INFORMATION MEMORANDUM DATED 10 DECEMBER, 2013

BBVA SENIOR FINANCE, S.A. UNIPERSONAL
(incorporated with limited liability in Spain)

€10,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME
unconditionally and irrevocably guaranteed by

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
(incorporated with limited liability in Spain)

Arranger

BOFA MERRILL LYNCH

Application has been made to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for Notes issued during the twelve months after the date of this document under the Programme described in this document to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and trading on its regulated market.

There are certain risks related to any issue of Notes under the Programme, which potential purchasers should ensure they fully understand (see "*Risk Factors*" on pages 12 to 32 (inclusive) of this Information Memorandum).

Potential purchasers should note the statements on pages 78 to 81 (inclusive) regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985 of 25th May, 1985, as amended, on the Issuer and the Guarantor relating to the Notes.

Dealers

BOFA MERRILL LYNCH	**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**
BARCLAYS	**CITIGROUP**
CREDIT SUISSE	**DEUTSCHE BANK**
GOLDMAN SACHS INTERNATIONAL	**ING**
MORGAN STANLEY	**RABOBANK INTERNATIONAL**

UBS INVESTMENT BANK

Notes issued under this Programme have been rated by Fitch Ratings España, S.A.U. (**Fitch**), Moody's Investors Service España, S.A. (**Moody's**) and Standard and Poor's Credit Market Services Europe Limited (**S&P**).

IMPORTANT NOTICE

This Information Memorandum (together with any supplementary information memorandum and information incorporated herein by reference, the **Information Memorandum**) contains summary information provided by BBVA Senior Finance, S.A. Unipersonal (the **Issuer**) and Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor** or **BBVA**) in connection with a euro-commercial paper programme (the **Programme**) under which the Issuer may issue and have outstanding at any time euro-commercial paper notes (the **Notes**) up to a maximum aggregate amount of €10,000,000,000 or its equivalent in alternative currencies. Under the Programme, the Issuer may issue Notes outside the United States pursuant to Regulation S (**Regulation S**) of the United States Securities Act of 1933, as amended (the **Securities Act**) which will have the benefit of a deed of guarantee dated 10th December, 2013 and entered into by the Guarantor (the **Guarantee**). The Issuer has, pursuant to a dealer agreement dated 10th December, 2013 (as the same may be amended, restated, supplemented or replaced from time to time, the **Dealer Agreement**), appointed Bank of America Merrill Lynch International Limited as arranger for the Programme (the **Arranger**) and appointed Bank of America Merrill Lynch International Limited, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Citibank International plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co. International plc and UBS Limited as dealers for the Notes (the **Dealers**) and authorised and requested the Dealers to circulate this Information Memorandum on its behalf to purchasers or potential purchasers of the Notes.

The Issuer and the Guarantor accept responsibility for the information contained in this Information Memorandum and declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Information Memorandum is, to the best of the knowledge of the Issuer and the Guarantor, in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum comprises listing particulars (the **Listing Particulars**) for the purposes of giving information with regard to the issue of the Notes under the Programme. References throughout this document to the Information Memorandum shall be deemed to read “Listing Particulars” for such purpose.

Application has been made to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for Notes to be admitted to the Official List maintained by it (the **Official List**) and to trading on the Irish Stock Exchanges regulated market. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. References in this Information Memorandum to the Notes being “listed” shall be construed accordingly. No Notes may be issued pursuant to the Programme on an unlisted basis.

Neither the Arranger nor the Dealers accept any responsibility, express or implied, for updating the Information Memorandum and neither the delivery of the Information Memorandum or any Pricing Supplement nor any offer or sale made on the basis of the information in the Information Memorandum shall under any circumstances create any implication that this Information Memorandum is accurate at any time subsequent to the date thereof with respect to the Issuer or the Guarantor or that there has been no change in the business, financial condition or affairs of the Issuer or the Guarantor since the date thereof.

No person is authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in this Information Memorandum or any Pricing Supplement and any information or representation not contained therein must not be relied upon as having been authorised.

The Dealers have not independently verified the information contained in this Information Memorandum. Accordingly, no representation or warranty or undertaking (express or implied) is made, and no responsibility or liability is accepted by the Arranger or the Dealers as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained or incorporated in this Information Memorandum or in or from any accompanying or subsequent material or presentation. No Dealer accepts any liability in relation to the information contained in this Information Memorandum or any other information provided by the Issuer or BBVA in connection with the Programme.

This Information Memorandum contains references to the ratings of the Notes. Where a tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme by Fitch, Moody's or S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, modification or withdrawal at any time by the relevant rating agency.

The information contained in this Information Memorandum or any other information provided by the Issuer or the Guarantor in connection with the Programme is not intended to provide the basis of any credit, taxation or other evaluation and should not be construed as a recommendation by the Arranger, the Dealers, the Issuer or the Guarantor that any recipient should purchase Notes. Each such recipient must make and shall be deemed to have made its own independent assessment and investigation of the financial condition, affairs and creditworthiness of the Issuer and the Guarantor and of the Programme as it may deem necessary and must base any investment decision upon such independent assessment and investigation and not on this Information Memorandum or any other information supplied in connection with the Programme.

Neither the Arranger nor any Dealer undertakes to review the business or financial condition or affairs of the Issuer or the Guarantor during the life of the Programme, nor undertakes to advise any recipient of this Information Memorandum of any information or change in such information coming to the Arranger's or any Dealer's attention.

Neither the Arranger nor any of the Dealers accepts any liability in relation to this Information Memorandum or its distribution by any other person. Neither this Information Memorandum nor any Pricing Supplement is intended to constitute an offer or invitation to any person to purchase Notes. The distribution of this Information Memorandum and any Pricing Supplement and the offering for sale of Notes or any interest in such Notes or any rights in respect of such Notes, in certain jurisdictions, may be restricted by law. Persons obtaining this Information Memorandum or any Notes or any interest in such Notes or any rights in respect of such Notes are required by the Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. In particular, but without limitation, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Information Memorandum or any Pricing Supplement and other information in relation to the Notes, the Issuer and the Guarantor set out under "Selling Restrictions" below.

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN NOR WILL BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

Notice of the aggregate amount of Notes, the issue price of Notes and any other terms and conditions not contained herein to be completed in relation to each issue of Note that is intended to be admitted to the Official List of the Irish Stock Exchange Limited and to trading on its regulated market will be set out in the pricing supplement (the **Pricing Supplement**) attached to or endorsed on the Notes (which may be in global form (the **Global Note**) or in definitive form) (see "*Form of the Notes*" on page 47 below). The Pricing Supplement will be supplemental to and must be read in conjunction with the full terms and conditions of the Notes. Copies of each Pricing Supplement containing details of each particular issue of Notes will be available from the specified office set out below of the Issuing and Paying Agent (as defined below). Copies of each Pricing Supplement in relation to each particular issue of Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange and the Central Bank of Ireland.

A communication of an 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 in connection with the issue or sale of any Notes will only be made in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29th July (**RD 1065/2007**) sets out the reporting obligations applicable to preference shares and debt instruments issued under Additional Provision Two of Law 13/1985 of 25th May (**Law 13/1985**). The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

General

The procedure described in this Information Memorandum for the provision of information required by Spanish law and regulation is a summary only. None of the Issuer, the Guarantor or the Dealers assume any responsibility therefor.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in euro in accordance with Spanish generally accepted accounting principles.

The Guarantor maintains its financial books and records and prepares its financial statements in euro in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, **EU-IFRS**), required to be applied under the Bank of Spain Circular 4/2004 of 22nd December, 2004 (as amended thereafter) and in compliance with IFRS-IASB.

In this Information Memorandum, references to euro and € denote the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union; references to Sterling and £ denote the lawful currency of the United Kingdom; references to U.S. dollars and U.S.$ denote the lawful currency of the United States of America; and references to JPY and ¥ are to Japanese Yen.

Where this Information Memorandum refers to the provisions of any other document, such reference should not be relied upon and the document must be referred to for its full effect.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been previously published or are being published simultaneously with this Information Memorandum and have been approved by and filed with the Irish Stock Exchange, are incorporated in, and form part of, this Information Memorandum:

(a) the audited annual financial statements for the financial years ended 31st December, 2011 and 31st December, 2012 (including the audit reports issued in respect thereof) of the Issuer (prepared in accordance with Spanish generally accepted accounting principles);

(b) the Guarantor's annual report on Form 20-F for the fiscal year ended 31st December, 2012 filed with the U.S. Securities and Exchange Commission on 2nd April, 2013 (which includes on pages F-1 to F-171 and pages A-1 to A-47 thereof, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31st December, 2012, 31st December, 2011 and 31st December, 2010) (the **Consolidated Financial Statements**);

(c) the Guarantor's adjusted recast consolidated financial statements on Form 6-K for the three fiscal years ended 31st December, 2010, 31st December, 2011 and 31st December, 2012, retrospectively adjusted following the adoption of new accounting standards, filed with the U.S. Securities and Exchange Commission on 4th October, 2013 (which includes the information filed on Form 20-F for the three fiscal years ended 31st December, 2010, 31st December, 2011 and 31st December, 2012, retrospectively adjusted following the adoption of new accounting standards) (the **Recast Financial Statements**);

(d) the unaudited interim consolidated financial information of the Guarantor as at and for the six month period ending 30th June, 2013, filed with the U.S. Securities and Exchange Commission on 4th October, 2013; and

(e) the unaudited interim consolidated financial information of the Guarantor for the nine month period ending 30th September, 2013, filed with the U.S. Securities and Exchange Commission on 9th December, 2013,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Any such supplement to this Information Memorandum will be subject to the approval of the Irish Stock Exchange prior to its publication.

No website referred to in this Information Memorandum forms part of the document for the purposes of listing the Notes on the Irish Stock Exchange.

The Issuer will provide, without charge to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Information Memorandum. In addition such documents will be available, without charge, at the principal office of the Guarantor and at the principal office in England of the Issuing and Paying Agent (each as set out at the end of this Information Memorandum). Except as provided above, no other information, including information on the website of the Issuer and the Guarantor is incorporated by reference into this Information Memorandum.

OVERVIEW OF THE TERMS OF THE PROGRAMME

Issuer:	BBVA Senior Finance, S.A. Unipersonal.
Guarantor:	Banco Bilbao Vizcaya Argentaria, S.A.
Guarantee:	The Guarantor has unconditionally and irrevocably guaranteed all principal and interest and all other amounts payable or expressed to be payable by the Issuer to each Noteholder in respect of its Notes.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee. These are also set out under "Risk Factors" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "Risk Factors" and include certain market risks.
Arranger:	Bank of America Merrill Lynch International Limited .
Dealers:	Bank of America Merrill Lynch International Limited , Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Citibank International plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co International plc. and UBS Limited.
Issuing and Paying Agent:	The Bank of New York Mellon.
Purpose of the Programme:	The net proceeds from the sale of Notes will be applied for general financing and corporate purposes.
Maximum amount of the Programme:	The outstanding principal amount of the Notes will not exceed €10,000,000,000 (or its equivalent in other currencies) at any time. The maximum amount may be increased from time to time in accordance with the Dealer Agreement.
Characteristics and form of the Notes:	Notes will be issued in bearer form. The Notes will initially be in global form (**Global Notes**). Each Global Note which is not intended to be issued in new global note form (a **Classic Global Note** or **CGN**), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a common depositary for the Relevant Clearing Systems (as defined below) and each Global Note which is intended to be issued in new global note form (a **New Global Note** or **NGN**), as specified in the relevant Pricing Supplement, will be delivered on or around the relevant issue date to a Common Safekeeper (as defined below) for the Relevant Clearing System. A Global Note will be exchangeable into definitive notes (**Definitive Notes**) only in the limited circumstances set out in that Global Note.

Common Safekeeper means, in relation to each issue of Eurosystem-eligible NGNs, Clearstream, Luxembourg (as defined below) or such other entity as the Issuer and Issuing and Paying Agent may agree from time to time, in accordance with the provisions of the issue and paying agency agreement dated 10th December, 2013 (as the same may be amended, restated, supplemented or replaced from time to time, the **Issue and Paying Agency Agreement**), and which is eligible to hold such Global Note for the purpose of the requirements relating to collateral for Eurosystem monetary and intra-day credit operations. If the Common Safekeeper as at the relevant issue date ceases to be so eligible after the relevant issue date, the relevant Notes will no longer qualify for Eurosystem eligibility unless a new Common Safekeeper is appointed who is so eligible.

Remuneration: Notes may be issued at a discount or may bear a fixed or floating rate of interest.

Currencies of issue of the Notes: Notes may be denominated in U.S. dollars, euro, Sterling, Japanese Yen or any other currency subject to compliance with any applicable legal and regulatory requirements.

Maturity of the Notes: The tenor of Notes shall not be less than one day or more than 364 days from (and including) the date of issue to (but excluding) the maturity date, subject to compliance with any applicable legal and regulatory requirements.

Minimum denomination of the Notes: Notes may have any denomination, subject to compliance with any applicable legal and regulatory requirements. The initial minimum denominations for Notes are U.S.$500,000, €500,000, £100,000 and ¥100,000,000 (or integral multiples thereof). The minimum denominations of Notes denominated in other currencies will be in accordance with any applicable legal and regulatory requirements. Minimum denominations may be changed from time to time.

