director of Banco de Crédito Local and Chairman of Adquira; Currently Director of Iberdrola S.A. and Vice-president of Telefonica S.A.
Ignacio Ferrero Jordi[2] [3]	Independent Director	18th December, 1999		Chairman, Nutrexpa, S.A.
Román Knörr Borrás [1]	Independent Director	28th May, 2002	1st March, 2003	Chairman, Carbónicas Alavesas, S.A.; Director, Aguas de San Martín de Veri, S.A.; Director, Mediasal 2000, S.A.; Chairman, Confebask (Basque Business Confederation) until July 2005.

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History (*)
Ricardo Lacasa Suárez[2][4]	Independent Director	28th May, 2002	1st March, 2003	CEO, Banco Popular Español, S.A., until 1999.
Carlos Loring Martínez de Irujo[2] [3]	Independent Director	28th February, 2004		Partner, J&A Garrigues, 1977-2004; Director of the Department of Mergers and Acquisitions, of Banking and Capital Markets until 2004, Member of the Management Committee since 1985.
José Maldonado Ramos[4][5]	Director and General Secretary	18th December, 1999	28th February, 2004	Director, Telefónica S.A., February 1999-April 2003; Secretary of the Board of Directors and Director and General Secretary, Argentaria since May 1997-2000; Director and General Secretary, BBVA, since January 2000.
Enrique Medina Fernández[1][4]	Independent Director	18th December, 1999	28th February, 2004	Director and Secretary, Sigma Enviro, S.A..
Susana Rodríguez Vidarte[2]	Independent Director	28th May, 2002	1st March, 2003	Dean of Deusto "La Comercial" University since 1996.
José María San Martín Espinós[1][3]	Independent Director	18th December, 1999	10th March, 2001	Director and Managing Director, Construcciones San Martín, S.A.
Telefónica de España, S.A.[6]	Non-independent External Director	17th April, 2000	26th February, 2005	

(*) Where no date is provided, positions are currently held.

(1) Member of the Executive Committee.

(2) Member of the Audit and Compliance Committee.

(3) Member of the Appointment and Compensation Committee.

(4) Member of the Risk Committee.

(5) Secretary of the Board of Directors.

(6) Represented by Mr. Angel Vilá Boix.

Major Shareholders

As far as BBVA are aware, as of the date of this Offering Circular, no shareholder or other person, corporation or government holds beneficially, directly or indirectly, more than five per cent. of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to it, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 28th June, 2005, there were 1,042,577 holders of BBVA's shares, with a total of 793,250,073 shares held by 69 shareholders with registered addresses in the United States. Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders. BBVA's directors and executive officers did not own any ADRs as of 28th June, 2005.

Legal Proceedings

On 15th March, 2002, the Bank of Spain announced that it was opening an administrative proceeding against BBVA and certain individuals who have served as members of BBVA's board of directors or as executive officers. This announcement was the result of BBVA's voluntary disclosure to the Bank of Spain on 19th January, 2001 that BBVA funds then amounting to approximately Ptas. 37,427 million (approximately €225 million) had been held in offshore accounts and not been reflected in its financial statements. These funds had been generated largely as a result of capital gains realised on transactions in BBV and Argentaria shares and were included in BBVA's financial statements in 2000. The Bank of Spain subsequently conducted a confidential investigation which led to the commencement of its administrative proceeding. The Bank of Spain's administrative proceeding was suspended upon commencement of the proceeding initiated by the National Criminal Court (discussed below) and has remained suspended pending completion of such proceeding.

At the time the Bank of Spain proceeding was suspended, no formal charges had been made by the Bank of Spain relating to the facts and events under investigation. BBVA is therefore unable to determine what, if any, charges will be made by the Bank of Spain and to what conduct any such charges may relate. However, based on BBVA's assessment of the probable charges and penalties that could be imposed by the Bank of Spain and that since the initiation of the Bank of Spain proceeding, BBVA has continued to be engaged regularly in extending commercial and other types of credit and accepting demand and other types of deposits, BBVA believes that once the Bank of Spain proceeding is recommenced after the conclusion of the National Criminal Court's proceeding, resolution of such proceeding would not have a material adverse effect on BBVA or its consolidated financial position or results of operations.

