



BBVA International Preferred, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

**Series D £400,000,000 Non-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 D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of £50,000 liquidation preference each (the "Preferred Securities") are being issued by BBVA International Preferred, S.A. Unipersonal (the "Issuer") on 19th July, 2007 (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 7.093% per annum for the period from (and including) the Closing Date up to (but excluding) 19th July, 2012 (the "First Call Date") payable on each 19th July and 19th January up to and including First Call Date. The first Distribution is payable on 19th January, 2008. From (and including) the First Call Date, Distributions will accrue at a rate of 0.875% per annum above Three Month Sterling LIBOR (as defined in "Conditions of the Preferred Securities") payable on 19th January, 19th April, 19th July and 19th October in each year. In each case Distributions accrue on the liquidation preference of £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 the First Call Date, at the liquidation preference of £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 the First Call Date, 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 the First Call Date, the redemption price shall be the higher of (a) the liquidation preference of £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").

The Preferred Securities are also 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, at the liquidation preference of £50,000 per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption if, as a result of a tax law change on or after the Closing Date, the Issuer or Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA", the "Bank" or the "Guarantor"), 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.

In the event of the liquidation of the Issuer or the Bank, 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 £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 jointly and severally (in Spanish *solidariamente*), 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 Aa3 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 depository for Euroclear Bank S.A./N.V. ("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 Joint Lead 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 Lead Managers

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

(no underwriting commitment)

Credit Suisse

HSBC

**The Royal Bank of
Scotland**

The date of this Offering Circular is 17th July, 2007.

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. Any 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 and Spain, 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; references to “\$”, “dollars” or “U.S.\$” are to the currency of the United States; and references to “£” or “Sterling” are to the currency of the United Kingdom.

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 18%, 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). Under the Second Additional Provision of Law 13/1985, each of the Issuer and 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 Issuer or the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 18%. 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. The Issuer and the Guarantor may from time to time, at their discretion, appoint an agent to intermeditate with the European Clearing Systems in the provision of such information. Notice of any such appointment will be given to the Holders in accordance with Condition 8 of the Preferred Securities.

The procedure for the provision of information as required by Spanish laws and regulations contained in this Offering Circular is a summary only and is subject to review and amendment by the European Clearing Systems 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 Joint Lead 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 Corporate Income Tax in Spain if currently held opinions of the Spanish tax authorities change. If this were to occur, neither the Issuer nor the Guarantor will pay additional amounts in respect of such withholding, 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, The Royal Bank of Scotland plc (the “Stabilising Manager”) (or person(s) acting on behalf of the Stabilising Manager) may over-allot 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 person(s) acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation 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 the earlier of 30 days after the Closing Date and 60 days after the date of allotment of the Preferred Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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OVERVIEW

This overview 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 overview 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 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 Issuer issued its Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each on 22nd September, 2005.

The Issuer issued its Series B Euro 500,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each on 18th September, 2006.

The Issuer issued its Series C \$600,000,000 Fixed/Floating Rate Non-Cumulative Guaranteed Preferred Securities of \$1,000 liquidation preference each on 18th April, 2007.

The objects of the Issuer include the issue of preferred securities.

Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.

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

BBVA was incorporated for an unlimited term on 28th January, 2000. BBVA was formed as the result of a merger by absorption of Argentaria into BBV, which was registered on 28th January, 2000 (see "*Description of Banco Bilbao Vizcaya Argentaria, S.A. – History and Development of the Guarantor*").

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

- Retail Banking Spain and Portugal.
- Wholesale Business.

- Mexico and United States.
- South America.
- Corporate Activities.

Summary Financial Information

As at 31st December, 2006 BBVA's consolidated total assets were €411,916 million and its consolidated net operating income for the year then ended was €8,883 million. Selected consolidated financial information relating to BBVA is included under "*Description of Banco Bilbao Vizcaya Argentaria, S.A. – Selected Financial Data*" and BBVA's audited consolidated financial statements for each of the years ended 31st December, 2006 and 31st December, 2005, together with its unaudited interim financial statements as at and for the three months ended 31st March, 2007 are incorporated by reference into this document but not this overview, see "*Documents Incorporated by Reference*".

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 and there are also certain factors which are material for the purposes of assessing the market risk associated with 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:

£400,000,000.

Issue details:

Series D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (*participaciones preferentes*), each with a liquidation preference of £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:

£50,000 per Preferred Security.

While the Preferred Securities are represented by the global Preferred Security, the Preferred Securities will be tradable in Euroclear or Clearstream, Luxembourg in an amount equal to £50,000 per Preferred Security and integral multiples of £50,000 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 7.093% per annum for the period from (and including) the Closing Date to (but excluding) 19th July, 2012 (the "**First Call Date**") payable on each 19th July and 19th January up to and including the First Call Date (each, a "**Distribution Payment Date (Fixed)**"), the first such Distribution Payment Date (Fixed) being 19th January, 2008. From (and including) the First Call Date, Distributions will accrue at a rate of 0.875% per annum above Three Month Sterling LIBOR payable on 19th January, 19th April, 19th July and 19th October in each year (each, a "**Distribution Payment Date (Floating)**"), the first such Distribution Payment Date (Floating) being 19th October, 2012.

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 two consecutive

Distribution Payment Dates (Fixed) or on any four consecutive Distribution Payment Dates (Floating) (or, if no Distributions have been paid on 19th January, 2012, on one Distribution Payment Date (Fixed) (which is expected to be the First Call Date) and two consecutive Distribution Payment Dates (Floating)) thereafter.

Guarantee:

The payment of Distributions, the Early Redemption Amount, the Liquidation Distribution and the Redemption Price shall be jointly and severally (in Spanish *solidariamente*), irrevocably 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 the First Call Date. 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 the First Call Date, 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 the First Call Date, 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 the First Call Date. In the event that such purchases are permitted by law before the First Call Date, 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 of the Bank.

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 or the Guarantor. 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 Meetings.

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 interest payments in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 18%, 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 certain information relating to the holders:

Under Spanish Law 13/1985 (as amended by of Law 19/2003 and Law 23/2005), and Royal Decree 2281/1998 (as amended by Royal Decree 1778/2004), the Issuer and Guarantor are obliged to disclose to the Spanish Tax and Supervisory Authorities certain information relating to the holders of the Preferred Securities who receive interest payments.

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. The Issuer and the Guarantor may from time to time, at their discretion, appoint an agent to intermediate with the European Clearing Systems in the provision of such information. Notice of any such appointment will be given to the Holders in accordance with Condition 8 of the Preferred Securities.

The procedure for the provision of information as required by Spanish laws and regulations contained in this Offering Circular is a summary only and is subject to review and amendment by the European Clearing Systems 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 Joint Lead 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 depository 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 Aa3 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. Regulation S, category 2 restrictions under the Securities Act apply. The Preferred Securities will not be eligible for sale in the United States under Rule 144A of the Securities Act.

RISK FACTORS

Each of the Issuer and the Guarantor believes 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, 2006, business activity in Spain accounted for 70.2 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 the Guarantor's loan portfolio consists of residential mortgages and consumer loans to middle and lower middle income customers and commercial loans to medium and small companies. Consequently, during periods of slowdown in economic activity it may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. The Guarantor cannot be sure that it

will not suffer substantial adverse effects on its base loan portfolio to these customer segments in the event of 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 have caused an increase in the demand for mortgage loans in the last few years. This has had repercussions on housing prices, which have also risen significantly. As residential mortgages are one of the Guarantor's main assets, comprising 26 per cent., 27 per cent. and 26 per cent. of its loan portfolio at 31st December, 2006, 2005 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 makes debt service on such loans more vulnerable to changes in interest rates than in the past. In fact, the debt burden of the Spanish households on disposable income has increase substantially from 12.5 per cent. in 2003 to 16.4 per cent. in 2006. 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 23.3 per cent., 25.4 per cent. and 27.6 per cent. of its total funding at 31st December, 2006, 2005 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. This is particularly the case of the consumer credit market, where foreign entrants are operating in the segment of small credits to subprime households.