Notes may, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

Status of the Notes and the Guarantee: The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and the Guarantor, represent, in the case of each Note, a separate and independent obligation of the Issuer, and rank and will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer and the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditor's rights.

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

In the event of insolvency (*concurso*) of the Issuer, under the Law 22/2003 of 9th July, 2003 (the **Insolvency Law**), claims relating to the Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, no further interest shall accrue from the date of declaration of the insolvency of the Issuer. Interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of an Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law.

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

See "*Form of the Notes*".

Governing law that applies to the Notes and the Guarantee: Save as provided below, the Notes, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and construed in accordance with, English law. The status of the Notes is governed by Spanish law.

The Guarantee, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and construed in accordance with, Spanish law.

Listing: Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. No Notes may be issued pursuant to the Programme on an unlisted basis.

Settlement system: Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and/or such other securities clearance and/or settlement system(s) which is authorised to hold securities as eligible collateral for Eurosystem monetary policy and intra-day credit operations, as agreed between the Issuer and the relevant Dealer(s) (together, the **Relevant Clearing Systems**).

	Accountholders in the Relevant Clearing Systems will, in respect of Global Notes, have the benefit of a Deed of Covenant dated 21st December, 2012 (the **Deed of Covenant**), copies of which may be inspected during normal business hours at the specified office of the Issuing and Paying Agent.
Rating(s) of the Programme:	The Programme has been rated by Fitch, Moody's and S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the relevant rating agency.
Selling restrictions:	Offers and sales of Notes and the distribution of this Information Memorandum and other information relating to the Issuer, the Guarantor or any Notes are subject to certain restrictions, details of which are set out under “Subscription and Sale” below.
Taxation:	Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain. 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. The Issuer and the Guarantor consider that, according to RD 1065/2007, they are not obliged to withhold any tax amount provided that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Paying Agent, as described in “Taxation – Tax Reporting Obligations of the Issuer and the Guarantor”. For further information regarding the interpretation of RD 1065/2007 please refer to “Risk Factors – Spanish Tax Rules”. For further details, see “*Taxation*” below.
Notices:	Unless otherwise specified in the relevant Pricing Supplement, all notices concerning Notes listed on the Irish Stock Exchange shall be published on the website of the Irish Stock Exchange or, in lieu of such publication and if so permitted by the rules of the Irish Stock Exchange, the Issuer may deliver all such notices to the relevant clearing system(s) or publish such notices by any other means acceptable to the Irish Stock Exchange.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme and the Guarantee thereof. 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 Notes issued under the Programme are also described below.

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

FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Dependence on other Group members

The Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Notes 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 Notes issued under the Programme.

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

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

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

The financial services industry is among the most highly regulated industries in the world. The Guarantor’s operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the European Union, the United States and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which the Guarantor expects to continue for the foreseeable future. The regulations which most significantly affect the Guarantor, or which could most significantly affect the Guarantor in the future, include regulations relating to capital and provisions requirements, which have become increasingly more strict in the past two years, steps taken towards achieving a fiscal and banking union in the European Union, and regulatory reforms in the United States. These risks are discussed in further detail below.

In addition, the Guarantor is subject to substantial regulation relating to other matters such as liquidity. The Guarantor cannot predict if increased liquidity standards, if implemented, could require it to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect the Guarantor's net interest margin.

The Guarantor is also subject to other regulations, such as those related to anti-money laundering, privacy protection and transparency and fairness in customer relations.

Moreover, the Guarantor's regulators, as part of their supervisory function, periodically review the Guarantor's allowance for loan losses. Such regulators may require the Guarantor to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as required by these regulatory agencies whose views may differ from those of the Guarantor's management, could have an adverse effect on the Guarantor's earnings and financial condition.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the Guarantor's business, results of operations and financial condition. Furthermore, regulatory fragmentation, with some countries implementing new and more stringent standards or regulation, could adversely affect the Guarantor's ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation.

Capital requirements

Increasingly onerous capital requirements constitute one of the Guarantor's main regulatory concerns.

As a Spanish financial institution, the Guarantor is subject to the Bank of Spain Circular 3/2008 (**Circular 3/2008**) of 22nd May, as amended, on the calculation and control of minimum capital requirements, including amendments introduced by Bank of Spain Circular 4/2011 (**Circular 4/2011**), which implements Capital Requirement Directive III (**CRD III**). In addition, Law 9/2012 of 14th November, on restructuring and resolution of credit entities (**Law 9/2012**) established a new minimum requirement in terms of capital on risk-weighted assets (**Capital Principal**) which is more restrictive than the one set out in Circular 3/2008, and that must be greater than 9 per cent. This requirement came into force in 1st January, 2013.

In addition, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including the Guarantor) based on data available as of 30th September, 2011, the European Banking Authority (the **EBA**) issued a recommendation pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should reach a new minimum Core Tier 1 ratio (9 per cent.) by 30th June, 2012. This recommendation has been replaced by the EBA recommendation of 22nd July, 2013 on the preservation of Core Tier 1 capital during the transition to CRD IV (as defined below). This recommendation provides for the maintenance of a nominal floor of capital denominated in the relevant reporting currency of Core Tier 1 capital corresponding to the amount of capital needed as at 30th June, 2012 to meet the requirements of the above recommendation of 30th September, 2011 or alternatively maintain a minimum of 7 per cent. of common equity Tier 1 capital under CRD IV rules applied after the transitional period.

It is expected that the Bank of Spain will amend the definition of Capital Principal in order to adapt it to Basel III.

Moreover, the Guarantor will be subject to the new Basel III capital standards, which are in the process of being phased in until 1st January, 2019. Despite the Basel III framework setting minimum transnational levels of regulatory capital and a measured phase-in, many national authorities have started a race to the top for capital by gold-plating both requirements and the associated interpretation calendars. For example, the European transposition of these standards will be through Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 (the **CRD IV Directive**) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26th June, 2013 (the **CRR** and, together with the CRD IV Directive, **CRD IV**), relating, respectively, to the prudential supervision of, and prudential requirements for, credit institutions and investment firms. The date of entry into force of the CRR and the deadline for implementation of the CRD IV Directive is 1st January, 2014, being partially implemented in Spain by Royal Decree 14/2013 of 29th November (**RD-L 14/2013**). In addition, some of the requirements of Basel III were already implemented by the Spanish Government in 2011 with Royal Decree-Law 2/2011 (**RD-L 2/2011**) of 18th February, as amended, which was superseded by Law 9/2012, which imposed stricter capital requirements, as noted above, and by RD-L 14/2013. Additionally, the Mexican government introduced the Basel III capital standards in 2012 and the Basel III transposition in the United States will be effective in 2015. This lack of uniformity may lead to an uneven playing field and to competition distortions. Moreover, regulatory fragmentation, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as the Guarantor and could undermine its profitability.

There can be no assurance that the implementation of these new standards will not adversely affect the Guarantor's ability to pay dividends, or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Guarantor's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Guarantor's return on equity and other financial performance indicators.

Contributions for assisting in the restructuring of the Spanish banking sector

Royal Decree-Law 6/2013 of 22nd March, on protection for holders of certain savings and investment products and other financial measures, includes a requirement for banks, including the Guarantor, to make an exceptional one-off contribution to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) in addition to the annual contribution to be made by member institutions, equal to €3.00 per each €1,000 of deposits held as of 31st December, 2012. The purpose of such contribution is for the Deposit Guarantee Fund to be able to purchase at market prices the unlisted shares of certain Spanish institutions that are involved in a restructuring process under Law 9/2012 (none of which are part of the Group). These unlisted shares are the result of the compulsory exchange of hybrid capital instruments and subordinated debt. There can be no assurance that additional funding requirements will not be imposed by the Spanish authorities for assisting in the restructuring of the Spanish banking sector.

Steps taken towards achieving an EU fiscal and banking union

In June, 2012, a number of agreements were reached to reinforce the monetary union, including the definition of a broad roadmap towards a single banking and fiscal union. While support for a banking union in Europe is strong and significant advances will be made in terms of the development of a single-rule book through CRD IV, there is ongoing debate on the extent and pace of integration. On 13th September, 2012, the European Parliament approved a proposal for the creation of the Single Supervisory Mechanism, so that 128 of the largest EU banks (including the Guarantor) will come under the European Central Bank's (the **ECB**) direct oversight from September, 2014. Other issues are still open, such as details around the ECB comprehensive assessment which includes a supervisory risk assessment, an asset quality review and a stress test to be conducted by national supervisors and the ECB in coordination with the EBA before the ECB becomes the single European bank supervisor which should occur by September 2014. Other open issues include the representation and voting power of non-Eurozone countries, the accountability of the ECB to European institutions as part of the Single Supervision Mechanism, the final status of the EBA, the development of a new bank resolution regime and the creation of a common deposit-guarantee scheme. In particular, the Recovery and Resolution Directive (**RRD**) and the Deposit Guarantee Schemes Directive were submitted to the European Parliament in June, 2013. Their approval is expected by the end of the year. As at the date of this Information Memorandum, the RRD is expected to enter into force in 2015, but the bail-in tool will only be operational from 2018. European leaders have also supported the reinforcement of the fiscal union but continue negotiating on how to achieve it.

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

Regulatory reforms initiated in the United States

The Guarantor's operations may also be affected by other regulatory reforms in response to the financial crisis, including measures such as those concerning systemic financial institutions and the enactment in the United States in July, 2010 of the Dodd-Frank Act. Among other changes, beginning five years after enactment of the Dodd-Frank Act, the Federal Reserve Board will apply minimum capital requirements to U.S. intermediate bank holding company subsidiaries of non-U.S. banks. Section 619 of the Dodd-Frank Act, also known as the Volcker Rule, is a key component of this effort. The Volcker Rule prohibits banking entities, which benefit from federal insurance on customer deposits or access to the discount window, from engaging in proprietary trading and from investing in or sponsoring hedge funds and private equity funds, subject to certain exceptions. In addition, in December, 2012, the Federal Reserve Bank published new draft regulation on Foreign Banking Organisations, covering issues such as solvency, liquidity, supervision and crisis management. In addition, in July, 2013 the federal banking agencies jointly issued a proposal to implement higher leverage ratio standards for the largest, most systematically important U.S. banking organisations. Although there remains uncertainty as to how regulatory implementation of these laws will occur, various elements of the new law may cause changes that impact the profitability of the Guarantor's business activities and require that it changes certain of its business practices, and could expose the Guarantor to additional costs (including increased compliance costs). These changes may also cause the Guarantor to invest significant management attention and resources to make any necessary changes.

Taxation of the financial sector

On 14th February, 2013 the European Commission published its proposal for a Council Directive implementing enhanced cooperation in the area of a financial transaction tax, which is intended to take effect on 1st January, 2014. The proposed Directive aims to ensure that the financial sector makes a fair and substantial contribution to covering the costs of the recent crisis and creating a level playing field with other sectors from a taxation point of view. In Spain, new legislation was passed in March 2013 imposed extraordinary levies on deposits (see "—*Contributions for assisting in the restructuring of the Spanish banking sector*"). There can be no assurance that additional bank levies and national financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Guarantor operates. Any such additional levies and taxes could have a material adverse effect on the Guarantor's business, financial condition, results of operations and prospects.

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

Historically, one of the Group's principal sources of funds has been savings and demand deposits. As of 31st December, 2012, 2011 and 2010, time deposits represented 26 per cent., 27 per cent. and 29 per cent. of its total funding, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds, in connection with the Eurozone crisis, as seen recently in Cyprus) or competition from investments funds or other products. The expected introduction of regional taxes on outstanding deposits could be negative for the market in Spain. Moreover, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to continue funding its business or, if so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures.

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

Financial markets continue to be subject to significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity, especially during 2012 and which has only slightly recovered during 2013. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions due in part to the decreasing credit quality of hedge counterparties. Severe market events such as the sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

The Group faces increasing competition in its business lines.

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

The Group also faces competition from non-bank competitors, such as payment platforms; ecommerce businesses; department stores (for some credit products); automotive finance corporations; leasing companies; factoring companies; mutual funds; pension funds; insurance companies; and public debt (as a result of the high yields which have recently been offered as a consequence of the sovereign debt crisis, there has been a crowding out effect in the financial markets).

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

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

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

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

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

The Group's commitments with personnel which are considered to be wholly unfunded are recognised under the heading "Provisions—Funds for Pensions and Similar Obligations" in its consolidated balance sheets included in the Consolidated Financial Statements. These amounts include "Post-employment benefits", "Early Retirements" and "Post-employment welfare benefits", which amounted to €2,708 million, €2,758 million and €310 million, respectively, as of 31st December, 2012, €2,410 million, €2,904 million and €244 million, respectively, as of 31st December, 2011 and €2,497 million, €3,106 million and €377 million, respectively, as of 31st December, 2010. These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

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

Risks Relating to Spain and Europe

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

The continuing crisis in worldwide financial and credit markets has led to a global economic slowdown in recent years, with many economies around the world showing significant signs of weakness or slow growth. In Europe, there has been a significant reduction in risk premiums since late 2012. Nevertheless, uncertainty regarding the budget deficits and solvency of several countries persists, together with the risk of contagion to other more stable countries. To a lesser extent than during the height of the financial crisis, there is also the risk of default on the sovereign debt of certain EU countries and the impact this would have on the Eurozone countries, including the potential risk that one or more countries may leave the Eurozone, either voluntarily or involuntarily, which have raised concerns about the ongoing viability of the euro currency and the European Monetary Union (the **EMU**). These concerns have been further exacerbated by the rise of Euro-scepticism in certain EU countries, including countries that decided not to enter the EMU such as the United Kingdom. Notwithstanding the above, the probability of country defaults or rupture of the Eurozone has decreased since 2012.