National Criminal Court (*Audiencia Nacional*)

On 9th April, 2002, Tribunal No. 5 of Spain's National Criminal Court presided by Judge Baltasar Garzón commenced a criminal proceeding regarding the previously unreported funds and suspended the administrative proceeding initiated by the Bank of Spain. The National Criminal Court proceeding was initially directed at 28 of BBVA's former directors and executive officers and was subsequently split into two separate proceedings. One proceeding relates to the use of the unreported funds to create pension accounts. In this proceeding, three of BBVA's former directors and two former executive officers have been formally charged. The second proceeding, which generally relates to the unreported funds, is still in the investigation phase and is directed at four of BBVA's former directors and two former executive officers. None of these directors and executive officers continue to serve as directors on BBVA's Board of Directors or are affiliated with BBVA in any other capacity. Under Spanish law, criminal liability may only be imposed on a corporation's employees and members of its board of directors but not on the corporation itself. Consequently, BBVA does not have any criminal liability under Spanish law and none of its current officers or directors are party to this proceeding. BBVA is cooperating fully with the National Criminal Court proceeding, which commenced more than two years ago and is currently pending.

Spanish National Market Commission (the "CNMV")

On 22nd May, 2002, the Spanish securities market regulator, the CNMV, instituted administrative proceedings against BBVA for alleged violations of the Spanish Securities Markets Act of 1988 in connection with the same events being investigated by the Bank of Spain. As with the Bank of Spain proceeding, the National Criminal Court requested that the CNMV suspend its proceedings until resolution of the National Criminal Court's criminal proceeding described above. The CNMV proceeding was suspended on 7th January, 2003 and has remained suspended pending completion of the proceeding initiated by the National Criminal Court.

Based on BBVA's assessment of the probable charges and penalties that could be imposed by the CNMV, and the fact that since the initiation of the CNMV proceeding the CNMV has not restricted BBVA from continuing to be actively involved in capital markets transactions in Spain, including by conducting offerings of its own debt and equity securities, BBVA believes that once the CNMV proceeding is recommenced after the conclusion of the National Criminal Court's proceeding, resolution of such proceeding would not have a material adverse effect on BBVA or its consolidated financial position or results of operations.

Internal Control Procedures

As a result of BBVA's discovery that BBVA funds had been held in offshore accounts and not been reflected in its financial statements, it has implemented several accounting internal control procedures in order to obtain reasonable assurance that breaches of its internal controls do not occur. For example, BBVA has significantly strengthened its internal audit function. BBVA's internal audit department is responsible for such matters as verifying accuracy and completeness of BBVA's financial reporting and ensuring the compliance, appropriateness and effectiveness of BBVA's internal control systems and procedures. BBVA has also enhanced its internal audit function, including by broadening the scope of its internal audit activities to include all of BBVA's diverse operations, both in terms of business area and geographical location. In addition, in 2002, BBVA implemented a "Directors Plan" in respect of fiscal years 2003 and 2004 to further strengthen its internal controls. As part of this plan, BBVA's internal audit function was further expanded to include review of information and documentation used by the management of each business unit, review of BBVA's financial statement consolidation process and review and assessment of BBVA's compliance with capital adequacy requirements. In addition, the Directors Plan provides for the standardisation of internal audit work procedures, from making initial contact with the business area or unit being audited to documenting the results of the audit.

BBVA has also reinforced its internal compliance department. This department, whose functions have been established by the Audit and Compliance Committee of BBVA's Board of Directors, is responsible for developing and implementing internal norms and procedures to ensure compliance with legal requirements and ethical guidelines established by BBVA, such as BBVA's Code of Conduct. For example, this department is responsible for establishing internal controls and procedures related to matters such as the prevention of money-laundering and trading in BBVA's securities.

Besides the accounting internal control procedures implemented by BBVA described above, in order to further obtain reasonable assurance that breaches of BBVA's internal controls do not occur, BBVA has taken a series of steps to strengthen its corporate governance structures in keeping with the most recent trends in this area and new legislation that has taken effect in Spain and the other countries in which BBVA operates.