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 the EU, national governments, domestic and international economic and political conditions and other factors.

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

In addition, income from treasury operations is particularly vulnerable to interest rate volatility. Since approximately 75 per cent. of the Guarantor's loan 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 may fail to realise all of the anticipated benefits of the proposed transaction to acquire Compass.

The success of the proposed transaction to acquire Compass will depend, in part, on the Guarantor's ability to realise the anticipated benefits from combining the businesses of the Guarantor and Compass. However, to realise these anticipated benefits, the Guarantor and Compass must successfully combine their businesses, which are currently principally conducted in different countries by management and employees coming from different cultural backgrounds. If the Guarantor is not able to achieve these objectives, the anticipated benefits of the transaction may not be realised fully or at all or may take longer to realise than expected.

The Guarantor and Compass have operated and, until the completion of the proposed transaction, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of the Guarantor and Compass to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the transaction. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Compass and the Guarantor during the transition period and on the combined company following completion of the transaction.

Risks Relating to Latin America

Political events in Mexico could adversely affect the Guarantor's operations given that approximately 37 per cent. of the Group's income is generated in Mexico.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private sector entities in general, and on the Guarantor's Mexican subsidiaries in particular.

Mexico's presidential elections were held on 2nd July, 2006. Felipe Calderon's victory was confirmed by the Federal courts on 5th September, 2006, and Calderon took office on 1st December, 2006, but the election results were contested by Andres Manuel López Obrador and his party, the Democratic Revolutionary Party, which alleged irregularities in over 30 per cent. of the country's polling stations, sought a vote recount, unsuccessfully appealed the results of the election and staged street protests. The uncertainty caused by the election could result in political and economic instability and social unrest, which could adversely affect the business, financial condition and results of operations of the Guarantor's Mexican subsidiaries. Moreover, the new administration could implement significant changes in laws, public policies and government programmes, which could have a material adverse effect on the business, financial condition and results of operations of the Guarantor's Mexican subsidiaries.

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. The results of several recent electoral processes entail an increased risk of greater state intervention in the domestic economy, especially in Bolivia and Venezuela.

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 what it believes to be conservative risk policies, no assurance can be given that its Latin American subsidiaries' growth, asset quality and profitability will not be 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 the Guarantor's business, financial condition and results of operations.

Risks Relating to Other Countries

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

Strategic growth in Asia, particularly China, continued in 2006. The Guarantor formed a strategic alliance with the CITIC Group, in which it committed to invest €501 million to purchase 5 per cent. of China Citic Bank ("CNCB") as well as €488 million to purchase 15 per cent. of Citic International Financial Holdings ("CIFH") as of 31st December, 2006.

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

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

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

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

The Guarantor's expansion continued in the United States in 2006 with the acquisition of Texas Regional Bancshares, Inc. ("**Texas Regional Bancshares**") (for \$2,141 million (approximately €1,674 million) in November 2006) and State National Bancshares, Inc. ("**State National Bancshares**") (for \$484 million (approximately €368 million), which closed in January 2007). These purchases, together with Laredo National Bank, Inc. ("**LNB**") (acquired in 2005), have nearly tripled the Guarantor's presence in the United States in the past two years. In addition, the Guarantor recently announced its proposed acquisition of Compass, which, if consummated, will substantially increase its presence in the United States.

The Guarantor's expansion in the United States makes it more vulnerable to developments in this market, particularly the real estate market. The sound economic growth, the strength of the labour market and a decrease in interest rates in the United States have 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 the Guarantor has acquired entities in the United States, its exposure to the U.S. real estate market has increased, and this will increase further if the proposed acquisition of Compass is consummated. If there were a significant downturn in the U.S. economy in general, or the real estate market in particular, it could have a material adverse effect on the Guarantor's 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, 2003, 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 incorrectly notified claims; (ii) contractually subordinated claims; (iii) interest, except where guaranteed; (iv) penalty (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:

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 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 be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the 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 Sterling. 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 Sterling. 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 Sterling 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 the First Call Date) 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 Aa3 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 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 audited financial statements of the Issuer for the financial periods ended 31st December, 2005 and 31st December, 2006 (including the audit report issued in respect thereof);
- (2) the Guarantor's annual report on Form 20-F/A for the fiscal year ended 31st December, 2006 filed with the U.S. Securities and Exchange Commission (the "SEC") on 28th June, 2007 (which includes, on pages F-1 to F-172 thereof, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31st December, 2006, 31st December, 2005 and 31st December, 2004 provided that Exhibits 1.1, 4.1 and 4.2 to the Form 20-F/A, which are incorporated by reference therein, shall not be incorporated in, or form part of, this Offering Circular); and
- (3) the interim unaudited financial statements of the Guarantor (on a consolidated basis) for the three-month period ending 31st March, 2007,

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 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

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 20th June, 2006 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 26th June, 2007 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 22nd May, 2007 (together, the “**Corporate Resolutions**”) and in accordance with the Law 13/1985, of 25th May, 1985, 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, 2003, 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**”), by Law 62/2003, of 30th December, 2003, on certain measures regarding taxation, administration and social order (*Ley 62/2003, de 30 de diciembre, de medidas fiscales, administrativas y del orden social*) and by Law 23/2005, of 18th November, 2005, on fiscal reforms to stimulate productivity (*Ley 23/2005, de 18 de noviembre, de reforma en materia tributaria para el impulso de la productividad*).

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. (“**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 19th July, 2007 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;

“**Business Day**” means a day on which banks in London are open for presentation and payment of bearer securities and for foreign exchange dealings and on which TARGET is operating;

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

“**Calculation Date**” means the third Business Day prior to the Early Redemption Date;

“**CET**” means Central European Time;

“**Closing Date**” means 19th July, 2007;

“**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. Such applicable regulations are currently set out in Circular 4/2004, 22nd December, 2004, on Public and Restricted Financial Reporting Standards and Model Financial Statements. 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, 2004, 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;

“**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 19th July, 2007 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 £50,000 per Preferred Security;

“**Make Whole Amount**” means an amount in Sterling rounded to the nearest penny (half a penny 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 17th July, 2007 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 London and 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 D £400,000,000 Non-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 London 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 Reuters LIBOR01 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 Sterling LIBOR;

“**Sterling**” or “**£**” means the currency of the United Kingdom;

“**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); and

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

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) 19th July, 2012 at the rate of 7.093 per cent. per annum (the “**Distribution Rate (Fixed)**”) payable in arrear on 19th July and 19th January in each year falling on or before 19th July, 2012 (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 Actual/Actual (ICMA) and rounding the resulting figure to the nearest penny (half a penny being rounded upwards). For this purpose, “**Actual/Actual (ICMA)**” 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) 19th July, 2012, payable on 19th January, 19th April, 19th July and 19th October in each year falling after 19th July, 2012 (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 Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) a Distribution Payment Date (Floating) (or, in the case of the first period, 19th July, 2012) 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 Sterling LIBOR plus 0.875 per cent. per annum to the Liquidation Preference in respect of each Preferred Security multiplying the product by Actual/365 (Sterling) and rounding the resulting figure to the nearest penny (half a penny being rounded upwards). For this purpose, “**Actual/365 (Sterling)**” 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 365 or (in the case of a Distribution Period ending in a leap year) 366.

- 2.3 For the purpose of calculating the Distribution Rate (Floating), “**Three Month Sterling LIBOR**” means the rate for three month deposits in Sterling which appears on the Relevant Screen Page as at 11:00 am (London time) (or such other time as may be customary for the daily reset of such rate) on the first day of the relevant Distribution Period (Floating) (the “**Determination Date**”).