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

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

Prior to the ECB assuming the supervision of European banks (including the Guarantor), it is anticipated that the ECB will, at the end of 2014, and with the help of national supervisors, external advisors, consultants and other appraisers, conduct a comprehensive assessment consisting of three elements: (i) a supervisory risk assessment, which will assess the main risks on the balance sheet including liquidity, funding and leverage; (ii) an asset quality review, which shall focus on credit and market risks; and (iii) a stress test to examine the resilience of the level of provisions, and the need to strengthen capital or take other corrective measures which could affect the Group's business, financial condition and results of operations.

Economic conditions remain uncertain in Spain and the European Union and may deteriorate in the future, which could adversely affect the cost and availability of funding for Spanish and European banks, including the Group and the quality of the Group's loan portfolio, require the Group to take impairments on its exposures to the sovereign debt of one or more countries in the Eurozone or otherwise adversely affect the Group's business, financial condition and results of operations.

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

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

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

In addition, the Group holds a substantial amount of securities issued by the Kingdom of Spain, autonomous communities within Spain and other Spanish issuers. Any decline in the Kingdom of Spain's credit ratings could also adversely affect the value of the Kingdom of Spain's and other Spanish issuers' respective securities held by the Group in various portfolios or otherwise materially adversely affect the Group's business, financial condition and results of operations. Furthermore, the counterparties to many of the

Group's loan agreements could be similarly affected by any decline in the Kingdom of Spain's credit rating, which could limit their ability to raise additional capital or otherwise adversely affect their ability to repay their outstanding commitments to the Group and, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group has historically developed its lending business in Spain, which continues to be its main place of business. As of 31st December, 2012, business activity in Spain accounted for 57 per cent. of the Group's loan portfolio.

After rapid economic growth until 2007, Spanish gross domestic product (**GDP**) contracted by 3.7 per cent. and 0.3 per cent. in 2009 and in 2010, respectively, grew by 0.4 per cent. in 2011 and contracted by 1.6 per cent. in 2012. The Guarantor's Economic Research Department (**BBVA Research**) estimates that the Spanish economy will contract by 1.3 per cent. in 2013. As a result of this expected contraction, it is expected that economic conditions and unemployment in Spain could continue to deteriorate.

In addition, GDP forecasts for the Spanish economy could be further revised downwards if measures adopted in response to the economic crisis are not as effective as expected or if public deficit figures force the government to implement additional restrictive measures. In addition to the tightening of fiscal policies in order to correct its economic imbalances, Spain has seen confidence erode, because of weaker economic activity and, above all, a deterioration in employment in 2012, which has continued in 2013. The effects of the financial crisis have been particularly pronounced in Spain given Spain's heightened need for foreign financing as reflected by its high public deficit. Real or perceived difficulties in making the payments associated with this deficit can further damage Spain's economic situation and increase the costs of financing its public deficit. The aforementioned may be exacerbated by the following:

- The Spanish economy is particularly sensitive to economic conditions in the rest of the euro area, the primary market for Spanish goods and services exports.
- Spanish domestic demand in 2012 and 2013 was heavily impacted by fiscal policy both directly, through the progressive contraction of public sector demand (as a result, among other reasons, of tighter fiscal targets), and indirectly, through the impact of fiscal policy reforms on the consumption and investment decisions of private parties (as a result, for example, of increases in various taxes, including income tax and value added tax (**VAT**), and the elimination of certain tax benefits (including tax benefits on the purchase of a home)).
- Unemployment continued to increase in 2012 and is expected to remain above 26 per cent. during 2013 and above 25 per cent during 2014.
- The continued deterioration of the labour market may trigger a decline in the wage component of a household's gross disposable income. Furthermore, the increase of fiscal pressures due to the country's effort to meet public deficit targets will continue to reduce the non-wage component of disposable income, despite the possible increase in the volume of unemployment benefits. Higher personal income taxes are also having a negative effect. Households' nominal disposable income remained constant in 2011 but fell by 2.8% in 2012 and are estimated to fall by 1.1% in 2013.
- Investment in residential real estate contracted by approximately 12.5 per cent. and 8.0 per cent. in 2011 and 2012, respectively, and is expected to contract by 9 per cent. in 2013.

The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. The Group's total impaired loans to customers in Spain amounted to €15,165 million, €11,043 million and €10,954 million as of 31st December, 2012, 2011 and 2010, respectively, principally due to the deterioration in the macroeconomic environment. The Group's total impaired loans to customers in Spain as a percentage of total loans and receivables to customers in Spain were 7.3 per cent., 5.5 per cent. and 5.2 per cent. as of 31st December, 2012, 2011 and 2010, respectively. The Group's loan loss reserves to customers in Spain as a percentage of impaired loans to customers in Spain as of 31st December, 2012, 2011 and 2010 were 64 per cent., 43 per cent. and 45 per cent., respectively. Given the concentration of the Group's loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on the Group's loan portfolio and, as a result, on its business, financial condition and results of operations.

In addition, the weakening in the Group's customer creditworthiness could impact its capital adequacy. The regulatory capital levels the Group is required to maintain are calculated as a percentage of its risk-weighted assets (**RWA**), in accordance with Circular 3/2008 and, as of 1st January, 2014, in accordance with CRD IV package that includes CRD IV (including Royal Decree Law 14/2013 that partially implements CRD IV in Spain). Additionally, the Group must comply with the capital requirements established by the Bank of Spain in Circular 3/2008 and Circular 7/2012. The RWA consist of the Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of the Group's assets, which include its lending portfolio. If a customer's repayment capacity declines, the Group lowers the customer's rating, which results in an increase in its RWA. In addition, substantial market volatility, a widening of credit spreads, a change in the regulatory treatment of certain positions, changes in foreign exchange rates, decreases in collateral ratios as a consequence of the deterioration of the market value of assets pledged as collateral, or a further deterioration of the economic environment, among other things, could result in an increase in the Group's RWA, which potentially may reduce its capital adequacy ratios. If the Group were to experience a reduction in its capital adequacy ratios, and could not raise further capital, it would have to reduce its lending or investments in other operations. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

In the years prior to 2008, population increase, economic growth, declines in unemployment rates and increases in levels of household disposable income, together with low interest rates within the EU, led to an increase in the demand for mortgage loans in Spain. This increased demand and the widespread availability of mortgage loans affected housing prices, which rose significantly. After this buoyant period, demand began to adjust in mid-2006. Since the last quarter of 2008, the supply of new homes has been adjusting sharply downward in the residential market in Spain, but a significant excess of unsold homes still exists in the market. Spanish real estate prices continued to decline during 2012 in light of deteriorating economic conditions. Housing demand has remained weak and housing transactions have continued decreasing in 2013 but are expected to stabilise in 2014.

The Group has substantial exposure to the Spanish real estate market and the continuing deterioration of Spanish real estate prices could materially and adversely affect its business, financial condition and results of operations. The Group is exposed to the Spanish real estate market due to the fact that Spanish real estate assets secure many of its outstanding loans and due to the significant amount of Spanish real estate assets held on its balance sheet, including real estate received in lieu of payment for certain underlying loans. Furthermore, the Group has restructured certain of the loans it has made relating to real estate and the capacity of the borrowers to repay those restructured loans may be materially adversely affected by declining real estate prices. New guidelines from the Bank of Spain on how to classify refinanced loans according to their risk profile may discourage refinancing activity in the future, worsening the prospects of these loans. Residential real estate mortgages to individuals represented 23.8 per cent., 21.9 per cent. and 23.1 per cent. of the Group's domestic loan portfolio as of 31st December, 2012, 2011 and 2010, respectively. The Group's loans for the development of real estate and housing construction in Spain amounted to €15,358 million as of 31st December, 2012 (with a provisioning coverage of 36.7 per cent.), and represented 7 per cent. of its gross domestic lending as of 31st December, 2012. The Group's non-performing real estate loans represented 44.4 per cent. of its real estate portfolio as of 31st December, 2012.

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

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

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

Risks Relating to Latin America

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

The Group is substantially dependant on its Mexican operations, with approximately €1,821 million, €1,711 million and €1,683 million of profit attributable to the parent company in 2012, 2011 and 2010, respectively, being generated in Mexico. The Group faces several types of risks in Mexico which could adversely affect its banking operations in Mexico or the Group as a whole. Given the internationalisation of the financial crisis, the Mexican economy has felt the effects of the global financial crisis and the adjustment process that was underway. While the Mexican economy is expected to grow by 1.2 per cent. in 2013, the first half of the year was characterised by a more acute downturn than originally forecasted due to the considerable slowdown in the industrial sector, partially driven by the weak demand and also a contraction in public demand. The slowdown in the rate of job creation and the contribution of salaries to disposable income in real terms have been significant factors underlying the downturn in domestic demand. Another fact to consider is the low foreign-currency inflows from remittances, which continue to decline.

As of 31st December, 2012, 2011 and 2010, the Group's mortgage loan portfolio delinquency rates in Mexico were 6.4 per cent., 4.1 per cent. and 3.3 per cent., respectively, and its consumer loan portfolio delinquency rates were 3.3 per cent., 2.5 per cent. and 2.9 per cent., respectively. The default rate is evolving in line with the increase in the activity of the Guarantor's Mexican subsidiary and the risk premium has stabilised around 3.49 per cent. If there is a further increase in unemployment rates (which were 5.0 per cent. in 2012 as compared to 5.2 per cent. in 2011 and are expected to be 5.1 per cent. in 2013), which could arise if there is a more pronounced or prolonged slowdown in Europe or the United States, it is likely that such rates will further increase.

In addition, inflation was 4.25 per cent. in the second quarter of 2013, exceeding the target set by the Mexican Central Bank. Any tightening of the monetary policy, including to address upward inflationary pressures, could make it more difficult for customers of the Group's mortgage and consumer loan products in Mexico to service their debts, which could have a material adverse effect on the business, financial condition, cash flows and results of operations of the Guarantor's Mexican subsidiary or the Group as a whole. In May, 2013, Mexico presented its proposed financial reforms, which are based on: i) a new mandate for development banks, ii) the promotion of competition to reduce interest rates, iii) the creation of incentives for banks to give more credit and iv) the strengthening of the banking system. It is expected that the final text will be adopted by the end of 2013. Finally, growing social tensions in Mexico, including as a result of drug-related corruption and escalating violence, could weigh on the economic outlook, which could increase economic uncertainty and capital outflows.

According to the mandate of the Law for Transparent and Ordered Financial Services in place (last modified in 2010), the Mexican National Commission for the Protection and Defense of Financial Services Users (*Comisión Nacional para la Defensa de los Usuarios de los Servicios Financieros*) (**Condusef**) has continued to request that banks send several of their service contracts for revision (for example, credit cards and insurance), in order to check that they comply with the dispositions on transparency and clarity for protecting financial service users. Condusef still does not have systematic ways to evaluate and grade service contracts, and this reflects on a substantial variation in grades from one year to the next and no clear instructions for adequating such contracts. Therefore, the Law Committee of the Banking Association (ABM) is coordinating a working group to propose improvements in the process. In addition, Condusef has asked banks to formulate new procedures so that beneficiaries of deposit accounts can collect the funds in the case of the death of the account owner.

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

Any of these risks or other adverse developments in laws, regulations, public policies or otherwise in Mexico may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's Mexican subsidiary or the Group as a whole.

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

The Latin American countries in which the Group operates have experienced significant economic volatility in recent decades, characterised by recessions, foreign exchange crises and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services. In addition, significant inflation can negatively affect the Group's results of operations as was the case in the year ended 31st December, 2009, when as a result of the characterisation of Venezuela as a hyperinflationary economy, the Group recorded a €90 million decrease in its profit attributable to parent company.

The outlook for withdrawal of monetary stimuli by the Federal Reserve in the U.S., and the slowing of economic activity in several emerging markets led to an increase in volatility in the international financial markets, which has partly recovered in recent months. Latin America, like other emerging markets, has been one of the hardest hit in this new environment, particularly as Latin America benefited most from the increase in liquidity and the expansion in demand by countries such as China in recent years. In addition, ever since the Chairman of the Federal Reserve's speech in May 2013 regarding the ending of monetary stimuli in the United States, capital outflows, stock market falls, increases in long term interest rates and devaluation of exchange rates have occurred in all emerging regions, including Latin America.

Many of the main challenges for the region relate to the evolution of external factors, including the crisis in Europe or the fiscal adjustment measures in the U.S., and the increasing use of macro-prudential measures to control global liquidity, which could deter financial flows to enter in Latin American countries. In addition, inflationary pressure in some countries in the region (with inflation in some countries exceeding the relevant central banks' targets) has led to different approaches from central banks when dealing with turbulence in the financial markets. Price overheating could leave Latin America economies more vulnerable to an adverse external shock since the more important role of exports in their GDP is making them more dependent on the maintenance of high terms of trade. Moreover, uncertainty on the evolution of the global economy and lower global liquidity will likely contribute to a slight depreciation in exchange rates in most countries. This would result in monetary policy being less likely to act as a stabiliser in case of domestic overheating. The region needs to promote reforms to increase productivity and to consolidate growth in the long term, as the sustainable growth of per capita income cannot be based only on capital accumulation and employment growth.