Other Proceedings

Puerto Rico

Two proceedings were initiated in Spain based on the testimony of a former BBV Puerto Rico employee. These proceedings included allegations of money-laundering and bribery against BBVA and certain of its employees. To date, however, no person has been charged with any wrongdoing or named as a defendant in connection with these proceedings.

BBVA Privanza Bank Ltd. (Jersey)

A proceeding was initiated alleging that certain employees of BBVA Privanza Bank Ltd. (Jersey) cooperated in the creation of accounts and financial products in Jersey which were allegedly used by Spanish individuals to avoid Spanish tax obligations. The proceedings also included an allegation of a tax offence due to the purported non-consolidation of a fully-owned subsidiary. These proceedings are ongoing and charges have not been brought against any BBVA employee or director.

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

TAXATION AND DISCLOSURE OF HOLDER INFORMATION IN CONNECTION WITH PAYMENTS OF DISTRIBUTIONS

The following is a general description of certain Spanish tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities. Prospective purchasers of Preferred Securities should consult their own tax advisers 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 Preferred Securities and receiving any payments under the Preferred Securities. 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.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Offering Circular:

(a) of general application, Additional Provision two of Law 13/1985, of 25th May on investment ratios, own funds and information obligations of financial intermediaries, as promulgated by Law 19/2003, as well as Royal Decree 1778/2004, of 30th July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules;

(b) for individuals with tax residency in Spain which are Individual Income Tax (IRPF) taxpayers, Royal Legislative Decree 3/2004, of 5th March promulgating the Consolidated Text of the Individual Income Tax Law, and Royal Decree 1775/2004, of 30th July promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are Corporation Tax taxpayers, Royal Legislative Decree 4/2004, of 5th March promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 1777/2004, of 30th July promulgating the Corporation Tax Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5th March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30th July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of Preferred Securities, the acquisition and transfer of the Preferred Securities will be exempt from indirect taxes in Spain, i.e. exempt from Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December regulating such tax.

1. Individuals with Tax Residency in Spain

1.1 Individual income tax (impuesto sobre la renta de las personas físicas)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 23.2 of the Individual Income Tax Law, and must be included in the general portion of the investor's taxable income.

Both types of income are subject to a withholding on account at the rate of 15%.

If the period during which such income is generated exceeds two years a reduction of 40% will be applied, for the effect of both withholdings and inclusion in taxable income.

1.2 Wealth tax (impuesto sobre el patrimonio)

Individuals with tax residency in Spain under an obligation to pay Wealth Tax must take into account the amount of the Preferred Securities which they hold as at 31st December in each year when calculating their wealth tax liabilities.

1.3 Inheritance and gift tax (impuesto sobre sucesiones y donaciones)

Individuals with tax residency in Spain who acquire ownership or other rights over any Preferred Securities by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable regional or State rules.

2. Legal Entities with Tax Residency in Spain

2.1 Corporation tax (impuesto sobre sociedades)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in profit and taxable income of legal entities with tax residency in Spain for Corporation Tax purposes in accordance with the rules for this tax.

In accordance with Section 59.s) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Application has been made for the Preferred Securities to be admitted to the Official List and to the London Stock Exchange for the Preferred Securities to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market and they will therefore, upon admission to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market, fulfil the requirements laid down by the legislation for exemption from withholding. The Directorate General for Taxation (*Dirección General de Tributos* – "**DGT**"), on 27th July, 2004, issued a reply to a consultation indicating that in the case of issues made by entities resident in Spain, as with the Issuer, application of the exemption requires that the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities falls within this exemption as the Preferred Securities are to be sold outside Spain and in the international capital markets and none of the entities placing the Preferred Securities is resident in Spain. Consequently, the Issuer will not make any withholding on Distributions to Spanish Corporation Tax taxpayers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

No reduction percentage will be applied. (Please see "Disclosure of Holder Information in Connection with Payments of Distributions" below).

2.2 Wealth tax (impuesto sobre el patrimonio)

Legal entities are not subject to Wealth Tax.

2.3 Inheritance and gift tax (impuesto sobre sucesiones y donaciones)

Legal entities with tax residency in Spain which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Preferred Securities in their taxable income for Spanish Corporation Tax purposes.