If such rate does not appear on the Relevant Screen Page on the relevant Determination Date, Three Month Sterling LIBOR for the relevant Distribution Period (Floating) will be determined on the basis of the rates at which three month deposits in Sterling are offered by the Reference Banks at approximately 11:00 am (London time) on the first day of the relevant Distribution Period (Floating) to prime banks in the London interbank market for a period of three months commencing on the relevant Determination Date 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 London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, Three Month Sterling LIBOR 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 Sterling LIBOR for the relevant Distribution Period (Floating) will be the arithmetic mean of the rates quoted by major banks in London, selected by the Agent Bank at approximately 11:00 am (London time) on the relevant Determination Date for loans in Sterling to leading banks in London 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 Sterling LIBOR for such Distribution Period (Floating) shall be either (i) Three Month Sterling LIBOR in effect for the last preceding Distribution Period (Floating) to which one of the preceding subparagraphs of this definition of Three Month Sterling LIBOR shall have applied or (ii) if none, the Distribution Rate (Fixed).

The Agent Bank shall, as soon as practicable after 11:00 am (London 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 Sterling by transfer to an account capable of receiving Sterling 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, the payment 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 the collection of the information required by Spanish laws, 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. Neither the Issuer nor the Guarantor can ensure that these procedures will enable the Issuer or the Guarantor to collect all the information concerning the beneficial owner of Preferred Securities as required by the Spanish Tax Authorities on a timely basis. In the event that these procedures prove ineffective, the Issuer and the Guarantor will be required to withhold at the then applicable tax rate from any payment. Affected beneficial owners would either have to follow the quick refund procedure or apply directly to the Spanish Tax Authorities for any refund to which they may be entitled, and neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

The procedure for the provision of information as required by Spanish laws and regulations 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 Joint Lead 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 two consecutive Distribution Payment Dates (Fixed) or on any four consecutive Distribution Payment Dates (Floating) (or, if no Distributions have been paid on 19th January, 2012, on one Distribution Payment Date (Fixed) (which is expected to be the First Call Date) and two consecutive Distribution Payment Dates (Floating)) thereafter.
- 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 19th July, 2012 (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 or the Early Redemption Amount, as the case may be.
- 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 was constituted by virtue of the registration of the Public Deed of Issuance relating to the Issue's Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each issued on 22nd September, 2005 in the Mercantile Registry of Vizcaya, dated 16th September, 2005. 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 entered into in respect of each issue of preferred securities.

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 is 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 at any extraordinary or ordinary meetings of Shareholders of the Issuer or the Guarantor. 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 Meeting.

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 two consecutive Distribution Payment Dates (Fixed) or on four consecutive Distribution Payment Dates (Floating) (or, if no Distributions have been paid on 19th January, 2012, on one Distribution Payment Date (Fixed) (which is expected to be the First Call Date) and two consecutive Distribution Payment Dates (Floating)) thereafter, 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 two consecutive Distribution Payment Dates (Fixed) or on four consecutive Distribution Payment Dates (Floating) (or, if no Distributions have been paid on 19th January, 2012, on one Distribution Payment Date (Fixed) (which is expected to be the First Call Date) and two consecutive Distribution Payment Dates (Floating)) thereafter.
- (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; (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 Spanish Law 13/1985, of 25th May, 1985 as amended by Law 19/2003 of 4th July, 2003 and Law 23/2005 of 18th November, 2005, Spanish Royal Decree 2281/1998 of 23rd October, 1998, as amended by Royal Decree 1778/2004 of 30th July, 2004 and Spanish Royal Legislative Decree 4/2004 of 5th March, 2004 and Spanish Order of 22nd December, 1999, no later than 10.00 a.m. (Central European Time) on the 10th calendar day of the month following the relevant date upon which the payment was due (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
- (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, 1991); 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 66 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 proceeds of the Preferred Securities are £400,000,000 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 19th July, 2007, 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 D £400,000,000 Non-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 17th July, 2007 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 jointly and severally (in Spanish *solidariamente*), irrevocably 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 (in Spanish, *orden, excusión y división*) 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 two consecutive Distribution Payment Dates (Fixed) or on any four consecutive Distribution Payment Dates (Floating) (or, if no Distributions have been paid on 19th January, 2012, on one Distribution Payment Date (Fixed) (which is expected to be the First Call Date) and two consecutive Distribution Payment Dates (Floating)) thereafter 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: +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 issued its Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each on 22nd September, 2005; its Series B Euro 500,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each on 18th September, 2006; and its Series C \$600,000,000 Fixed/Floating Rate Non-Cumulative Guaranteed Preferred Securities of \$1,000 liquidation preference each on 18th April, 2007.

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
Pedro Urresti Laca	Director/President	Deputy Chief Financial Officer of BBVA
Ana Fernandez Manrique	Director	Director of Capital Management of BBVA
Carlos Jimenez Garcia	Director	Manager 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 Guarantor

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

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or "S.A.") under the Spanish Corporations Law on 1st October, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on 18th December, 1999 and registered on 28th January, 2000. It 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 Castellana, 81, 28046, Madrid, Spain telephone number 34-91-3746201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Raúl Santoro de Mattos Almeida (BBVA New York, 1345 Avenue of the Americas, 45th floor, New York, 10105, telephone number 1-212-728-1660). BBVA is incorporated for an unlimited term.

Business Overview

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

Business Areas

During 2006, BBVA's organisational structure was divided into the following business areas:

- Retail Banking in Spain and Portugal;
- Wholesale Business;
- Mexico and the United States;
- South America; and
- Corporate Activities.

The financial information for its business areas for the years 2006, 2005 and 2004 presented below has been prepared on a uniform basis consistent with BBVA's organisational structure in 2006. Unless otherwise indicated, the financial information provided below for each business area does not reflect the elimination of transactions between companies within one business area or between different business areas, since BBVA considers these transactions to be an integral part of each business area's activities.

In December 2006, the Group adopted a new organisational structure that it expects to implement in 2007, which is designed to streamline the Group's corporate structure and give greater weight and autonomy to its business units. The Group expects to focus its operations on five major business areas: Spain and Portugal; Wholesale Business; South America; Mexico and the United States; and Corporate Activities. As part of the reorganisation, the Business Banking, Corporate Banking and Institutional Banking units (BEC) will be included in the Spain and Portugal area (as of 31st December, 2006 such units had been included in the Wholesale Business area) and the Asset Management unit will form part of the Global Business unit in the Wholesale Business area.

The following table provides information relating to income attributed to BBVA's business areas for the years ended 31st December, 2006, 2005 and 2004.

	Year ended 31st December,								
	Income/(Loss) Attributed to Group			% of Subtotal			% of Income/(Loss) Attributed to the Group		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
	<i>(in millions of Euro)</i>								
Retail Banking in Spain and Portugal	1,499	1,317	1,194	30%	33%	40%	32%	35%	41%
Wholesale Business Mexico and United States	1,282	873	658	25%	22%	22%	27%	23%	23%
South America	1,775	1,370	891	35%	35%	30%	37%	36%	30%
Subtotal	509	379	229	10%	10%	8%	11%	10%	8%
Subtotal	<u>5,065</u>	<u>3,939</u>	<u>2,973</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>107%</u>	<u>103%</u>	<u>102%</u>
Corporate Activities	(329)	(132)	(50)				(7)%	(3)%	(2)%
Income Attributed to the Group	<u>4,736</u>	<u>3,807</u>	<u>2,923</u>				<u>100%</u>	<u>100%</u>	<u>100%</u>

In terms of net interest income, the principal markets in which the Group competes, based on the business area which generates the activity, for 2006, 2005 and 2004 were as follows:

	Year ended 31st December,		
	Net interest income		
	2006	2005	2004
	<i>(in millions of Euro)</i>		
Retail Banking in Spain and Portugal	2,865	2,623	2,509
Wholesale Business	1,032	1,017	947
Mexico and United States	3,535	2,678	1,899
South America	1,310	1,039	908
Subtotal	<u>8,742</u>	<u>7,357</u>	<u>6,263</u>
Corporate Activities	(368)	(150)	(103)
Income Attributed to the Group	<u>8,374</u>	<u>7,207</u>	<u>6,610</u>

Retail Banking in Spain and Portugal

Retail Banking in Spain and Portugal focuses on providing banking services to private individuals and small businesses in Spain and Portugal. As at 31st December, 2006, this business area conducted its activities through 3,629 branch offices, of which 99 were located in Portugal. During the fourth quarter the Group implemented a new structure in the retail banking branch network. The new structure consists of 7 regional departments.