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

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

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

Financial and securities markets in Latin American countries in which the Group operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. The region's growth has decelerated in 2012, registering a growth rate of 3 per cent., in particular due to the economic slowdown of Brazil. The region is expected to grow by 2.4 per cent. in 2013. The international financial outlook became less benign for Latin America in recent months. Latin America, together with other emerging markets, has been one of the hardest hit regions in this new environment, with term capital outflows, increases in sovereign spreads, stock market falls and devaluations in exchange rates. There has also been an adjustment in the prices of some of the most important export commodities during 2013. In addition, the outlook for foreign balances in Latin America has worsened in 2013 due to the above mentioned correction in raw material prices and weak foreign demand.

Negative developments in the economy or securities markets in one country, particularly in the U.S. or in Europe under current circumstances, may have a negative impact on emerging market economies. BBVA believes that two global risks for Latin American countries are currently posed by the possible deterioration of the European crisis and the effects of the withdrawal of monetary stimuli or tapering in the U.S. by the Federal Reserve in the U.S.tapering, which would especially affect countries with less capacity to access international markets to cushion the fall in commodity prices and with less room to use counter-cyclical policies. Any such developments may adversely affect the business, financial condition, operating results and cash flows of the BBVA's subsidiaries in Latin America. These economies are also vulnerable to conditions in global financial markets and especially to commodities price fluctuations and these vulnerabilities usually reflect adversely in financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. For example, at the beginning of the financial crisis these economies were hit by a simultaneous drop in commodity export prices, a collapse in demand for non-commodity exports and a sudden halting of foreign bank loans. Even though most of these countries withstood the triple shock rather well, with limited damage to their financial sectors, non-performing loan ratios rose and bank deposits and loans contracted. These trends have been corrected in recent months in most countries. As a global economic recovery remains fragile, there are risks of a relapse. If the global financial crisis continues and, in particular, if the effects on the Chinese, European and U.S. economies intensify, the business, financial condition, operating results and cash flows of BBVA's subsidiaries in Latin America are likely to be materially adversely affected.

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

The Group operates commercial banks and insurance and other financial service companies in various Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation or expropriation of assets. The Group's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk (with the current foreign exchange position of the Latin American and Mexico segments representing approximately 25 per cent. of the total assets of the Group), difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors, or the distribution of dividends. For example, in October, 2012, Argentina sharply raised its excess-capital requirements from 30 per cent. to 75 per cent. of minimum capital before banks (including BBVA Banco Francés, S.A.) can distribute dividends. Market outlook for an earlier than expected withdrawal of monetary stimuli or tapering in the U.S., together with an increased slowdown in China, triggered widespread devaluation in exchange rates in the region in 2013. For example, in February, 2013, the Venezuelan government decided to devaluate the Venezuelan bolivar fuerte for the fifth time in nine years by approximately 32 per cent. (from 4.30 to 6.30 per U.S. dollar), which undermined the dividends of the Group's Venezuelan subsidiary awaiting repatriation.

The Group's presence in Latin American markets also requires it to respond to rapid changes in market conditions in these countries. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

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

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

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

Risks Relating to the United States

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

As a result of the business of the Guarantor's subsidiaries in the United States, the Group is vulnerable to developments in this market, particularly the real estate market. During the summer of 2007, the difficulties experienced by the subprime mortgage market triggered a real estate and financial crisis, which had significant effects on the real economy and resulted in significant volatility and uncertainty in markets and economies around the world. The recovery is still weak, as the economy is growing at low rates and unemployment is persistently high. The recent economic growth estimates indicate a 1.6 per cent. growth rate for 2013 (down from 2.8 per cent. in 2012) for the U.S., showing that economic recovery is slower than expected, and growing regulatory pressure in the U.S. financial sector resulted in a write down of goodwill related to the acquisition of BBVA Compass in the aggregate amount of €1,444 million as of 31st December, 2011. Similar or worsening economic conditions in the United States could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Guarantor's subsidiary BBVA Compass, or the Group as a whole, and could require the Guarantor to provide BBVA Compass with additional capital.

Risks Relating to Other Countries.

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

As of the date of this Information Memorandum, BBVA's ownership interest in members of the CITIC Group, a Chinese banking group, are a 29.7 per cent. stake in CITIC International Financial Holdings Ltd (**CIFH**) and a 9.9 per cent. stake in China CITIC Bank Corporation Limited (**CNCB**). CIFH is a banking entity headquartered in Hong Kong and CNCB is a banking entity headquartered in China. As a result of the Group's expansion into Asia, it is exposed to increased risks relating to emerging markets in the region, particularly in China. The Chinese government has exercised, and continues to exercise, significant influence over the Chinese economy. Chinese governmental actions, including changes in laws or regulations or in the interpretation of existing laws or regulations, concerning the economy and state-owned enterprises, or otherwise affecting the Group's activity, could have a significant effect on Chinese private sector entities in general, and on CIFH or CNCB in particular. Chinese authorities have implemented a series of monetary tightening and macro prudential policies to slow credit growth and to contain rises in real estate prices. These could undermine profitability in the banking sector generally and CIFH's and CNCB's respective profitability in particular. The Group's business in China may also be affected by the increased credit quality risks resulting from the increase in local government debt and financial stresses in smaller companies as their access to various forms of non-bank credit is tightened.

In addition, while the Group believes long term prospects in both China and Hong Kong are positive, particularly for the consumer finance market, near term risks are present from the impact of a slowdown in global growth, which could result in tighter financing conditions and could pose risks to credit quality. China's GDP growth has moderated following efforts to avert overheating and steer the economy towards a soft landing. China's growth momentum continued to slow more than expected in 2012 due to external pressures and lags in the effect of policy stimulus put in place in 2012. While domestic demand and production remain strong, there is an increased probability of a hard landing as a result of the uncertainties concerning the global environment, exacerbated by a rise in domestic financial fragilities. For 2013, BBVA Research expects a 7.7 per cent. growth in GDP, with an uncertain outlook given the authorities tolerance for lower growth and increasing financial fragilities.

Any of these developments could have a material adverse effect on the Group's investments in China and Hong Kong or the business, financial condition, results of operations and cash flows of the Group.

Since Garanti operates primarily in Turkey, economic, political and other developments in Turkey may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

In 2011, the Guarantor acquired a 25.01 per cent. interest in Türkiye Garanti Bankası A.Ş. (**Garanti**). Most of Garanti's operations are conducted, and most of its customers are located, in Turkey. Accordingly, Garanti's ability to recover on loans, its liquidity and financial condition and its results of operations are substantially dependent upon the economic, political and other conditions prevailing in or that otherwise affect Turkey. For instance, if the Turkish economy is adversely affected by, among other factors, a reduction in the level of economic activity, continuing inflationary pressures, devaluation or depreciation of the Turkish Lira, a natural disaster or an increase in domestic interest rates, then a greater portion of Garanti's customers may not be able to repay loans when due or meet their other debt service requirements to Garanti, which would increase Garanti's past due loan portfolio and could materially reduce its net income and capital levels. After growing by approximately 8.5 per cent. in 2011 and 2.2 per cent. in 2012, the Turkish economy is expected to grow by 4.0 per cent. in 2013. In addition, inflation stayed at 8.9 per cent. in 2012 and is expected to stay around 7 per cent. in 2013. However, the recent civil developments in Turkey could adversely affect economic growth for 2013. Furthermore, Turkey's recent credit boom led to the rapid widening of its current account deficit, which reached a multi-year high of 9.9 per cent. of GDP in 2011 and was 5.9 per cent. by the end of 2012. Despite Turkey's increased political and economic stability in recent years, the recent rating upgrade by Fitch in November, 2012 and by Moody's in May, 2013 and the implementation of institutional reforms to conform to international standards, Turkey is an emerging market and it is subject to greater risks than more developed markets, as witnessed by the recent civil developments, which may also have an adverse effect on the financial sector. Financial turmoil in any emerging market could negatively affect other emerging markets, including Turkey, or the global economy in general. Moreover, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets, and may reduce liquidity to companies located in the affected markets. An increase in the perceived risks associated with investing in emerging economies in general, or Turkey in particular (including as a result of a deterioration in the EU accession process), could dampen capital flows to Turkey and adversely affect the Turkish economy.

In addition, actions taken by the Turkish government could adversely affect Garanti's business and prospects. For example, currency restrictions and other restraints on transfer of funds may be imposed by the Turkish government, Turkish government regulation or administrative polices may change unexpectedly or otherwise negatively affect Garanti, the Turkish government may increase its participation in the economy, including through nationalisations of assets, or the Turkish government may impose burdensome taxes or tariffs. The occurrence of any or all of the above risks could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti. Moreover, political uncertainty or instability within Turkey and in some of its neighbouring countries (including as a result of the ongoing civil war in Syria) has historically been one of the potential risks associated with investments in Turkish companies.

Furthermore, a significant majority of Garanti's total securities portfolio is invested in securities issued by the Turkish government. In addition to any direct losses that Garanti might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in Garanti's securities portfolio and the Turkish banking system generally and make such government securities difficult to sell, and may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

Any of the risks referred to above could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of the Guarantor's investment in Garanti.

The Guarantor has entered into a shareholders' agreement with Doğuş Holding A. Ş. in connection with the Garanti acquisition.

The Guarantor entered into a shareholders' agreement with Doğuş Holding A.Ş. (**Doğuş**)¸ in connection with the Garanti acquisition. Pursuant to the shareholders' agreement, the Guarantor and Doğuş have agreed to manage Garanti through the appointment of board members and senior management. Doğuş is one of the largest Turkish conglomerates and has business interests in the financial services, construction, tourism and automotive sectors. Any financial reversal, negative publicity or other adverse circumstance relating to Doğuş could adversely affect Garanti or the Guarantor. Furthermore, the Guarantor must successfully cooperate with Doğuş in order to manage Garanti and grow its business. It is possible that the Guarantor and Doğuş will be unable to agree on the management or operational strategies to be followed by Garanti, which could adversely affect Garanti's business, financial condition and results of operations and the value of the Guarantor's investment and lead to the Guarantor's failure to achieve the expected benefits from the Garanti acquisition.

Other Risks

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

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

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

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

A reduction in expansive monetary policies ("tapering") could increase exchange rate volatility

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

Risks related to Notes generally

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

Noteholders may not be able to exercise their rights in the event of the adoption of any resolution measure under Law 9/2012

Although RRD will not enter into force until 2015 (as detailed in "*– Steps taken towards achieving an EU fiscal and banking union*") Law 9/2012 introduced certain specific loss absorption measures in Spain that may be applied by the Guarantor, the Bank of Spain or the Fund for Orderly Bank Restructuring (*Fondo de Restructuración Ordenada Bancaria*, the **FROB**).

The application of such loss absorption measures may be requested by the Guarantor or imposed by the Bank of Spain or the FROB if the Guarantor or its group of consolidated credit entities is in breach of (or there are sufficient objective elements pursuant to which it is reasonable to foresee that they may breach) applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls. In such case, the Guarantor and, indirectly, the Issuer may be subject to a procedure of "early intervention" (*actuación temprana*), "restructuring" (*reestructuración*) or, if it is perceived to be unviable, "resolution" (*resolución*) (as each such term is defined in Law 9/2012).

While the Notes are governed by English law and the Issuer and the Guarantor submit to the exclusive jurisdiction of the English courts, pursuant to Directive 2001/24/EC on the reorganisation and winding up of credit institutions in EU Member States, Law 9/2012 and The Credit Institutions (Reorganisation and Winding up) Regulations 2004 of the United Kingdom, any resolution procedure is specified under Law 9/2012 to be a "reorganisation measure" for the purposes of Directive 2001/24/EC and, as such, will be effective in the United Kingdom in relation to any Notes as if it were part of the general law of insolvency of the United Kingdom. This is the case both for those Notes already in issue as well as any Notes issued in the future, as there are no grandfathering provisions under Law 9/2012.

The enforcement by a Noteholder of its rights under the Notes following the adoption of any resolution procedure with respect to the Guarantor may be adversely affected by the implementation of any of the measures set forth in Law 9/2012 with respect to such procedure, which may include, among others, the sale of BBVA's business, the transfer of assets or liabilities of BBVA to a bridge bank and/or the transfer of assets or liabilities of BBVA to an asset management company. Any claims of a Noteholder will consequently be limited by the application of any measures pursuant to the provisions of Law 9/2012. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer and/or the Guarantor to satisfy their obligations under the Notes or the Guarantee and the enforcement by a holder of any rights it may otherwise have under the Notes may be limited in these circumstances.

Spanish Tax Rules

Article 44 of RD 1065/2007, as amended by the RD 1145/2011, sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 13/1985. The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

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

(i) identification of the securities; and

(ii) total amount of the income corresponding to each clearing system located outside Spain.