3. Individuals and Legal Entities with no tax residency in Spain

3.1 Non-resident income tax (impuesto sobre la renta de no residentes)

(a) With permanent establishment in Spain

Ownership of the Preferred Securities by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Preferred Securities form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Preferred Securities are the same as those previously set out for Corporation Tax taxpayers.

(b) With no permanent establishment in Spain

Both Distributions periodically received and income deriving from the transfer, redemption or repayment of the Preferred Securities, obtained by individuals or entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt. This exemption is not applicable if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991, of 5th July), in which case such income will be subject to Non- Resident Income Tax in Spain at the rate of 15% which the Issuer will withhold.

For these purposes it is necessary to comply with certain information obligations relating to the identity of the holders of Preferred Securities, in the manner detailed under "Disclosure of Holder information in connection with payments of distributions" as laid down in section 12 of Royal Decree 2281/1998, as promulgated by Royal Decree 1778/2004. If these information obligations are not complied with in the manner indicated the Issuer will apply a withholding of 15% and the Issuer will not, as a result, be under any obligation to pay additional amounts.

3.2 Wealth tax (impuesto sobre el patrimonio)

To the extent that income deriving from the Preferred Securities is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Preferred Securities will be exempt from Wealth Tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to Wealth Tax.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that rights deriving from the Preferred Securities can be exercised in Spanish territory.

Non-resident legal entities are not subject to Wealth Tax.

3.3 Inheritance and gift tax (impuesto sobre sucesiones y donaciones)

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and State legislation.

Non-resident entities which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. Tax Rules for payments made by the Guarantor

Payments which may be made by the Guarantor to holders of Preferred Securities, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuer.

5. Tax havens

Pursuant to Royal Decree 1080/1991, of 5th July the following are each considered to be a tax haven:

Principality of Andorra,
Netherlands Antilles,
Aruba,
Kingdom of Bahrain,
Sultanate of Brunei,
Republic of Cyprus,
United Arab Emirates,
Gibraltar,
Hong-Kong,
The Island of Anguila,
Islands of Antigua and Barbuda,
The Bahamas,
The Island of Barbados,
The Bermuda Islands,
Cayman Islands,
The Cook Islands,
The Republic of Dominica,
Grenada,
Fiji Islands,
Channel Islands (Jersey and Guernsey),
Jamaica,
Republic of Malta,
Falkland Islands,
Isle of Man,
Marianas Islands,
Mauritius,
Montserrat,
Republic of Nauru,
Solomon Islands,
Saint Vincent & the Grenadines,
Saint Lucia,
Republic of Trinidad and Tobago,
Turks and Caicos Islands,
Republic of Vanuatu,
British Virgin Islands,
Virgin Islands (of the United States),
Hashemite Kingdom of Jordan,
Republic of Lebanon,
Republic of Liberia,
Principality of Liechtenstein,
Grand Duchy of Luxembourg Area (as regards the income received by the Companies referred to in paragraph 1 of Protocol annexed Avoidance of Double Taxation Treaty, dated 3rd June, 1986),
Macao,
Principality of Monaco,
Sultanate of Oman,
Republic of Panama,
Republic of San Marino,
Republic of Seychelles,
Republic of Singapore.

6. EU Savings Directive

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

7. Disclosure of holder information in connection with payments of distributions

The European Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The following is a summary only and is subject to the European Clearing Systems' discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities. None of the Issuer, the Guarantor, the Managers, the Paying Agents or the European Clearing Systems assume any responsibility therefor.

7.1 Legal Entities with tax residency in Spain subject to Spanish Corporation Tax

In accordance with procedures established in the Agency Agreement, the Principal Paying Agent must receive a list of those holders that are Spanish Corporation Tax taxpayers specifying the name, address, Tax Identification Number, ISIN code of the Preferred Securities, number of Preferred Securities held at each Distribution Payment Date, gross income and amount withheld, substantially in the form set out below (see Annex III below).

7.2 Individuals and Legal Entities with no tax residency in Spain

The information obligations to be complied with in order to apply the exemption are those laid down in Section 12 of Royal Decree 2281/1998 ("**Section 12**"), as promulgated by Royal Decree 1778/2004, being the following:

In accordance with sub-section 1 of such Section 12, a return must be made to the Spanish tax authorities specifying the following information with respect to the Preferred Securities:

(a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;

(b) the amount of income received; and

(c) details identifying the Preferred Securities.