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

- Financial Services;
- Asset Management and Private Banking;
- BBVA Portugal; and
- Insurance Business in Europe.

Total net lending in this business area as of 31st December, 2006 was approximately €118,113 million, an increase of 18.3 per cent. from €99,804 million as of 31st December, 2005, with contributions from all of BBVA's main products such as mortgage lending, consumer credit cards and loans to small businesses. The non-performing loan ("NPL") ratio remained low at 0.67 per cent. as of 31st December, 2006 compared to 0.65 per cent. as of 31st December, 2005.

Total customer funds (deposits, mutual and pension funds and other brokered products), were €131,989 million as of 31st December, 2006 from €120,745 million as of 31 December, 2005, as a result of an increase in deposits collected during the year. Mutual funds under management were €44,824 million as of 31st December, 2006, a decrease of 1.7 per cent. from €45,609 million as of 31st December, 2005. Pension funds assets under management were €16,583 million as of 31st December, 2006, an increase of 8.0 per cent. from €15,352 million as of 31st December, 2005.

Financial services

This business unit's principal activities were focused on the following areas:

- Financial Services for Individuals: focused on retail customers and aimed at providing customers with more value from their relationship with BBVA by offering a wide range of products and services at attractive prices, which are made available through different channels, along with solutions tailored to their specific needs.
- Financial Services for Small Businesses: focused on small businesses (including professional practices, the self-employed, retailers and farmers) by providing them with customised services, a comprehensive range of products and continuous, quality financial advice.
- Consumer Finance: focused on the following lines of business (through Finanzia Bank, BBVA's online bank, Uno-e Bank, S.A., Finanzia Autorenting and Finanziamento Portugal): financing of cars, consumer items and equipment; e-banking; bill payment; and car and equipment rental.

Lending by the Financial Services unit increased 18.1 per cent. to €112,480 million as of 31st December, 2006 from €95,278 million as of 31st December, 2005, principally due to strong growth in mortgage loans, which increased 16.6 per cent. from 31st December, 2005.

Customer funds under management by the Financial Services unit increased 9.9 per cent. to €116,990 million as of 31st December, 2006 from €106,403 million as of 31st December, 2005, principally due to an increase in time deposits. Mutual and pension fund assets managed by the Financial Services unit increased by 10.1 per cent., as of 31st December, 2006 as compared to 31st December, 2005.

Financial Services for Individuals

Retail customers were targeted through a series of new products in 2006. Housing access was facilitated by making the conditions of the *Hipoteca Fácil* (Easy Mortgage) more flexible and adapting for the youth and immigrant segments. The range of consumer loans was strengthened with the *Préstamo Inmediato PIDE* (Immediate Loan ASK, available 24 hours a day), the new *Crédito Fácil* (Easy Loan, approved quickly) and

Credinómina (Payroll-loan), an interest-free loan granted immediately and free of commissions tied to the Payroll Campaign. The BlueBBVA Programme targeting the youth segment was renewed (with offers such as the Youth Loan carrying zero interest). Marketing of new services such as BBVA health insurance, real estate, travel and hotel reservations services, among others, was initiated as part of the new business model development programme.

Fund gathering continued through existing and expanded deposit products, including the *Quincenas del Ahorro* (Savings Fortnights), *Depósitos Crecientes* (Growing Deposits), *Triple 6* and *Triple 10*. On the investment fund side, managed fund portfolios and the ongoing renewal of the range of new funds on offer, including *BBVA Consolida Garantizado* (BBVA Guaranteed), *Garantizado Doble 10* (Double 10 Guaranteed), *106 Doble 10* (106 Double 10), *Extra 10*, *110 Ibex* and *105 Ibex*, remained a focus.

In addition, BBVA was the first entity to be granted a regulatory permit to market certain new products approved in Spain in the fourth-quarter of 2006, including exchange traded funds (“**ETFs**”) in the Spanish market on the Ibex 35 (the *Acción Ibex 35 ETF*), the Euro Stoxx 50 and the FTSE Latibex Top (in collaboration with the Wholesale Business area) as well as hedge funds (*BBVA Codespa Microfinanzas FIL*) and venture capital funds (*BBVA Capital Privado*).

Financial Services for Small Businesses

During 2006, the Financial Services for Small Businesses offered a wider product range targeting small companies, professional practices, the self-employed, retailers and the farming sector, including:

- the ICO Pymes 2006 small and medium-sized entities (“**SME**” or “**SMEs**”) line of financing;
- the *Préstamo Bienvenida* (Welcome Loan) for new customers;
- StockPyme, a range of products designed to hedge interest rate risk;
- the Diferencial 0% loan or overdraft;
- a business mortgage with a balloon payment; and
- the *Pack Negocios* (Business Pack), a transactional services package launched in November.

Asset Management and Private Banking

This business unit is responsible for the design and management of products to be distributed through the Retail Banking in Spain and Portugal business area’s different networks, as well as for the direct management of BBVA’s private banking services (through the Personal Banking sub-unit and BBVA Patrimonios). As of 31st December, 2006, total customer funds (including both mutual and pension funds and assets managed in the private banking units) totalled approximately €80 billion, an increase of 3.9 per cent. from 31st December, 2005. As of 31st December, 2006, BBVA’s private banking business in Spain managed assets totalling approximately €11,987 billion, an increase of 29.2 per cent. from 31st December, 2005.

BBVA Portugal

As of 31st December, 2006, BBVA Portugal’s customer loans amounted to €4,237 million, an increase of 22 per cent. from €3,472 million in 2005. In 2006, mortgage lending was the most dynamic sector, with a 31.5 per cent. increase over 2005.

As of 31st December, 2006, customer funds managed by BBVA Portugal totalled €2,737 million, representing a 9 per cent. increase over €3,037 million in 2005, principally due to the increase in mutual and pension fund assets under management by BBVA Portugal.

European Insurance

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

Wholesale Business

The Wholesale Business focuses on large corporations, governmental, non-governmental organisations and institutional investor clients.

The business units included in this business area are:

- Corporate and Business Banking;
- Global Business; and
- Business and Real Estate Projects.

As of 31st December, 2006, lending by the Wholesale Business area totalled €90,305 million, an increase of 18.6 per cent. from €76,129 million as of 31st December, 2005. Non-performing loans ("NPL") of this business area decreased to an NPL ratio of 0.22 per cent. as of 31st December, 2006, compared to 0.29 per cent. as of 31st December, 2005, principally due to an improvement in risk quality. Deposits decreased and mutual funds increased 10.3 per cent. and 22.2 per cent., respectively, as of 31st December, 2006 from 31st December, 2005.

Corporate and Business Banking

The Corporate and Business Banking unit includes the Group's products and services with SMEs, large companies and institutions in the Spanish market, transaction services and product management.

In 2006, a new Corporate Banking business model was introduced to meet the needs of Spanish SMEs, large companies and institutions. The new model marks a simplification of the central structure, the creation of 7 new regional departments and, in November 2006, the addition of 26 new offices to the branch network (6 in corporate and 20 in institutions). This was part of the Blue Net project announced in July and completes the 2006 expansion plan with a total of 272 new branches. Of this number, the SME segment accounted for 209, institutions banking for 52 (extending the network to cover nearly all provinces in Spain) and 11 branches were for corporate banking.