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

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the Issuing and Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Issuing and Paying

Agent on its behalf will make a withholding at the general rate (currently 21 per cent.) on the total amount of the return on the relevant Notes otherwise payable to such entity.

According to Article 44.5 RD 1065/2007, the Issuer and the Guarantor are not obliged to withhold any taxes provided that the simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Paying Agent. However, the Spanish Tax Authorities may eventually issue a tax ruling to clarify the interpretation of the currently applicable procedures and it cannot be completely discarded that such ruling determines that the Issuer, or, as the case may be, the Guarantor, that is tax resident in Spain, should apply a withholding on payments to individuals with tax residence in Spain. If this were the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer or the Guarantor (to the extent required) so that it can comply with its obligations under the applicable legislation as clarified by the Spanish Tax Authorities.

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

General

The procedure described in this Information Memorandum for the provision of information required by Spanish laws and regulations is a summary only and none of the Issuer, the Guarantor or the Dealers, assumes any responsibility therefore. In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will notify the holders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

Withholding under the EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). In April, 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Notes will be represented on issue by a Global Note that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Pricing

Supplement, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Note. While the Notes are represented by the Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

Risks related to the market generally.

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

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

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Although applications have been made for Notes issued under the Program to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular issue of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular issue of Notes. This is particularly the case for debt securities, such as the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of debt securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

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

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Similarly, the Issuer's or Guarantor's credit ratings may not reflect all risks of an investment in the Notes. However, real or anticipated changes in the Issuer's or Guarantor's credit ratings will generally affect the market values of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Information Memorandum.

BUSINESS DESCRIPTION OF THE ISSUER

Incorporation

The Issuer was incorporated on 29th October, 2004 for an unlimited duration with limited liability under Spanish law. The Issuer's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Paseo de la Castellana, 81, 28046, Madrid, Spain, telephone number 34 91 537 8195. The Issuer was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on 3rd November, 2004, Volume 4483, Book 0, Page BI-40.901, Inscription 1.

Business

The exclusive objects for which the Issuer was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

The Issuer has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. The Issuer is a direct wholly-owned subsidiary of the Guarantor and does not have any subsidiaries of its own.

The Issuer is a finance company whose sole business is raising debt to be on-lent to the Guarantor and other members of the Group (as defined below) on an arm's length basis. The Issuer is accordingly dependent on the Guarantor and other members of the Group servicing these loans.

Management

The Directors of the Issuer are as follows:

Name	Position at the Issuer	Present Principal Occupation Outside the Issuer
Erik Schotkamp	Director/President	Capital & Funding Management Director of BBVA
Raúl Moreno Carnero	Director	Institutional Funding Manager of BBVA
Tomás Sanchez Zabala	Director	Manager of BBVA
Esteban Azaceta Álvarez	Director	Manager of BBVA

The business address of the Directors of the Issuer is Paseo de la Castellana, 81, 28046 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

BUSINESS DESCRIPTION OF THE GUARANTOR

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 following the merger of Argentaria into BBV, which was approved by the shareholders of each entity on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Paseo de la Castellana, 81, 28046, Madrid, Spain telephone number +34-91-374-6201. BBVA is incorporated for an unlimited term.

Ratings

BBVA and the Programme have been assigned senior short term ratings of F2 by Fitch, P-3 by Moody's and A-3 by S&P.

Capital Expenditures

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

2013

Acquisition of Unnim Vida.

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

2012

Acquisition of Unnim

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

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

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

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

Pursuant to the acquisition method of accounting, as of 31st December, 2012, BBVA recorded the difference between the fair values assigned to the assets acquired and the liabilities assumed from Unnim, on one hand, and the cash payment made to the FROB in consideration of the transaction on the other hand, which totalled €376 million, under the heading "Negative goodwill in business combinations" in its consolidated income statement for the year ended 31st December, 2012 included in the Consolidated Financial Statements. As of the date of preparation of the Consolidated Financial Statements, this amount is provisional, since IFRS 3 grants a period of one year to make a definitive determination on this negative consolidation difference; however, BBVA does not expect any significant changes in the valuations of the assets and liabilities related to this acquisition. See Note 20.1 to the Consolidated Financial Statements for additional information.

2011

Acquisition of a capital holding in the Turkish bank Garanti

On 22nd March, 2011, through the execution of the agreements signed in November, 2010 with the Doğuş group and having obtained the corresponding authorisations, BBVA completed the acquisition of a 24.89 per cent. holding of the share capital of Garanti. Subsequently, an additional 0.12 per cent. holding was acquired through the stock exchanges, increasing the Group's total holding in the share capital of Garanti to 25.01 per cent. as of 31st December, 2011. The total amount spent on these acquisitions totalled U.S.$5,876 million (approximately €4,140 million taking into account the hedging derivatives contracted to hedge the deal's euro/dollar exchange-rate risk).

The agreements with the Doğuş group include an arrangement for the joint management of the bank and the appointment of some of the members of its Board of Directors by the Group. BBVA also has a perpetual option to purchase an additional 1 per cent. of Garanti, which will become exercisable on 22nd March, 2016. Considering its current shareholding structure, if the Group were to exercise this option, it would have effective control of Garanti. For additional information, see Note 3 to the Consolidated Financial Statements.

Purchase of Credit Uruguay Banco

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

Capital increase in CNCB

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

2010

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

CAPITAL DIVESTITURES

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

2013

Divestiture of shares in CNCB

On 17th October, 2013, BBVA announced an agreement reached with CITIC Limited for the sale of 5.1 per cent. of the shares in CNCB, for a total price of approximately €944,000,000. This share sale was subject to the necessary approvals and on 21st October, 2013, BBVA announced that these had been obtained and the share sale completed. This has resulted in the reduction of BBVA's ownership interest in CNCB to 9.9 per cent.

In conjunction with the above share sale, BBVA and CNCB have agreed to adapt their strategic co-operation agreement by (i) removing the exclusivity obligations that affected the activities of BBVA in China, and (ii) agreeing to discuss new areas of co-operation between both banks, as BBVA's current intention is to remain a key long term investor in CNCB. The agreements affected will be finalised in due course.

Agreement to sell BBVA Panamá

On 20th July, 2013, BBVA reached an agreement with Leasing Bogotá S.A., Panamá (**Leasing Bogotá**), a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to Leasing Bogotá of the entirety of BBVA's holding, directly and indirectly, in Banco Bilbao Vizcaya Argentaria (Panamá), S.A. (**BBVA Panamá**). The aggregate direct and indirect participation of BBVA in BBVA Panamá represents approximately 98.92 per cent. of the share capital of the company.

The closing of the transaction is conditional upon the approval by the competent regulatory authorities.

The total consideration that BBVA expects to receive pursuant to this sale amounts to approximately U.S.$646 million which represents a multiple of BBVA Panamá's expected 2013 net earnings approximately 20.

The above consideration consists of:

(i) the base purchase price of U.S.$630 million; and

(ii) a positive or negative net income adjustment which shall be equal to the net income generated by BBVA Panamá from 1st June, 2013 up to closing. BBVA estimates that such amount will represent a positive adjustment of approximately U.S.$16 million (on the assumption that the sale will close on or before 30th November, 2013).

BBVA has the option to receive part of the consideration in the form of a distribution of dividends from BBVA Panamá of up to U.S.$140 million prior to closing (such amount would accordingly reduce the purchase price payable to BBVA on closing), in which case the capital gain net of taxes would amount to approximately €150 million.

Strategic alternatives for BBVA's pension business in Latin America

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

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

- On 18th April, 2013, after having obtained the necessary approvals, BBVA announced that it had completed the sale of the total stake that it held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A. (**Horizonte**) to Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo

Aval Acciones y Valores, S.A. The adjusted total purchase price was U.S.$541.4 million. The capital gain net of taxes arising from the transaction amounted to approximately €263 million.

- On 23rd April, 2013, BBVA executed the transfer of 100 per cent. of the share capital it held directly or indirectly in the Peruvian company AFP Horizonte, S.A. (**AFP Horizonte**) to AFP Integra S.A. and Profutoro AFP, S.A., who each acquired 50 per cent. of AFP Horizonte. The total consideration paid for the shares was approximately U.S.$544 million, composed of a price of approximately U.S.$516 million and a dividend distributed prior to closing. The capital gain net of taxes arising from the transaction amounted to approximately €208 million.

- On 2nd October, 2013 and further to the relevant information disclosed by BBVA to the markets on 1st February, 2013, and with the necessary approvals, BBVA announced that it has completed the sale of approximately 64.3 per cent. of its interest in the Chilean pension fund manager *Administradora de Fondos de Pensiones Provida S.A.* (**AFP Provida**) to subsidiaries of MetLife, Inc.

  The total amount of cash to be received by BBVA in connection with the sale of this interest in AFP Provida is approximately U.S.$1,540 million, taking into account the purchase price amounting to roughly U.S.$1,310 million as well as the dividends paid by AFP Provida since 1st February, 2013 amounting to approximately U.S.$230 million. The capital gain net of taxes arising from the transaction amounts to approximately €500 million.

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

2012

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

2011 and 2010

During 2011 and 2010, BBVA sold its participation in certain non-strategic associates and also concluded the liquidation and merger of several issuers, financial services and real estate affiliates.

Business Overview

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

Operating Segments

The main changes in the reporting structure of the Group’s operating segments in 2013 are as follows:

- As a result of the increasingly geographical orientation of the Group’s reporting structure, certain portfolios, finance and structural euro balance sheet positions managed by the Assets and Liabilities Committee (**ALCO**) that were previously reported under the Corporate Activities segment (which is currently named the “Corporate Centre”) are now part of the Spain segment (described below) of the Group.

- Due to the particularities of their management, the assets and results pertaining to the real estate business in Spain are now presented under a separate segment: Real Estate Activity in Spain. This new segment includes lending to real estate developers (which was previously included in the Spain segment) and foreclosed real estate assets (which were previously included in the Corporate Activities segment).

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

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

For comparison, the Group's 2012 and 2011 financial information by operating segment has been restated to reflect the Group's current reporting structure.

In addition to the operating segments referred to above, the Group has a Corporate Centre which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including: costs from central units that have a strictly corporate function; management of structural exchange-rate positions carried out by the Financial Planning unit; specific issues of capital instruments to ensure adequate management of the Group's overall capital position; proprietary portfolios such as industrial holdings and their corresponding results; certain tax assets and liabilities; provisions related to commitments with pensioners; and goodwill and other intangibles. The Corporate Centre also included BBVA Puerto Rico prior to its sale, which was completed in December, 2012, and the profit from discontinued operations from the sale of the pension businesses in Mexico and South America.

Set forth below is financial information for each of the Group's current operating segments as of and for the years ended 31st December, 2012 and 2011. No comparable information as of and for the year ended 31st December, 2010 has been included given the absence of readily available comparable information as of such date and for such period (this is as a result of BBVA's real estate department not being created until 2011 and not becoming a reportable segment until 2013).

The breakdown of the Group's total assets by operating segments as of 31st December, 2012 and 2011 is as follows:

	As of 31st December	
Total Assets by Operating Segment	**2012**	**2011**
	(in millions of euros)	
Spain	345,362	320,387
Real Estate Activity in Spain	21,923	22,558
Eurasia	48,324	53,439
Mexico	81,723	72,156
South America	77,474	62,651
United States	53,892	53,090
Subtotal Assets by Operating Segments	628,698	584,281
Corporate Center and Other Adjustments	(7,626)	(1,443)
Total Assets BBVA Group	**621,072**	**582,838**

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

	Profit/(Loss) Attributed to Parent Company		% Profit/(Loss) Attributed to Parent Company	
	For the Year Ended 31st December			
	2012(1)	**2011(2)**	**2012(1)**	**2011(2)**
	(in millions of euros)		*(in percentage)*	
Spain	1,162	1,075	82.9	34.1
Real Estate Activity in Spain	(4,044)	(809)	(288.3)	(25.7)
Eurasia	953	1,062	67.9	33.7
Mexico	1,689	1,638	120.5	52.0
South America	1,199	898	85.5	28.5
United States	443	(713)	31.6	(22.6)
Subtotal Operating Segments	**1,402**	**3,152**	100.0	100.0
Corporate Center	273	(149)		
Profit attributed to parent company	**1,676**	**3,004**		

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

(2) Profit/(Loss) attributed to parent company for the year ended 31st December, 2011 has been affected by the goodwill impairment in the U.S. and the acquisition of Garanti, which have affected, respectively, the contribution of the United States and Eurasia operating segments.