In accordance with sub-section 3 of such Section 12, for the purpose of preparing the return referred to in sub-section 1 of Section 12, the following documentation must be obtained on each payment of income evidencing the identity and residency of each holder of Preferred Securities:

(a) if the non-resident holder of Preferred Securities acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residency in the manner laid down in Annex I of the Order of 16th September 1991, promulgated pursuant to Royal Decree 1285/1991 (see Annex I below), of 2nd August establishing the procedure for the payment of interest on Book Entry State Debt (as defined therein) to non-residents who invest in Spain without the intervention of a permanent establishment;

(b) in the case of transactions in which any of the entities indicated in the foregoing paragraph (a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16th September, 1991 (see Annex II below);

(c) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16th September 1991 (see Annex II below);

(d) in other cases, residency must be evidenced by submission of the residency certificate issued by the tax authorities of the State of residency of the holder of Preferred Securities. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 4 of Section 12, for the purpose of implementing the exemption provided for, the following procedure must be followed: on the due date of each Distribution the Issuer must transfer the net amount to the entities referred to in paragraphs (a), (b) and (c) resulting from applying the general withholding rate (currently 15%) to the whole of the Distribution. If the certificates referred to are received prior to the Distribution Payment Date, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided.

In the case of both paragraph 7.1 and paragraph 7.2 above, in order for a beneficial owner to benefit from an exemption from withholding, the above documentation should be received by the Principal Paying Agent in accordance with the procedures established in the Agency Agreement, which may be inspected during normal business hours at the specified office of each Paying Agent.

If the Principal Paying Agent does not receive complete documentation in respect of an eligible holder of Preferred Securities by the Distribution Date, such holder may obtain a quick refund of the full amount of withholding tax by ensuring that the documentation described above is received by the Principal Paying Agent no later than 10:00 am (CET) on the second Business Day prior to the 10th calendar day of the month following the relevant Distribution Date (or if such date is not a Business Day, the Business Day immediately preceding such date) (the "**Quick Refund Deadline**").

Holders of Preferred Securities entitled to a refund but in respect of whom the Principal Paying Agent does not receive relevant documentation on or before a Quick Refund Deadline may seek a full refund of withholding tax directly with the Spanish tax authorities.

Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish. In the event of any discrepancy, the Spanish version shall prevail.

Annex I

Modelo de certificación en inversiones por cuenta propia

Form of Certificate for Own Account Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.a) del Real Decreto 2281/1998, redactado por el Real Decreto 1778/2004,

(function) , in the name and on behalf of the Entity indicated below,
for the purposes of article 12.3.a) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004,

CERTIFICO:
CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
   that the name of the Entity I represent is:

2. **Que su residencia fiscal es la siguiente:**
   that its residence for tax purposes is:

3. **Que la Entidad que represento está inscrita en el Registro de**
   that the institution I represent is recorded in the Register of
   ***(país estado, ciudad),* con el número**
   (country, state, city), under number

4. **Que la Entidad que represento está sometida a la supervisión de** ***(Organo supervisor)***
   that the institution I represent is supervised by (Supervision body)
   en virtud de ***(normativa que lo regula)***
   under (governing rules).

Todo ello en relación con:
All the above in relation to:

Identificación de los valores poseídos por cuenta propia
Identification of securities held on own account

Importe de los rendimientos
Amount of income

Lo que certifico en a de de 20
I certify the above in on the of of 20.......

Annex II

Modelo de certificación en inversiones por cuenta ajena

Form of Certificate for Third Party Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.b) y c) del Real Decreto 2281/1998, redactado por el Real Decreto 1778/2004,

(function) , in the name and on behalf of the Entity indicated below,
for the purposes of article 12.3.b) and c) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004,

CERTIFICO:
CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
   that the name of the Entity I represent is:

2. **Que su residencia fiscal es la siguiente:**
   that its residence for tax purposes is:

3. **Que la Entidad que represento está inscrita en el Registro de**
   that the institution I represent is recorded in the Register of
   ***(país estado, ciudad),* con el número**
   (country, state, city), under number

4. **Que la Entidad que represento está sometida a la supervisión de** ***(Organo supervisor)***
   that the institution I represent is supervised by (Supervision body)
   en virtud de ***(normativa que lo regula)***
   under (governing rules).