In 2006, the Group led the SME market by marketing the ICO-Pymes line of financing for small businesses. It formalised two new lines with the European Investment Bank (each totalling €200 million to finance SME and regional government investment projects, respectively). It launched the BEC Markets Plan to reinforce the sale of cash management and capital markets products to network clients. The BBVA net cash electronic banking system was also extended to the branch offices abroad.

Global Business

The Global Businesses unit includes the global customers unit, investment banking, global markets and distribution, treasury management and distribution and Asia and is aimed at serving large international companies.

In Global Business, the business continues to be increasingly international. The foreign network and international customers made greater overall contributions to this unit's operations than in previous years. In

domestic cash management businesses, the Group was a pioneer in the Spanish market when it was the first to launch ETFs on national and international indices. It also led the initial public offering (“**IPO**”) league tables in Spain due to its role as global coordinator of the Bolsas y Mercados Españoles, Técnicas Reunidas, S.A. and Vocento IPOs. BBVA extended its product range targeted at institutional customers with the addition of hedge funds in Spain due to the creation of Próxima Alfa, which is 51 per cent. owned by BBVA.

As part of the Group’s strategy to increase its presence in Asia, BBVA formed a strategic partnership with the CITIC Group in China and other parts of Asia. This partnership is expected to entail an initial investment of €989 million, none of which had been invested as of year end. BBVA expects the partnership with CITIC Group to open the mainland Chinese markets (through a 5 per cent. stake in China Citic Bank (“**CNCB**”), which is headquartered in Beijing, costing €501 million) and the Hong Kong market (via a 15 per cent. stake in Citic International Financial Holdings (“**CIFH**”) costing €488 million). The combined assets of CNCB and CIFH totalled €71,507 million and together the two entities have more than 15,000 staff and 454 branches, in each case at 31st December, 2006. BBVA also opened a branch in Singapore and agency offices in Taipei, Seoul and Sydney and struck agreements with banks in China, India and the Philippines to carry emigrant money transfers.

Business and Real Estate Projects

This business area includes Business Projects unit and Real Estate unit. During the year 2006, the Business Projects unit was transformed into a venture capital manager operating under the Valanza brand, and began operations in Mexico. The Real Estate unit handles the Group’s real estate business, through its subsidiary Anida.

Mexico and the United States

The Mexico and the United States business area conducts the Group’s banking, insurance and pension businesses in Mexico and the United States (including Puerto Rico). Unless otherwise specified, information included below relating to macroeconomic data in Mexico and the United States, such as GDP or inflation, has been derived from BBVA’s internal statistical studies based on information published by local governmental or regulatory authorities.

Mexico

Mexican GDP increased approximately 4.6 per cent. in 2006, mainly due to favourable trends in domestic demand and moderate price increases. Inflation stood at just over 4 per cent., substantially in line with the Bank of Mexico’s long-term goals. The Mexican peso remained strong against the dollar throughout 2006, which limited Mexican exports to the United States, though in 2006 both the Mexican peso and the US dollar weakened against the euro.

BBVA Bancomer’s income attributed to the Group for 2006 increased 30.3 per cent. to €1,552 million from €1,191 million in 2005, resulting in a return on equity (defined as income attributed to the Group divided by average shareholders’ equity) of 48.5 per cent. compared to 46.0 per cent. in 2005.

As of 31st December, 2006, lending by BBVA Bancomer totalled €23,480 million, an increase of 30.6 per cent. from €17,978 million as of 31st December, 2005, while customer funds (deposits, securities sold under agreements to repurchase and mutual funds) increased 14.6 per cent. to €45,741 million as of 31st December, 2006 from €39,928 million as of 31st December, 2005.

As of 31st December, 2006, this business unit conducted its activities through 1,977 branch offices and had an aggregate of 32,847 employees.

In Mexico during 2006, the Group invested to expand its branch network, ATMs and point of sale terminals. Other projects were designed to increase service quality and enabled a reduction in customer waiting time. These factors boosted commercial productivity during 2006.

In retail banking, the Group diversified and expanded the consumer products offered in Mexico, so that approximately 4 million new credit cards were issued by BBVA Bancomer and Finanzia during 2006. New credit card products were introduced such as the *Bancomer Platinum Card*, which was marketed to certain valued clients, as well as the *Tarjeta 40*, which was the first prepaid card to be marketed by BBVA to the youth segment. In addition, BBVA Bancomer continued to offer the *Libretón* passbook to attract low cost funds by rewarding customers' savings with various gift articles; this product marked its 10-year anniversary in 2006.

In consumer lending, BBVA Bancomer began to market car loans, the *Creditón Nómina* (Payroll Loan) and the *Crédito Inmediato Bancomer* (Bancomer Immediate Loan) at retail establishments in Mexico in 2006.

In mortgage lending, BBVA Bancomer introduced products such as the *Hipoteca Binacional* (Bi-national Mortgage) in collaboration with the LNB in the United States, the *Hipoteca Cambio de Casa* (Change House Mortgage) and two programmes in collaboration with the Mexican Institute of Workers' Housing Fund.

Investment funds in Mexico performed well, underpinned by distribution through the retail network and the design of new products aimed at cash management and increased finance to companies through derivative instruments.

In the SME business, the number of customers taking out loans increased due to enhanced service and more flexible loan granting by delegating greater approval autonomy to the branch level. The Group continued to raise money for large companies in the fixed income markets (with BBVA Bancomer acting as lead placement agent) and through derivative products.

United States

As of 31st December, 2006, this business unit conducted its activities through 207 branch offices and had an aggregate of 3,646 employees.

In the United States, the Group is structured into five lines of business:

- banking in Texas through LNB, Texas State Bank and State National Bancshares. 2006 was the first full year in which LNB was part of the BBVA Group;
- banking in Puerto Rico through BBVA Puerto Rico;
- money transfers through Bancomer Transfer Services, which provides remittance services between the U.S. and Mexico and has extended its services from the U.S. to the rest of Latin America, China, India and the Philippines;
- BBVA Bancomer USA, a bank franchise in California targeting first and second-generation customers of Latin American origin with basic banking products and services; and
- BBVA Finanzia USA, a business unit specialised in consumer financing and credit card issuance.

The Group made progress on its strategy of establishing a franchise in the United States with the incorporation of Texas Regional Bancshares in November and State National Bancshares at the beginning of 2007. The acquisition of Texas Regional Bancshares contributed €3,115 million in lending and €4,651 million in deposits, as well as 73 branches and 2,009 employees, in each case at 31st December, 2006.

Proposed Transaction to Acquire Compass Bancshares, Inc.

On 16th February, 2007 BBVA entered into a definitive agreement to acquire 100 per cent. of the shares of Compass for a consideration made up of a combination of ordinary shares of BBVA and cash (the “**Compass Agreement**”). Pursuant to the Compass Agreement, Compass shareholders can elect to receive 2.8 BBVA ordinary shares or American Depositary Shares (“**ADS**” or “**ADSs**”) or \$71.82 in cash for each Compass share, subject to proration. Based on BBVA’s closing stock price on 15th February, 2007, the transaction has an aggregate value of approximately \$9.6 billion.

As of 30th March 2007, the proposed transaction has been approved by the Board of Directors of each of BBVA and Compass. On 21st June, 2007, BBVA’s shareholders approved the increase of BBVA’s capital by a nominal sum of €96,040,000 in an issue of 196,000,000 new ordinary shares, excluding pre-emptive subscription rights, in order to fund the acquisition of 100% of the shares representing the capital of Compass. The approval of the shareholder of Compass is expected to be obtained in the General Shareholders’ Meeting to be held on 8th August, 2007. The aggregate consideration is composed of a fixed number of 196 million ordinary shares of BBVA and approximately \$4.6 billion in cash.

Upon completion of the proposed transaction, BBVA expects that its business in the United States will contribute approximately 10 per cent. of the Group’s earnings and that it will become a regional leader across the U.S. Sunbelt. BBVA’s U.S. business, upon completion of the proposed transaction, is expected to consist of approximately 622 branches and \$47 billion in assets.