The following table sets forth information relating to the income of each operating segment for the years ended 31st December, 2012 and 2011 and reconciles the income statement of the various operating segments to the consolidated income statement of the Group:

	Operating Segments									
	Spain	**Real Estate Activity in Spain**	**Eurasia**	**Mexico**	**South America**	**United States**	**Corporate Center**	**Total**	**Adjustments**	**BBVA Group**
	(in millions of euros)									
2012										
Net interest income	4,748	(20)	851	4,178	4,288	1,551	(473)	15,122	(648)	14,474
Operating profit/(loss) before tax	1,652	(5,705)	1,058	2,229	2,271	619	(465)	1,659	(77)	1,582
Profit	**1,162**	**(4,044)**	**953**	**1,689**	**1,199**	**443**	**273**	**1,676**	**-**	**1,676**
2011										
Net interest income	4,248	104	806	3,782	3,159	1,518	(465)	13,152	(428)	12,724
Operatin	1,515	(1,216)	1,222	2,153	1,677	(1,053)	(852)	3,446	(48)	3,398

g profit/(loss) before tax										
Profit	**1,075**	**(809)**	**1,062**	**1,638**	**898**	**(713)**	**(149)**	**3,004**	**-**	**3,004**

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

Spain

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

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

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

	As of 31st December	
	2012	**2011**
	(in millions of euros)	
Total Assets	**345,362**	**320,387**
Loans and advances to customers	**193,100**	**194,147**
Of which:		
Residential mortgages	84,602	76,900
Consumer finance	7,663	8,077
Loans	*6,043*	*6,500*
Credit cards	*1,620*	*1,577*
Loans to enterprises	58,442	67,872
Loans to public sector	24,772	25,092
Customer deposits	**133,802**	**109,160**
Current and savings accounts	47,449	44,044
Time deposits	62,587	44,719
Other customer funds	23,765	20,397
Off-balance sheet funds	**40,134**	**43,048**

	As of 31st December	
	2012	2011
	(in millions of euros)	
Mutual funds	19,116	19,598
Pension funds	18,577	17,224
Other placements	2,441	6,227
Economic capital allocated	**12,027**	**8,757**

As of 31st December, 2012, the balance of loans and advances to customers was €193,100 million, a 0.5 per cent. decrease from the €194,147 million recorded as of 31st December, 2011, as a result of the deleveraging process and weak consumption. The general trend has been a weak turnover, with the most notable decreases recorded in the segment of higher-risk businesses and corporations, and in consumer loans.

As of 31st December, 2012, outstanding payment protection insurance policies amounted to €39 billion and insured approximately 19 per cent. of BBVA's total loans and advances to customers in Spain as of such date. Substantially all of BBVA's payment protection insurance products provide consumer or mortgage payment protection in the case of loss of life or disability (while approximately 5.5 per cent. of these products provide protection in the case of unemployment or a work-related illness). These insurance products are granted by BBVA's insurance subsidiary to borrowers within BBVA's own consumer and mortgage portfolio. Upon the occurrence of the insured event, BBVA's insurance subsidiary pays the entire outstanding principal amount, together with any accrued interest, of the related loan. Since the risk remains within the Group, BBVA does not consider its payment protection insurance products when determining the appropriate amount of allowance for loan losses on the related loans. BBVA accounts for these products as insurance contracts.

Customer deposits were €133,802 million as of 31st December, 2012 compared to €109,160 million as of 31st December, 2011, an increase of 22.6 per cent., mainly due to the positive performance of time deposits held by households and companies and, to a lesser extent, the integration of Unnim Banc, S.A. (**Unnim**) in 2012.

The economic capital allocated was €12,027 million as of 31st December, 2012, a 37.3 per cent. increase from the €8,757 million recorded as of 31st December, 2011. This increase was mainly related to the incorporation of Unnim, the recalibration of BBVA's internal model in mid-2012 based on back-testing results and the increased market risk resulting from the application of capital requirements currently applicable to BBVA. Real Estate Activity in Spain

This new operating segment has been set up with the aim of providing specialised and structured management of the real estate assets accumulated by the Group as a result of the economic crisis in Spain. It includes primarily lending to real estate developers (which was previously included in the Spain segment) and foreclosed real estate assets (which were previously included in the Corporate Centre).

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Total Assets	**21,923**	**22,558**
Loans and advances to customers	**18,145**	**15,228**
Of which:		
Residential mortgages	91	62
Consumer finance	13	9
Loans	*13*	*9*
Credit cards	-	-

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Loans to enterprises	8,828	10,229
Loans to public sector	237	234
Economic capital allocated	**2,922**	**3,812**

As of 31st December, 2012, loans and advances to customers were €18,145 million, a 19.2 per cent. increase from the €15,228 million recorded as of 31st December, 2011.

The economic capital allocated was €2,922 million as of 31st December, 2012, a 23.3 per cent. decrease from the €3,812 million recorded as of 31st December, 2011.

Eurasia

This operating segment covers the business carried out in the rest of Europe and Asia, i.e., the retail and wholesale businesses of the Group in such geographic areas. It also includes BBVA's stakes in the Turkish bank Garanti and the Chinese banks China CITIC Bank Corporation Limited (**CNCB**) and CITIC International Financial Holding Ltd. (**CIFH**).

In accordance with the new standard set forth by IFRS 11, from 1st January, 2013, Garanti and its subsidiaries are accounted for using the equity method in BBVA's consolidated financial information, whereas they were previously accounted for under the proportionate consolidation method. In accordance with IFRS 8, the information set forth below for this operating segment is presented under management criteria pursuant to which the 25.01 per cent. participation in the assets, liabilities and income statement of Garanti have been included. A reconciliation of the income statement of BBVA's operating segments and the Group's income statement is set forth above.

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

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Total Assets	**48,324**	**53,439**
Loans and advances to customers	**30,228**	**34,740**
Of which:		
Residential mortgages	4,291	4,203
Consumer finance	4,262	3,729
Loans	*3,051*	*2,767*
Credit cards	*1,211*	*962*
Loans to enterprises	19,948	25,278
Loans to public sector	102	107
Customer deposits	**16,484**	**20,384**
Current and savings accounts	3,098	2,773
Time deposits	9,576	9,679
Other customer funds	3,810	7,933
Off-balance sheet funds	**2,016**	**1,729**
Mutual funds	1,408	1,255

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Pension funds	608	474
Other placements	-	-
Economic capital allocated	**4,607**	**4,288**

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

As of 31st December, 2012 customer deposits were €16,484 million, a 19.1 per cent. decrease from the €20,384 million as of 31st December, 2011. While Turkey performed well, wholesale deposits in the Paris, London and Brussels branches fell as a result mainly of the difficult economic conditions in the Eurozone, which have resulted in wholesale financial markets being affected by the high volatility of the risk premiums of certain EU peripheral countries (and, correspondingly, wholesale deposit flight from banks incorporated in such countries, including BBVA) and by the successive downgrades of sovereign ratings, which have also had an impact on the ratings of the financial institutions located in such countries.
The economic capital allocated was €4,607 million as of 31st December, 2012, a 7.4 per cent. increase from the €4,288 million recorded as of 31st December, 2011. This increase was mainly attributable to the increase in credit activity in Turkey and the increase in the value of BBVA's stake in CNCB, which increased BBVA's equity risk.

Mexico

The Mexico operating segment comprises the banking and insurance businesses conducted in Mexico by the BBVA Bancomer financial group. The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2012 and 2011:

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Total Assets	**81,723**	**72,156**
Loans and advances to customers	**39,052**	**34,450**
Of which:		
Residential mortgages	9,399	8,854
Consumer finance	9,785	8,220
Loans	*4,421*	*3,734*
Credit cards	*5,364*	*4,486*
Loans to enterprises	14,263	12,266
Loans to public sector	3,590	3,313
Customer deposits	**34,071**	**31,130**
Current and savings accounts	23,707	21,103
Time deposits	7,157	7,398
Other customer funds	3,207	2,629
Off-balance sheet funds	**19,896**	**17,623**
Mutual funds	17,492	15,612
Pension funds	-	-
Other placements	2,404	2,011

	As of 31st December,	
	2012	2011
	(in millions of euros)	
Economic capital allocated	**4,912**	**4,168**

As of 31st December, 2012, the balance of loans and advances to customers was €39,052 million, a 13.4 per cent. increase from the €34,450 million as of 31st December, 2011 which was attributable in part to the year-on-year appreciation of the Mexican peso against the euro as of 31st December, 2012.

As of 31st December, 2012, customer deposits were €34,071 million, a 9.4 per cent. increase from the €31,130 million recorded as of 31st December, 2011, which was attributable to the year-on-year appreciation of the Mexican peso against the euro as of 31st December, 2012 and increased retail network activity. The retail portfolio increased by 9.6 per cent. whereas the wholesale portfolio increased by 7.4 per cent. year-on-year.

The economic capital allocated was €4,912 million as of 31st December, 2012, a 17.9 per cent. increase from the €4,168 million recorded as of 31st December, 2011. This increase was mainly attributable to the recalibration of our internal model in mid-2012 based on back-testing results and lending growth.

South America

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

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

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

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

	As of 31st December,	
	2012	2011
	(*in millions of euros*)	
Total Assets	**77,474**	**62,651**
Loans and advances to customers	**48,721**	**40,213**
Of which:		
Residential mortgages	8,627	7,018
Consumer finance	13,033	9,849
Loans	9,570	7,352
Credit cards	3,463	2,496
Loans to enterprises	24,249	20,892
Loans to public sector	625	766
Customer deposits	**56,933**	**44,890**
Current and savings accounts	34,339	26,120
Time deposits	17,107	15,094
Other customer funds	5,487	3,676

	As of 31st December,	
	2012	**2011**
	(*in millions of euros*)	
Off-balance sheet funds	**6,436**	**5,698**
Mutual funds	3,355	3,037
Pension funds	3,081	2,661
Other placements	-	-
Economic capital allocated	**3,169**	**2,798**

As of 31st December, 2012, the loans and advances to customers were €48,721 million, a 21.2 per cent. increase from the €40,213 million recorded as of 31st December, 2011. All countries in this operating segment have seen growth, with significant increases in the retail segment (where loans and advances to customers grew by 38.6 per cent. year-on-year), consumer loans and credit cards. In Venezuela, loans and advances to customers grew by almost 50 per cent. year-on-year principally as a result of increased consumer finance activity.

As of 31st December, 2012, customer deposits were €56,933 million, a 26.8 per cent. increase from the €44,890 million recorded as of 31st December, 2011. In 2012, there has been strong growth in lower-cost transactional items (such as checking and savings accounts), which have increased by 30.6 per cent. In Venezuela, customer deposits grew by over 50 per cent. year-on-year.

The economic capital allocated was €3,169 million as of 31st December, 2012, a 13.3 per cent. increase from the €2,798 million recorded as of 31st December, 2011. This increase was principally the result of the general and strong lending growth in all the countries in the region and the appreciation of the currencies in the region against the euro.

United States

This operating segment encompasses the Group's business in the United States. BBVA Compass accounted for approximately 95 per cent. of the area's balance sheet as of 31st December, 2012. Given its weight, most of the comments below refer to BBVA Compass. This operating segment also covers the assets and liabilities of the BBVA office in New York, which specialises in transactions with large corporations.

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

	As of 31st December,	
	2012	**2011**
	(in millions of euros)	
Total Assets	**53,892**	**53,090**
Loans and advances to customers	**36,892**	**38,775**
Of which:		
Residential mortgages	9,109	7,787
Consumer finance	4,422	4,584
Loans	3,942	4,134
Credit cards	480	450
Loans to enterprises	22,002	23,766
Loans to public sector	1,961	1,533
Customer deposits	**37,721**	**35,127**

	As of 31st December,	
	2012	**2011**
	(in millions of euros)	
Current and savings accounts	29,060	26,458
Time deposits	7,885	7,269
Other customer funds	775	1,399
Economic capital allocated	**2,638**	**3,081**

As of 31st December, 2012, loans and advances to customers were €36,892 million, a 4.9 per cent. decrease from the €38,775 million recorded as of 31st December, 2011, principally due to the fall in real estate construction in the United States. In 2012 we continued to aim for the selective growth of lending in BBVA Compass, with a change in the portfolio mix towards items with less cyclical risk such as loans to the commercial and industrial sector (which increased by 24.5 per cent. year-on-year) and reducing higher risk portfolios such as construction real estate loans (which decreased by 48.2 per cent. year-on-year principally as a result of the sale of certain loan portfolios).

As of 31st December, 2012, customer deposits were €37,721 million, a 7.4 per cent. increase from €35,127 million as of 31st December, 2011. In 2012, demand deposits grew by 12.3 per cent. and accounted for 29.1 per cent. of the customer deposits in BBVA Compass as of 31st December, 2012.

Organisational Structure

As of 31st December, 2012, the Group was made up of 320 fully consolidated and 29 proportionately consolidated companies, as well as 102 companies consolidated using the equity method.

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

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

Subsidiary	Country of incorporation	Activity	BBVA voting power	BBVA ownership	Total assets
			(in percentages)		*(in millions of euro)*
BBVA BANCOMER, S.A. DE C.V. ...	Mexico	Bank	100.00	99.97	75,845
COMPASS BANK	United States	Bank	100.00	100.00	56,622
UNNIM BANC, S.A (*).......................	Spain	Bank	100.00	100.00	28,044
BANCO PROVINCIAL S.A. – BANCO UNIVERSAL	Venezuela	Bank	55.60	55.60	19,977
BANCO CONTINENTAL, S.A..........	Peru	Bank	46.12	46.12	14,762
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	Chile	Bank	68.18	68.18	14,742
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS............	Spain	Insurance	99.95	99.95	14,117
BBVA COLOMBIA, S.A....................	Colombia	Bank	95.43	95.43	13,099
BBVA BANCO FRANCES, S.A........	Argentina	Bank	75.99	75.99	6,816
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A...	Portugal	Bank	100.00	100.00	6,203
PENSIONES BANCOMER, S.A. DE	Mexico	Insurance	100.00	100.00	3,276

C.V.					
SEGUROS BANCOMER, S.A. DE C.V.	Mexico	Insurance	100.00	99.98	2,969
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	Panama	Bank	98.92	98.92	1,609
BBV SUIZA, S.A. (BBVA SWITZERLAND)	Switzerland	Bank	100.00	100.00	1,355
UNO-E BANK, S.A.	Spain	Bank	100.00	100.00	1,312
BBVA PARAGUAY, S.A...................	Paraguay	Bank	100.00	100.00	1,252

(*) On 23st May, 2013, the merger by absorption of Unnim Banc S.A. (Sociedad Unipersonal) by Banco Bilbao Vizcaya Argentaria S.A. was formalised.