5. **Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España o en los países o territorios que tienen en España la consideración de paraísos fiscal de acuerdo con las normas reglamentarias en vigor.**
   That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the amounts and the relevant amounts is accurate, and does not include person(s) or institution(s) resident either in Spain or, in tax haven countries or territories as defined under Spanish applicable regulations.

Lo que certifico en a de de 20
I certify the above in on the of of 20.......

RELACIÓN ADJUNTA A CUMPLIMENTAR:
TO BE ATTACHED:

Identificación de los valores:
Identification of the securities

Listado de titulares:
List of beneficial owners:

Nombre / País de residencia / Importe de los rendimientos
Name / Country of residence / Amount of income

Annex III

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del impuesto sobre sociedades y a los establecimientos permanentes sujetos pasivos del impuesto sobre la renta de no residentes

Certificate for application of the exemption on withholding to spanish corporation tax taxpayers and to permanent establishments of non-resident income tax taxpayers

(nombre) (name)
(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) **, en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,**

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

CERTIFICO:
CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
   that the name of the Entity I represent is:

2. **Que su residencia fiscal es la siguiente:**
   that its residence for tax purposes is:

3. **Que la Entidad que represento está inscrita en el Registro de**
   that the institution I represent is recorded in the Register of
   (país estado, ciudad), **con el número**
   (country, state, city), under number

4. **Que la Entidad que represento está sometida a la supervisión de** ***(Organo supervisor)***
   that the institution I represent is supervised by (Supervision body)
   en virtud de ***(normativa que lo regula***
   under (governing rules).

5. **Que, a través de la Entidad que represento, los titulares incluídos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.**
   That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporations Tax taxpayers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.

6. **Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluídos en la relación.**
   That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en	**a**	**de**	**de 20**
I certify the above in	on the	of	of 20.......

RELACIÓN ADJUNTA
TO BE ATTACHED

Identificación de los valores:
Identification of the securities

Razón social / Domicilio / Número de identificación fiscal / Número de valores / Rendimientos brutos / Retención al 15%
Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount withheld at 15%.

SUBSCRIPTION AND SALE

Merrill Lynch International, Barclays Bank PLC, Citigroup Global Markets Limited, Lehman Brothers International (Europe) and Banco Bilbao Vizcaya Argentaria, S.A. (the "**Managers**") have, in a subscription agreement dated 20th September, 2005 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Managers, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Preferred Securities at their issue price of Euro 50,000 per Preferred Security less a combined management, underwriting and selling commission of 0.50 per cent. of such issue price. Merrill Lynch International will also be paid a separate fee for its services as structuring adviser. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Preferred Securities.

United States of America

The Preferred Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and 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 Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager will represent in the Subscription Agreement that it has offered and sold the Preferred Securities, and agrees that it will offer and sell the Preferred Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Preferred Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager will agree that, at or prior to confirmation of sale of Preferred Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Preferred Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules"**), Preferred Securities must be issued and delivered outside the United States and its possessions in connection with their original issue. Each Manager will represent that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, Preferred Securities within the United States or its possessions in connection with their original issue. Further, in connection with the original issue of Preferred Securities, each Manager will represent that it has not communicated, and agree that it will not communicate, directly or indirectly, with a prospective purchaser if either such Manager or such purchaser is within the United States or its possessions or otherwise involve such Manager's U.S. office in the offer or sale of Preferred Securities. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

United Kingdom

Each Manager will represent, warrant and undertake in the Subscription Agreement that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Preferred Securities in circumstances in which section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it were not an authorised person, apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

Spain

Each Manager will acknowledge in the Subscription Agreement that the Preferred Securities must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

Italy

Each Manager will represent, warrant and undertake in the Subscription Agreement that the Preferred Securities will not be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Preferred Securities be distributed in the Republic of Italy, except:

(a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended; or

(b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

In addition, each Manager will represent, warrant and undertake in the Subscription Agreement that any offer, sale or delivery of the Preferred Securities or distribution of copies of this Offering Circular or any other document relating to the Preferred Securities in the Republic of Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"); and

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and

(iii) in compliance with any other applicable laws and regulations.