Established in 1970, and based in Birmingham, Alabama, Compass has a presence in the retail, wholesale and private banking segments. Compass shares are traded through the NASDAQ Global Select Market exchange. Compass conducts a general commercial banking and trust business in 415 banking centres, including 164 in Texas, 89 in Alabama, 75 in Arizona, 44 in Florida, 33 in Colorado and 10 in New Mexico, as of 31st December, 2006.

For the year ended 31st December, 2006, Compass had total assets of \$34 billion, and total shareholders’ equity of \$2.8 billion. Net interest income was \$1.1 billion for the year ended 31st December, 2006. Net income was \$460 million for the year ended 31st December, 2006.

South America

This business area includes the banking, insurance and pension businesses of the Group in South America. As of 31st December, 2006, the South America business area conducted its activities through 1,631 branch offices and had an aggregate of 28,609 employees.

The business units included in this business area are:

- banks in South America, including banks in Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela; and
- pension funds and insurance in South America.

Unless otherwise specified, information included below relating to macroeconomic data in the South American countries in which BBVA operates, such as GDP or inflation, has been derived from BBVA’s internal statistical studies based on information published by local governmental or regulatory authorities.

Economic conditions in the region were favourable in 2006, with an economic upturn in the largest countries in South America, reflected in an average growth in GDP of approximately 5 per cent. per year over the last three years. This positive economic climate is a result of a check on inflation — which decreased to record lows in some countries — and interest rates similar to 2005, though with some relatively important fluctuations over the year.

Local currencies in South America fell against the euro in 2006, with a resulting negative impact on BBVA's consolidated financial statements as of and for the year ended 31st December, 2005. Nonetheless, in most cases, variations in average exchange rates were more moderate than in 2005, and, as a result, the overall effect on BBVA's results of operations for the year ended 31st December, 2006 was not significant.

The following is a brief 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 South America business area. The operating results described below refer to each individual unit's contribution to the South America business area's operating results, unless otherwise stated.

Banks in South America

Argentina

In 2006, the Argentinean economy benefited from a GDP growth rate of 8.5 per cent. Banco Francés's income attributed to the Group for 2006 increased to €136 million from €90 million in 2005.

BBVA Banco Francés reduced its exposure to the public sector in Argentina, focusing its lending activity on the private sector, particularly retail loans.

Chile

The first half of the year was marked by successive increases in interest rates by the Chilean Central Bank. There was also significant competition at the local level. Chilean GDP increased 4 per cent. in 2006, while inflation was 2.6 per cent. for the year.

BBVA Chile's income attributed to the Group for 2006 decreased 74 per cent. to €7 million from €27 million in 2005.

BBVA Chile launched the new 2006-2009 "CxC" strategic plan. Under the framework of this plan, the bank's positioning in the consumer lending segment was reinforced with the expansion of the BBVA Express network and the acquisition of 51 per cent. of Forum in May 2006, an entity specialising in car loans.

Colombia

Colombia's GDP increased approximately 7 per cent. in 2006, coupled with a lower inflation rate (4.5 per cent.), volatile interest rates and significant local competition (particularly in the mortgage segment) caused in part by the concentration process in the finance system.

BBVA Colombia acquired Banco Granahorrar in December 2005 and the prominent factor in 2006 for BBVA Colombia was the merger and integration with Banco Granahorrar. BBVA Colombia's income attributed to the Group for 2006 increased significantly to €96 million from €47 million in 2005.

In Colombia, the merger between BBVA Colombia and Banco Granahorrar undertaken at the beginning of May 2006 and completed at the operating level in November 2006, reinforced the Group's position in the mortgage market.

Panama

Panama's GDP increased 7.5 per cent. in 2006. BBVA Panama's income attributed to the Group for 2006 increased 16.3 per cent. to €22 million from €19 million in 2005.

Paraguay

Paraguay's GDP increased 3 per cent. in 2006, supported by appreciation of the guarani against the U.S. dollar. BBVA Paraguay's income attributed to the Group for 2006 increased 26.7 per cent. to €14 million from €10 million in 2005.

Peru

Peru's GDP increased 7 per cent. in 2006. BBVA Banco Continental's income attributed to the Group for 2006 increased 20.9 per cent. to €56 million from €47 million in 2005.

All lines of lending experienced growth in 2006 and lower cost deposits were achieved.

Uruguay

Uruguay's GDP increased 7 per cent. in 2005. BBVA Uruguay's profit attributed to the Group for 2006 increased to €8 million compared to the loss attributable to the Group of €2 million in 2005.

Venezuela

Venezuela's GDP increased approximately 10 per cent. in 2006. BBVA Banco Provincial's income attributed to the Group for 2006 increased 54.2 per cent. to €82 million from €55 million in 2005.

Pension Funds and Insurance in the Americas

The BBVA Group's pension fund and insurance companies in South America attributed income to the Group for 2006 of €109 million which was an increase of 9.2 per cent. (from €99 million in 2005).

As of 31st December, 2006, the BBVA Group's pension fund and insurance companies in South America managed €31,872 million in pension fund assets, an increase of 22.2 per cent. over 31st December, 2005.

The BBVA Group's insurance companies in South America's income attributed to the Group for 2006 increased 16.3% to €41 million.

In the actuarial business, the intense level of competition in most countries with the advent of new competitors triggered increases in sales forces and downward pressure on income for the pension managers. It was a better year for insurance and progress was made in all business lines, especially in the bank assurance segment.

Corporate Activities

The Corporate Activities business area includes BBVA's Assets and Liabilities Management Committee ("ALCO") and activities regarding BBVA's interests in industrial and financial companies.

Holdings in Industrial and Financial Companies

The Holdings in Industrial and Financial Companies business unit manages the Group's holdings in listed industrial companies, principally Telefónica, S.A., Iberdrola, S.A. and until June 2006, Repsol YPF, S.A., as well as its financial holdings, which are currently limited to Banco Bradesco S.A. All of these shareholdings are recorded on BBVA's consolidated balance sheet prepared in accordance with EU-IFRS required to be applied under the Bank of Spain's circular 4/2004 as "available-for-sale". As of 31st December, 2006, the portfolio of shareholdings of this business unit had a market value (including equity swaps) of €7,387 million. In 2006, the BBVA Group's holdings in industrial and financial companies generated €257 million in dividends (an increase

of 25 per cent. over 2005) and net trading income of €333 million, an 11.8 per cent. increase over 2005 (excluding the divestitures in Banca Nazionale del Lavoro (“BNL”) and Repsol).

Assets and Liabilities Management Committee

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

As of 31st December, 2006, ALCOs portfolio of fixed-income assets, which is held in an effort to reduce the negative effect on BBVA’s net interest income of a fall in interest rates and denominated in euro, Mexican pesos and U.S. dollars, amounted to approximately €11 billion.