Selected Financial Data

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

Consolidated statement of income data

	Year ended 31st December,		
	2012	**2011**	**2010**
	(in millions of euro)		
Net interest income ---	14,474	12,724	13,316
Net profit---	2,327	3,485	4,995
Net profit attributable to parent company ------------------------------	1,676	3,004	4,606

Consolidated balance sheet data

	As at 31st December,		
	2012	**2011**	**2010**
	(in millions of euro)		
Total assets ---	621,072	582,838	552,738
Loans and receivablens (net)---	371,347	369,916	364,707
Customers' deposits --	282,795	272,402	275,789
Debt certificates and subordinated liabilities --------------------------	98,070	96,427	102,599
Non-controlling interests --	2,372	1,893	1,556
Total equity--	43,802	40,058	37,475

RECENT DEVELOPMENTS

Dividend Policy

On 25th October, 2013, BBVA resolved not to pay out the sum corresponding to the interim dividend against the financial year 2013 which, according to the Bank's usual calendar, would be payable in January, 2014, and to increase the shareholder remuneration payable in April, 2014 to €0.17 per share, using the remuneration scheme called Dividend Option.

Going forward, BBVA intends to substitute the current shareholder pay-out policy with a policy to pay the full amount of the dividends in cash and in line with the performance of Group earnings, with the final aim of an annual pay-out of between 35 per cent. and 40 per cent. of the profits realised in each financial year.

This policy will be applied progressively, such that in 2014 two cash pay-outs will be combined with two Dividend Options.

Sale of BBVA shares in CNCB

Following completion of the sale by BBVA of 5.1 per cent. of the shares in CNCB on 21st October, 2013 (see "- *Capital Divestitures - 2013 - Divestiture of shares in CNCB*"), according to the applicable accounting rules this changes the criteria applied to the investment of BBVA in CNCB, such that it will become a non-significant financial investment registered as "available for sale". This has resulted in the following consequences:

- an improvement in the Group's core capital of approximately €2,400 million calculated under the Basel III fully loaded requirements, which will increase this core capital ratio by approximately 0.72 per cent; and

- an extraordinary negative impact on the Group's attributed net income for 2013, amounting to approximately €2,300 million triggered by the mark-to-market of its full investment in CNCB.

This share sale allows for the early adoption by the Group of the new capital requirements under Basel III whilst maintaining its presence in the Chinese market through its partnership with the CITIC Group.

Scrip Dividend

On 17th October, 2013, BBVA issued 61,627,952 new shares relating to the free-of-charge capital increase approved by the General Meeting of BBVA shareholders held on 15th March, 2013, under item four, section 4.2 of the agenda, pursuant to which a system of flexible shareholder remuneration called "Dividend Option" was established.

Spanish Supreme Court decision regarding "floor" clauses in mortgage loans

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

- as a general principle, floor clauses of this nature may be effective but where included in general terms and conditions of certain consumer loan agreements, the Supreme Court imposed specific transparency requirements before this would be the case. The mortgage loan agreements of BBVA were included in those considered by the Supreme Court not to have disclosed the floor arrangements with sufficient transparency;

- BBVA and the other financial entities party to this process must cease to apply such floor clauses under any loan agreements already in place, which will survive in all other terms, and must cease to use such floor clauses in future consumer loan agreements; and

- there was to be no retroactive application of the Supreme Court's decision to any position previously settled by a final judicial decision or payments already made at the time the decision was published.

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

BOARD OF DIRECTORS

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

BBVA's corporate governance system is based on the distribution of functions between the Board of Directors, the Executive Committee and other specialised Board Committees, namely: the Audit and Compliance Committee; the Appointments Committee; the Compensation Committee; and the Risk

Committee. BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors. The Board of Directors delegates all management functions, except those that it must retain due to legal or statutory requirements, to the Executive Committee.

As of the date of this Information memorandum, the Board of Directors of BBVA is 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 Information Memorandum, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and five-year employment history.

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

BBVA's Board Regulations 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	28th January, 2000	15th March, 2013	Chairman and CEO of BBVA, since January, 2000; Director of Grupo Financiero BBVA Bancomer, S.A. C.V. and BBVA Bancomer S.A. C.V.
Ángel Cano Fernández(1)	President and Chief Operating Officer	29th September, 2009	15th March, 2013	President and Chief Operating Officer of BBVA, since September, 2009. Substitute director of Grupo Financiero BBVA Bancomer S.A. de C.V. and BBVA Bancomer, S.A. de C.V. and Türkiye Garanti Bankasi A.Ş. BBVA Director of Resources and Means from 2005 to 2009.
Tomás Alfaro Drake(2)(3)	Independent Director	18th March, 2006	11th March, 2011	Chairman of the Appointments Committee of BBVA since 25th May, 2010. Director of Internal Development and Professor in the Finance department of Universidad Francisco de Vitoria.
Juan Carlos Álvarez Mezquíriz(1)(3)	Independent Director	28th January, 2000	11th March, 2011	Managing Director of Grupo El Enebro, S.A. Former Manager Director of Grupo Eulen, S.A. until 2010.
Ramón Bustamante y de la Mora(2)(5)	Independent Director	28th January, 2000	15th March, 2013	Was Director and General Manager and Non-Executive Vice-President of Argentaria and Chairman of Unitaria (1997).
José Antonio Fernández Rivero(3)(5)	Independent Director	28th February, 2004	16th March, 2012	Chairman of Risk Committee since 30th March, 2004; in 2001 was appointed Group General Manager until January, 2003. Has been the

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History[*]
				director representing BBVA on the Boards of Telefónica, Iberdrola, and of Banco de Crédito Local, and Chairman of Adquira.
Ignacio Ferrero Jordi[(1)(4)]	Independent Director	28th January, 2000	15th March, 2013	Chief Operating Officer of Nutrexpa, S.L., Chairman and Chief Operating Officer of La Piara S.A. and Chairman of Aneto Natural.
Belén Garijo López[(2)]	Independent Director	16th March, 2012	Not applicable	Chair of the International Executive Committee of PhRMA, ISEC (Pharmaceutical Research and Manufacturers of America), Chief Operating Officer from 2011 to October, 2013 and President and CEO since October, 2013 of Merck Serono.
José Manuel González-Páramo Martínez-Murillo	Executive Director	29th May, 2013	Not applicable	Executive Director of BBVA since 29th May, 2013. Member of the European Central Bank (ECB) Governing Council and Executive Committee since 2004 until 2012. Chairman of European DataWarehouse GmbH since 2013. Head of BBVA Global Economics, Regulation and Public Affairs.
Carlos Loring Martínez de Irujo[(2)(4)]	Independent Director	28th February, 2004	11th March, 2011	Chairman of Compensation Committee of BBVA since May, 2010 (former Chairman of the Appointments and Compensation Committee). Was Partner of J&A Garrigues, from 1977 to 2004.
José Maldonado Ramos[(1)(3)(4)]	External Director	28th January, 2000	16th March, 2012	Was appointed Director and General Secretary of BBVA in January, 2000. Took early retirement as Bank executive in December, 2009.
José Luis Palao García-Suelto[(2)(5)]	Independent Director	1st February, 2011	11th March, 2011	Chairman of the Audit and Compliance Committee of BBVA since 29th March, 2011. Senior Partner of the Financial Division in Spain of Arthur Andersen, from 1979 until 2002. Independent Consultant from 2002 to 2010.
Juan Pi Llorens[(4)(5)]	Independent Director	27th July, 2011	16th March, 2012	Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Finance department at GMU (Growth Markets Units) in China. He was executive chairman of IBM Spain.

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Susana Rodríguez Vidarte(1)(3)(4)	Independent Director	28th May, 2002	11th March, 2011	Full-time professor of Strategy at the School of Economics and Business Studies at Universidad de Deusto. Member of the Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute) and PhD degree from Universidad de Deusto.

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

(1) Member of the Executive Committee

(2) Member of the Audit and Compliance Committee

(3) Member of the Appointments Committee

(4) Member of the Compensation Committee

(5) Member of the Risk Committee

Major Shareholders and Share Capital

As of 5th December, 2013, no person, corporation or government beneficially owned, directly or indirectly, 5 per cent. or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 5th December, 2013, there were 975,124 registered holders of BBVA's shares, with an aggregate of 5,785,954,443 shares, of which 475 shareholders with registered addresses in the United States held a total of 1,608,908,192 shares (including shares represented by American Depositary Receipts (ADRs)). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders.

Legal Proceedings

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

FORM OF THE PRICING SUPPLEMENT

BBVA Senior Finance, S.A. Unipersonal

Issue of [ ] [ ]

unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

under the €10,000,000,000

Euro-Commercial Paper Programme

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes described herein. This document constitutes the Pricing Supplement for such Notes and must be read in conjunction with the Information Memorandum dated 10th December, 2013, [as supplemented by the supplement[s] dated [*date[s]*] (the **Information Memorandum**).

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum.

The Information Memorandum has been published on the website of the Irish Stock Exchange.

1.	Series Number.	[ ]
2.	Issued on (Issue Date):	[ ]
3.	Maturity Date[1]:	[ ]
4.	Specified Currency:	[ ]
5.	Denomination:	[ ]
6.	Nominal Amount[2]: *(words and figures if a Sterling Note)*	[ ]
7.	Reference Rate[3]:	[ ] months LIBOR/EURIBOR
8.	Fixed Interest Rate[4]:	[ ]% per annum
9.	Margin[5]:	[ ] %
10.	Net Proceeds:	[ ]
11.	Interest Payment Dates[6]:	[ ]

[1] Not more than 364 days from (and including) the Issue Date.
[2] If the proceeds are accepted in the United Kingdom, the Nominal Amount shall be not less than £100,000 (or the equivalent in any other currency).
[3] Delete as appropriate. The reference rate will be LIBOR unless the denomination is specified as euro and the Issuer agrees that the reference rate should be EURIBOR.
[4] Complete for fixed rate interest bearing Notes only.
[5] Complete for floating rate interest bearing Notes only.
[6] Complete for interest bearing Notes.

12.	Day Count Convention:	
13.	Calculation Agent:	[ ]
14.	Clearing System(s):	[Euroclear, Clearstream Luxembourg, other (specify)]
15.	ISIN:	[ ]
16.	Common Code:	[ ]

The information contained in this enclosed section is required only if Notes are to be admitted to trading on a regulated market:-

Form

17.	NGN form:	[Yes/No]
18.	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes/No] [Note that the designation "yes" simply means that the Global Note is intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Global Note will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

Distribution

19.	Method of distribution:	[Syndicated/Non-syndicated]
20.	Dealer(s):	[ ]
21.	Additional selling restrictions:	[Not Applicable/specify]

Listing and Admission to Trading

22.	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) to the [Irish Stock Exchange/other (specify)] for the Notes to be admitted to [the Official List maintained by it and to] trading on its regulated market with effect from [ ]]
23.	Estimate of total expenses of admission to trading:	€[ ]

Ratings

23.	Ratings:	The Issuer has not applied for ratings to be assigned to the Notes. However, ratings allocated to the Programme are as follows: [Standard and Poor's Credit Market Services Europe Limited: [●]] [Moody's Investors Service España, S.A.: [●]] [Fitch Ratings España, S.A.U.: [●]]

Yield

24.	Indication of yield [*fixed rate Notes only*]:	[ ] The yield is calculated at the Issue Date on the basis of the issue price. It is not an indication of future yield.

Interests of Natural and Legal Persons involved in the Issue

Save for any fees payable to the relevant Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer [*amend accordingly if there are material interests*]

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:
BBVA SENIOR FINANCE, S.A. UNIPERSONAL

By: ....
(Authorised Signatory)

FORM OF THE NOTES

Part A - Form of Multi-Currency Global Note

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 OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

BBVA Senior Finance, S.A. Unipersonal

unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

1. For value received, BBVA Senior Finance, S.A. Unipersonal (the **Issuer**) promises to pay to the bearer of this Global Note on the Maturity Date set out in the Pricing Supplement attached to or endorsed on this Global Note, which supplements these terms and conditions, the Nominal Amount set out in the Pricing Supplement, together with interest thereon, if this is an interest bearing Global Note, at the rate and at the times (if any) specified herein and in the Pricing Supplement. Words and expressions used in the applicable Pricing Supplement shall have the same meanings where used in these terms and conditions unless the context otherwise requires or unless otherwise stated.