General

No action has been taken in any jurisdiction that would, or is intended to, permit a public offering of the Preferred Securities, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Each person into whose hands this Offering Circular or any other offering material comes is required to comply with all applicable securities laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or has in its possession or distributes or publishes this Offering Circular or any other offering material relating to the Preferred Securities, in all cases at its own expense.

GENERAL INFORMATION

1. The creation and issue of the Preferred Securities has been authorised by (i) the shareholders' meetings of the Issuer, held on 6th, July, 2005 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the lssuer, held on 6th July, 2005. The giving of the Guarantee of the Preferred Securities has been authorised by a resolution of the Board of Directors (*Consejo de Administración*) of the Guarantor, dated 6th May, 2005.

2. Neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

3. There has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuer since 30th June, 2005 (being the date of its incorporation). There has been no significant change in the financial or trading position of the Group since 30th June, 2005 and there has been no material adverse change in the financial position or prospects of the Group since 31st December, 2004.

4. For so long as any of the Preferred Securities are outstanding, copies of the following documents (together with English translations, where applicable) may be inspected during normal business hours at the specified office of the Guarantor and each Paying Agent:

   (a) the *estatutos* of each of the Issuer and the Guarantor;

   (b) the audited consolidated financial statements of the Guarantor as at, and for the years ending, 31st December, 2004 and 31st December, 2003;

   (c) the published semi-annual interim unaudited financial statements of the Guarantor (on a consolidated basis) for the six month period ending 30th June, 2005;

   (d) the Public Deed of Issuance of the Preferred Securities;

   (e) the Guarantee;

   (f) the Agency Agreement; and

   (g) the Subscription Agreement.

5. The Guarantor publishes quarterly unaudited consolidated interim financial statements. The Guarantor does not publish unconsolidated interim financial statements. As at the date of this Offering Circular, the Issuer has not published audited financial statements. The Issuer intends to publish unconsolidated audited financial statements on an annual basis. The first financial year end of the Issuer will end on 31st December, 2005. The Issuer does not and will not publish interim financial statements.

6. The auditors of the Issuer, the Guarantor and the Group are Deloitte, S.L., registered as auditors on the *Registro Oficial de Auditores de Cuentas,* who have audited, without qualification, the financial statements of the Guarantor and of the Group 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, 2004 and 2003. The auditors of the Issuer, the Guarantor and the Group have no material interest in the Issuer, the Guarantor or the Group.

7. The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg. The ISIN is

XS0229864060 and the common code is 022986406. The European Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Guarantor and the Principal Paying Agent in the collection of the details referred to above from holders of the Preferred Securities. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities (see "*Conditions of the Preferred Securities – Form and Status*"). The procedures agreed and fully described in the Agency Agreement may be amended to comply with Spanish laws and regulations and operational procedures of the European Clearing Systems.

8. The Issuer does not intend to provide any post-issuance information in relation to the issue of the Preferred Securities.

9. The yield on the Preferred Securities until the First Call Date is 3.798 per cent. per annum.

10. The total expenses related to the admission to trading of the Preferred Securities on the London Stock Exchange's Gilt-Edged and Fixed Interest Market equal approximately Euro 3,000,000.

ISSUER

BBVA International Preferred, S.A. Unipersonal
Gran Vía, 1
Bilbao

GUARANTOR

Banco Bilbao Vizcaya Argentaria, S.A.
Plaza de San Nicolas, 4
48005 Bilbao

PRINCIPAL PAYING AGENT, AGENT BANK AND CALCULATION AGENT

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA

OTHER PAYING AGENT

Citigroup Global Markets Deutschland AG & Co. KGaA
Reuterweg 16
60323 Frankfurt am Main
Germany

LEGAL ADVISERS

To the Issuer and the Guarantor
as to the laws of England and Wales

Allen & Overy LLP
One New Change
London EC4M 9QQ

To the Issuer and the Guarantor
as to the laws of Spain

GARRIGUES, Abogados y Asesores Tributarios
Jose Abascal, 45
28003 Madrid

To the Managers
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

AUDITORS

To the Issuer and the Guarantor

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid

printed by **eprint*financial*.com**
tel: + 44 (0) 20 7613 1800 document number 3295