Organisational Structure

Below is a simplified organisational chart of BBVA’s significant subsidiaries as of 31st December, 2006. An additional 277 companies are domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Cayman Islands, Channel Islands, Chile, Colombia, Ecuador, France, Ireland, Italy, Luxembourg, Mexico, Netherlands, Antilles, Panama, Paraguay, Peru, Portugal, Puerto Rico, Spain, United Kingdom, United States of America, Dominican Republic, Uruguay and Venezuela.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Owner- Ship	Total Assets
			<i>(percentages)</i>		<i>(in millions of Euro)</i>
Administradora de Fondos Para el Retiro-Bancomer, S.A. de C.V.....	Mexico	Financial services	100.00	97.29	204
Administradora de Fondos de Pensiones Provida	Chile	Financial services	64.32	64.32	410
Banc Banco Bilbao Vizcaya Panama, S.A...	Panama	Bank	98.93	98.93	853
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	Portugal	Bank	100.00	100.00	5,286
Banco Bilbao Vizcaya Argentaria Puerto Rico, S.A.	Puerto Rico	Bank	100.00	100.00	4,797
Banco Bilbao Vizcaya Argentaria Uruguay, S.A.	Uruguay	Bank	100.00	100.00	354
Banco Continental, S.A.	Peru	Bank	92.08	46.04	4,427
Banco de Crédito Local, S.A.	Spain	Bank	100.00	100.00	11,563
Banco Provincial S.A.—Banco Universal ..	Venezuela	Bank	55.60	55.60	6,561
BBVA Chile, S.A.	Chile	Bank	67.84	67.84	6,534
BBVA Banco Francés, S.A.	Argentina	Bank	76.09	76.07	4,176
BBVA Colombia, S.A.	Colombia	Bank	95.43	95.43	4,765
Banco Granahorrar, S.A.....	Colombia	Bank	98.78	94.21	1,447
BBVA Factoring E.F.C., S.A.	Spain	Financial services	100.00	100.00	5,468
BBVA Renting, S.A.	Spain	Financial services	100.00	99.95	575
BBVA Ireland Public Limited Company	Ireland	Financial services	100.00	100.00	4,347

Subsidiary	Country of Incorporation	Activity	BBVA	BBVA	Total Assets
			Voting Power	Owner-Ship	
			<i>(percentages)</i>		<i>(in millions of Euro)</i>
BBVA Paraguay, S.A.	Paraguay	Bank	99.99	99.99	330
BBVA Bancomer USA (formerly Valley Bank)	U.S.A.	Bank	100.00	99.96	84
BBVA Bancomer, S.A. de CV	Mexico	Bank	100.00	99.96	54,059
		Financial			
Hipotecaria Nacional, S.A. de CV	Mexico	services	100.00	99.96	721
Pensiones Bancomer, S.A. de CV	Mexico	Insurance	100.00	99.95	1,276
Seguros Bancomer	Mexico	Insurance	100.00	99.97	912
Texas State Bank.....	U.S.A.	Bank	100.00	100.00	6,507
BBVA Switzerland	Switzerland	Bank	100.00	100.00	539
BBVA Seguros, S.A	Spain	Insurance	99.94	99.94	12,285
Finanzia, Banco de Credito, S.A.	Spain	Bank	100.00	100.00	3,573
Uno-e Bank, S.A.	Spain	Bank	67.00	67.00	1,428
Laredo National Bancshares Inc.	U.S.A.	Bank	100.00	100.00	3,389

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 where the high current account deficit of the U.S. economy may translate into an upward adjustment of risk premium and higher global interest rates. In this scenario, the Spanish economy could perform similarly to how it performed during the recession at the beginning of the 1990s;
- the possibility of experiencing a severe slowdown in the U.S. real estate market, which could have pervasive effects in the North American economy and consequently in the global markets;
- a downturn in capital markets or a downturn in investor confidence, linked to factors such as geopolitical risk, particularly given the environment in the Middle East. Continued or new crises in the region could cause an increase in oil prices, generating inflationary pressures that will have a negative effect on interest rates and economic growth;
- the effect that an economic slowdown may have over Latin American markets and fluctuations in local interest and exchange rates;
- a downturn in the Spanish economy or an abrupt adjustment in housing prices, which could affect the credit quality of BBVA's portfolio; and

- although it is foreseeable that entry barriers to domestic markets in Europe will be lowered, BBVA plans for expansion into other European markets could be affected by entry barriers in such countries.

Selected Financial Data

IFRS Data

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

Consolidated statement of income data

	Year ended 31st December,		
	2006	2005	2004
	<i>(in millions of Euro)</i>		
Net interest income	8,374	7,208	6,160
Gross income	15,701	13,024	11,121
Net operating income	8,883	6,823	5,591
Income attributed to the Group	4,736	3,806	2,923

Consolidated balance sheet data

	Year ended 31st December,		
	2006	2005	2004
	<i>(in millions of Euro)</i>		
Total assets	411,916	392,389	329,441
Loans and receivables	279,855	249,397	196,892
Deposits from other customers	192,374	183,375	150,726
Marketable debt securities and subordinated liabilities.....	91,271	76,565	57,809
Minority interests	768	971	738
Shareholders' equity	18,210	13,036	10,961

Directors and Senior Management

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than 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 14 members. The business address of the Directors of BBVA is Paseo de la Castellana 81, 28046 Madrid.

The following table sets forth the names of the members of the Board of Directors as of the date of this Offering Circular, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and five-year employment history.

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

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

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Francisco González Rodríguez ⁽¹⁾	Chairman and Chief Executive Officer	18th December, 1999	26th February, 2005	Chairman, Argentaria, May 1996 – January 2000; Chairman, BBVA, since January 2000; Director of BBVA Bancomer Servicios, S.A.; Grupo Financiero BBVA Bancomer, S.A. C.V. and BBVA Bancomer S.A..
José Ignacio Goirigolzarri Tellaeché ⁽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., 2002 – 2003; Director, BBVA Bancomer Servicios, S.A.; Director, Grupo Financiero BBVA Bancomer and BBVA Bancomer, S.A.; President and Chief Operating Officer, BBVA, since 2001.
Tomás Alfaro Drake ⁽²⁾	Independent Director	18th March, 2006		Director of Business Management and Administration and Business Sciences programmes at Universidad Francisco de Vitoria, since 1998.
Juan Carlos Álvarez Mezquíriz ⁽¹⁾⁽³⁾	Independent Director	18th December, 1999	18th March, 2006	Managing Director, Grupo Eulen; Director, Bodegas Vega Sicilia, S.A.
Rafael Bermejo Blanco ⁽²⁾⁽⁴⁾	Independent Director	16th March, 2007		Technical Secretary General of Banco Popular, 1999-2004.
Richard C. Breeden	Independent Director	29th October, 2002	28th February, 2004	Chairman, Richard C. Breeden & Co.
Ramón Bustamante y de la Mora ⁽²⁾⁽⁴⁾	Independent Director	18th December, 1999	26th February, 2005	Director, Ctra. Inmo. Urba. Vasco Aragonesa, S.A.
José Antonio Fernández Rivero ⁽⁴⁾	Independent Director	28th February, 2004		Appointed Group General Manager, 2000 2003; from 2003 to 2005: Deputy Chairman of Telefónica and Member of its Audit and Regulation Committees. Member of the Board and Executive Committee of Iberdrola, Director of Banco de Crédito Local and Chairman of Adquira.

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Ignacio Ferrero Jordi ⁽¹⁾⁽³⁾	Independent Director	18th December, 1999	26th February, 2005	Chairman, Nutrexpa, S.A.; Chairman, La Piara S.A.;
Román Knörr Borrás ⁽¹⁾	Independent Director	28th May, 2002	1st March, 2003	Chairman, Carbónicas Alavesas, S.A.; Director, Mediasal 2000, S.A. and President of the Alava Chamber of Commerce; Chairman, Confebask (Basque Business Confederation) from 1999 to 2005; Director of Aguas de San Martín de Veri, S.A. until January 2006. Plenary member and Chairman of the Training Committee of the Supreme Council of Chamber of Commerce.
Carlos Loring Martínez de Irujo ⁽²⁾⁽³⁾	Independent Director	28th February, 2004	18th March, 2006	He was a partner of J&A Garrigues, from 1977 until 2004; Director of the Department of Mergers and Acquisitions, of Banking and Capital Markets, Member of the Management Committee since 1985.
José Maldonado Ramos ⁽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⁾⁽³⁾	Independent Director	28th May, 2002	1st March, 2003	Dean of Deusto “La Comercial” University since 1996.

(*) Telefónica de España, S.A. and Mr. Ricardo Lacasa Suárez each left their respective position on the Board of Directors on 16th March, 2007 and 28th March, 2007, respectively

(**) 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

Major Shareholders

As far as BBVA is 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 at 31st December, 2006, there were 864,226 registered holders of BBVA's shares, with a total of 1,033,296,710 shares held by 230 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 at 31st March, 2007.

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). Following conclusion of the National Criminal Court proceedings, the Bank of Spain's administrative proceedings recommenced.

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 the resolution of such proceeding would not have a material adverse effect on BBVA or its consolidated financial position or results of operations.

Criminal Proceedings

On 9th April, 2002, Spain's National Criminal Court (*Audiencia Nacional*) 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 subsequently split into two separate proceedings. One proceeding, relating to the use of the unreported funds to create pension accounts, was in the first instance resolved by the National Criminal Court in 2005, with just one person indicted from the former five people charged. The High Court of Spain (*Tribunal Supremo*) in November 2006 resolved on this case by acquitting this person of any responsibility and establishing that no criminal offence took place. In relation to the second proceeding, which generally relates to the unreported funds and is directed at four of BBVA's former directors and two former executive officers, the National Criminal Court has initially ruled on 12th March 2007 that there is no ground to continue with the criminal proceeding, although this decision may be appealed by the Prosecutor. 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.

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 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 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 criminal 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

BBVA Privanza Bank Ltd. (Jersey)

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

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, 1985, on investment ratios, own funds and information obligations of financial intermediaries, as promulgated by Law 19/2003, of 4th July, 2003, on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures and Law 23/2005, of 18th November, 2005, on certain measures to promote productivity. Consideration has also been given to Royal Decree 2281/1998, of 23rd October, 1998, developing certain disclosure obligations to the tax authorities, as amended by Royal Decree 1778/2004, of 30th July, 2004, establishing information obligations in relation to preferred securities 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, Personal Income Tax Law 35/2006, of 28th November, 2006 and Royal Decree 439/2007, of 30th March, 2007, promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6th June, 1991, on Wealth Tax and Law 29/1987, of 18th December, 1987, 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, 2004, promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 439/2007, of 30th March, 2007, 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, 2004, promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30th July, 2004, promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6th June, 1991, on Wealth Tax and Law 29/1987, of 18th December, 1987, 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, 1993, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December, 1992, 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 25.2 of the Individual Income Tax Law, and therefore will be taxed as savings income at the current rate of 18%.

In the event of revenues derived from Distributions periodically received, the aggregate income shall be determined by the amount of the Distribution received, including the withholding tax, as the case may be. In the event of transfer, redemption or repayment of the Preferred Securities, the income on investments shall be deemed to be the difference between the transfer, redemption or repayment value (less properly supported ancillary disposal expenses) and the acquisition or subscription value (less properly supported ancillary disposal expenses). Expenses corresponding to discretionary or individual portfolio management are not computed for these purposes. Both types of income are subject to a withholding on account at the rate of 18%.

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 Income 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 Income 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 the 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)*

Income obtained by holders who are Non-Resident Income Tax payers, both on Distributions and in connection with the transfer, repayment or redemption of the Preferred Securities, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation in Spain under Legislative Royal Decree 5/2004, of 5th March, 2004 approving the Consolidating Non-Resident Income Tax Law, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation (“**DTT**”).

(a) *Income obtained through a 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 substantially the same as those previously set out for Corporation Tax taxpayers.

(b) *Income not obtained through a 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 18%.

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 18% 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. It also should be taken into account the exemption foreseen in the Second Additional Provision of Law 13/1985, of 25th May, 1985.

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, 1991, the following are each considered to be a tax haven:

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

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 following is a summary only of the procedure for the provision of information as required by Spanish laws and regulations and is subject to review and amendment by 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 Joint Lead 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, 1991, 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, the tax 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 or the paying agent on its behalf must transfer the net amount to the entities referred to in paragraphs (a), (b) and (c) resulting from applying the general withholding rate (currently at 18%) to the whole of the Distribution. If the certificates referred to are received prior to the Distribution Payment Date, the Issuer

or the Paying Agent on its behalf 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. The Issuer and the Guarantor may from time to time appoint an agent other than the Paying Agent to intermediate with the European Clearing Systems in the provision of such information. Notice of any such appointment will be given to the Holders in accordance with Condition 8 of the Preferred Securities.

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 (by means of the standard refund procedure).

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**
that the institution I represent is supervised by
en virtud de
under

(Organo supervisor)
(Supervision body)
(normativa que lo regula)
(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**
that the institution I represent is supervised by
en virtud de
under
(Organo supervisor)
(Supervision body)
(normativa que lo regula)
(governing rules).
5. **Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.**
That, through the Entity I represent, the list of holders hereby attached, are Spanish 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 incluidos en la relación.**
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

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

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 18%
Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount withheld at 18%.

SUBSCRIPTION AND SALE

Credit Suisse Securities (Europe) Limited, HSBC Bank plc and The Royal Bank of Scotland plc and Banco Bilbao Vizcaya Argentaria, S.A. (the “**Joint Lead Managers**”) have, in a subscription agreement dated 17th July, 2007 (the “**Subscription Agreement**”) and made between the Issuer, the Guarantor and the Joint Lead Managers, upon the terms and subject to the conditions contained therein, jointly and severally agreed (other than Banco Bilbao Vizcaya Argentaria, S.A.) to subscribe and pay for the Preferred Securities at their issue price of £50,000 per Preferred Security. Banco Bilbao Vizcaya Argentaria, S.A. has no obligation to subscribe and pay for any Preferred Securities. The Joint Lead 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 of the Joint Lead Managers 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 of the Joint Lead Managers 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 of the Joint Lead Managers 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 of the Joint Lead Managers will represent that it has not communicated, and agree that it will not communicate, directly or indirectly, with a prospective purchaser if any of the Joint Lead Managers or such purchaser is within the United States or its possessions or otherwise involve any of the Joint Lead Managers’ 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 of the Joint Lead Managers 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 of the Joint Lead Managers 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

The offering of the Preferred Securities has not been registered pursuant to Italian securities legislation and, accordingly, each of the Joint Lead Managers will represent and agree in the Subscription Agreement that it has not offered or sold, and will not offer or sell, any Preferred Securities in Italy in a solicitation to the public and that sales of the Preferred Securities in Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Joint Lead Managers will represent and agree that it will not offer, sell or deliver any Preferred Securities or distribute copies of the Offering Circular or any other document relating to the Preferred Securities in Italy except:

- (i) to qualified investors (*investitori qualificati*) or professional investors (*operatori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the “**Financial Services Act**”) and Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1st July, 1998, as amended (“**Regulation No. 11522**”) by CONSOB; or
- (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended (“**Regulation No. 11971**”).

Any such offer, sale or delivery of the Preferred Securities or distribution of copies of the Offering Circular or any other document relating to the Preferred Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1st September, 1993, as amended (the “**Banking Act**”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB.

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 20th June, 2007 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 26th June, 2007. 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 22nd May, 2007.
2. None of the Issuer, the Guarantor or any of the Guarantor's subsidiaries 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, the Guarantor or any of the Guarantor's subsidiaries 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 financial position or prospects of the Issuer since 31st December, 2006. There has been no significant change in the financial or trading position of the Guarantor and its subsidiaries since 31st March, 2007 and there has been no material adverse change in the financial position or prospects of the Guarantor and its subsidiaries since 31st December, 2006.
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 non-consolidated financial statements of the Issuer as at, and for the financial periods ended, 31st December, 2005 and 31st December, 2006;
 - (c) the audited consolidated financial statements of the Guarantor as at, and for the years ending, 31st December, 2006 and 31st December, 2005;
 - (d) the interim unaudited financial statements of the Guarantor (on a consolidated basis) for the three-month period ending 31st March, 2007;
 - (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. The Issuer publishes unconsolidated audited financial statements on an annual basis. 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 for each of the two financial years ended 31st December, 2005 and 31st December, 2006, which have been prepared in accordance with IFRS. 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

XS0308305803 and the common code is 030830580. 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 7.093 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 £4,200.

ISSUER

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Gran Vía, 1
Bilbao

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