   All such payments shall be made in accordance with an issue and paying agency agreement dated 10th December, 2013 (as the same may be amended, restated, supplemented or replaced from time to time) between the Issuer and The Bank of New York Mellon (the **Issuing and Paying Agent**) a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, Canary Wharf, London E14 5AL, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the offices of the Issuing and Paying Agent by transfer to an account denominated in the Specified Currency maintained by the bearer in the principal financial centre in the country of that currency or, if this is a Global Note denominated in euro, by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union. If the applicable Pricing Supplement specifies that new global note (**NGN**) form is applicable, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the ICSDs (as defined below) (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) and in the case of any payment of principal, and upon any such entry being made, the nominal amount of the Global Note recorded in the records of the ICSD and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed. For the purposes of this Global Note **ICSD** means either Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**). The Issuer will ensure that it maintains a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

   Notwithstanding the foregoing, presentation and surrender of this Global Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or mailed to an address in the United States. In the case of a Global Note denominated in U.S. Dollars, payments shall be made by transfer to an account denominated in U.S. Dollars in the principal financial centre of any country outside of the United States that the Issuer or Issuing and Paying Agent so chooses.

2. The aggregate Nominal Amount of this Global Note shall be the aggregate nominal amount of the Notes represented by it. If the applicable Pricing Supplement specifies that NGN form is not applicable, this shall be the amount specified in the Pricing Supplement or, if the Pricing Supplement specifies that NGN form is applicable, this shall be the amount from time to time entered in the records of the relevant ICSD(s).

3. All payments in respect of this Global Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges (**Taxes**) of any nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or taxing authority thereof having the power to tax, the Issuer or, as the case may be, the Guarantor, shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable:

(a) to, or to a third party on behalf of, the bearer of this Global Note where such deduction or withholding is required by reason of the bearer having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Global Note; or

(b) in respect of any deduction or withholding which would not have been required but for the presentation by the bearer of this Global Note for payment on a date more than 30 days after the Maturity Date except to the extent that the bearer would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or

(c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is required or imposed by the Spanish Tax Authorities; or

(d) in case of Notes where such withholding tax is imposed on payments made to individuals with tax residence in the Kingdom of Spain or any political subdivision or taxing authority thereof or therein following the criteria held by the Spanish Tax Authorities in relation to Article 44.5, Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29; or

(e) in respect of any deduction or withholding where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) presented for payment by or on behalf of a bearer of this Global Note who would have been able to avoid such withholding or deduction by presenting this Global Note to another Issuing and Paying Agent in a member state of the European Union.

4. The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, represent, in the case of each Note, a separate and independent obligation of the Issuer, and rank and will rank *pari passu* without any preference among themselves, with all other outstanding unsecured

and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditor's rights.

In the event of insolvency (*concurso*) of the Issuer, under the Law 22/2003 of 9th July, 2003 (the **Insolvency Law**), claims relating to Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*), ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, no further interest shall accrue from the date of declaration of the insolvency of the Issuer. Interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of the Issuer constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law.

5. This Global Note has the benefit of a guarantee (the **Guarantee**) issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) on 10th December, 2013, copies of which are available for inspection during normal business hours at the offices of the Issuing and Paying Agent.

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

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

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

6. If the Maturity Date or, if applicable, any relevant Interest Payment Date is not a Payment Business Day (as defined below) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day) and the bearer of this Global Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used in this Global Note:

Payment Business Day means any day other than a Saturday or Sunday which is either (i) if the Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency is euro, a day which is a TARGET Business Day; and

TARGET Business Day means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

7. This Global Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).

8. This Global Note is issued in respect of an issue of Notes of the Issuer and is exchangeable in whole (but not in part only) for duly executed and authenticated bearer Notes in definitive form (whether before, on or, subject as provided below, after the Maturity Date):

   (a) if Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of public holidays) or announces an intention permanently to cease to do business or does in fact do so and no successor clearing system is available; or

   (b) if default is made in the payment of any amount payable in respect of this Global Note.

   Upon presentation and surrender of this Global Note during normal business hours to the Issuer at the offices of the Issuing and Paying Agent (or to any other person or at any other office outside the United States as may be designated in writing by the Issuer to the bearer), the Issuing and Paying Agent shall authenticate and deliver, in exchange for this Global Note, bearer definitive notes denominated in the Specified Currency, having the Denominations and in an aggregate nominal amount equal to the Nominal Amount within 30 days of the bearer requesting such exchange of this Global Note.

9. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5.00 p.m. (London time) on the thirtieth day after surrender, this Global Note (including the obligation hereunder to issue definitive notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 21st December, 2012, entered into by the Issuer).

10. If this is an interest bearing Global Note, then:

   (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Global Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 shall be payable on such fifteenth day; and

   (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, (i) if the applicable Pricing Supplement specifies that NGN form is not applicable, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment, or (ii) if the applicable Pricing Supplement specifies that NGN form is applicable, the Issuing and Paying Agent shall instruct the relevant ICSD(s) to enter details of such payment in the records of the relevant ICSD(s); and

   (c) unless otherwise specified in the applicable Pricing Supplement, the Interest Payment Date shall be the Maturity Date.

11. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the Nominal Amount as follows:

   (a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in

Sterling, 365 days at the Fixed Interest Rate with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards); and

(b) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is an **Interest Period** for the purposes of this paragraph.

Any **Day Count Convention** shall have the meaning given to it in the ISDA Definitions (as defined below).

12. If this is a floating rate interest bearing Global Note, interest shall be calculated on the Nominal Amount as follows:

(a) in the case of a Global Note which specifies LIBOR as the Reference Rate in the applicable Pricing Supplement, the Rate of Interest (as defined below) will be the aggregate of LIBOR and the Margin (if any) above or below LIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified, on the basis of the actual number of days in such Interest Period, and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

As used in this Global Note (and unless otherwise specified in the applicable Pricing Supplement):

LIBOR shall be equal to the rate defined as **LIBOR-BBA** in respect of the Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Global Note (the **ISDA Definitions**)) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or if this Global Note is denominated in Sterling, on the first day thereof (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the applicable Pricing Supplement in relation to the Reference Rate; and

London Banking Day shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

(b) in the case of a Global Note which specifies EURIBOR as the Reference Rate in the applicable Pricing Supplement, the Rate of Interest will be the aggregate of EURIBOR and the Margin (if any) above or below EURIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note (and unless otherwise specified in the applicable Pricing Supplement), **EURIBOR** shall be equal to **EUR-EURIBOR-Reuters** (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the applicable Pricing Supplement in relation to the Reference Rate;

(c) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date or 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. **Rate of Interest** means (A) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 11(b), and (B) in any other case, the rate which is determined in accordance with the provisions of paragraph 11(a). The Amount of Interest shall be calculated by applying the Rate of Interest to the Denomination, multiplying such product by the Day Count Convention or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

(d) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;

(e) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and

(f) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear and/or Clearstream, Luxembourg or, if this Global Note has been exchanged for bearer definitive Notes pursuant to paragraph 7, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*). In addition, for so long as the Notes are listed on the Irish Stock Exchange, all notices required to be published concerning the Notes shall be published on the website of the Irish Stock or, in lieu of such publication, the Issuer may deliver the relevant notice to the relevant clearing system(s) or publish the notice by any other means acceptable to the Irish Stock Exchange.

13. Instructions for payment of any amounts payable pursuant to paragraph 1 must be received at the offices of the Issuing and Paying Agent together with this Global Note as follows:

(a) if this Global Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;

(b) if this Global Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; and

(c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, **Business Day** means:

(i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London; and

(ii) in the case of payments in euro, a TARGET Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency.

14. This Global Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon as Issuing and Paying Agent. If the applicable Pricing Supplement specifies that NGN form is applicable, this Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as common safekeeper by the relevant ICSD(s).

15. This Global Note and any non-contractual obligations arising out of or in connection with this Global Note are governed by English law. The Guarantee is governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

16. (a) *Jurisdiction:* the Issuer agrees for the benefit of the bearer that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Global Note (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) *Appropriate forum:* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) *Non-exclusivity:* The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the bearer to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

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

17. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

AUTHENTICATED by **THE BANK OF NEW YORK MELLON** without recourse, warranty or liability and for authentication purposes only	Signed on behalf of: **BBVA SENIOR FINANCE, S.A. UNIPERSONAL**
By: .... *(Authorised Signatory)*	By: .... *(Authorised Signatory)*

EFFECTUATED[7] by or on behalf of
[COMMON SAFE-KEEPER]
as Common Safe-Keeper

By: ....
(Authorised Signatory)

[7] This should only be completed where the Pricing Supplement indicates that the New Global Note form is applicable.

SCHEDULE

PAYMENTS OF INTEREST

The following payments of interest in respect of this Global Note have been made:

Date Made	Payment From	Payment To	Amount Paid	Notation on behalf of Issuing and Paying Agent
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....

Part B - Form of Multi-Currency Definitive Note

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 OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

BBVA Senior Finance, S.A. Unipersonal

unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

1. For value received, BBVA Senior Finance, S.A. Unipersonal (the **Issuer**) promises to pay to the bearer of this Note on the Maturity Date set out in the Pricing Supplement attached to or endorsed on this Global Note, which supplements these terms and conditions, the Nominal Amount set out in the Pricing Supplement, together with interest thereon, if this is an interest bearing Note, at the rate and at the times (if any) specified herein and in the Pricing Supplement. Words and expressions used in the applicable Pricing Supplement shall have the same meanings where used in these terms and conditions unless the context otherwise requires or unless otherwise stated.

   All such payments shall be made in accordance with an issue and paying agency agreement dated 10th December, 2013 (as the same may be amended, restated, supplemented or replaced from time to time) between the Issuer and The Bank of New York Mellon (the **Issuing and Paying Agent**) a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, Canary Wharf, London E14 5AL, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the offices of the Issuing and Paying Agent by transfer to an account denominated in the Specified Currency maintained by the bearer in the principal financial centre in the country of that currency or, if this is a Note denominated in euro, by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union. The Issuer will ensure that it maintains a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

2. All payments in respect of this Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges (**Taxes**) of any nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or taxing authority thereof having the power to tax, the Issuer or, as the case may be, the Guarantor, shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable:

   (a) to, or to a third party on behalf of, the bearer of this Note where such deduction or withholding is required by reason of the bearer having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Note; or

(b) in respect of any deduction or withholding which would not have been required but for the presentation by the bearer of this Note for payment on a date more than 30 days after the Maturity Date except to the extent that the bearer would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or

(c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is required or imposed by the Spanish Tax Authorities; or

(d) in case of Notes where such withholding tax is imposed on payments made to individuals with tax residence in the Kingdom of Spain or any political subdivision or taxing authority thereof or therein following the criteria held by the Spanish Tax Authorities in relation to Article 44.5, Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29; or

(e) in respect of any deduction or withholding where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) presented for payment by or on behalf of a bearer of this Note who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Issuing and Paying Agent in a member state of the European Union.

3. The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, represent, in the case of each Note, a separate and independent obligation of the Issuer, and rank and will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditor's rights.

   In the event of insolvency (*concurso*) of the Issuer, under the Law 22/2003 of 9th July, 2003 (the **Insolvency Law**), claims relating to Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*), ordinary credits rank above subordinated credits and the rights of shareholders.

   Pursuant to article 59 of the Insolvency Law, no further interest shall accrue from the date of declaration of the insolvency of the Issuer. Interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of the Issuer constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law.

4. This Note has the benefit of a guarantee (the **Guarantee**) issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) on 10th December, 2013, copies of which are available for inspection during normal business hours at the offices of the Issuing and Paying Agent.

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

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

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

5. If the Maturity Date or, if applicable, any relevant Interest Payment Date is not a Payment Business Day (as defined below) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day) and the bearer of this Note shall not be entitled to any interest or other sums in respect of such postponed payment.

   As used in this Note:

   Any **Day Count Convention** specified above shall have the meaning given to it in the ISDA Definitions (as defined below);

   Payment Business Day means any day other than a Saturday or Sunday which is both (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, and (B) either (i) if the Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency is euro, a day which is a TARGET Business Day; and

   TARGET Business Day means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

6. This Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).

7. [If this is an interest bearing Note, then:

   (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 shall be payable on such fifteenth day;

   (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment; and

   (c) unless otherwise specified in the applicable Pricing Supplement, the final Interest Payment Date shall be the Maturity Date.

8. If this is a fixed rate interest bearing Note, interest shall be calculated on the Nominal Amount as follows:

(a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 360 days at the Fixed Interest Rate with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards); and

(b) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is an **Interest Period** for the purposes of this paragraph.

9. If this is a floating rate interest bearing Note, interest shall be calculated on the Nominal Amount as follows:

(a) in the case of a Note which specifies LIBOR as the Reference Rate in the applicable Pricing Supplement, the Rate of Interest (as defined below) will be the aggregate of LIBOR and the Margin (if any) above or below LIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified, on the basis of the actual number of days in such Interest Period, and a year of 360 days.

As used in this Note (and unless otherwise specified in the applicable Pricing Supplement):

LIBOR shall be equal to the rate defined as **LIBOR-BBA** in respect of the Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note (the **ISDA Definitions**)) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the applicable Pricing Supplement in relation to the Reference Rate; and

London Banking Day shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

(b) in the case of a Note which specifies EURIBOR as the Reference Rate in the applicable Pricing Supplement, the Rate of Interest will be the aggregate of EURIBOR and the Margin (if any) above or below EURIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Note (and unless otherwise specified in the applicable Pricing Supplement), **EURIBOR** shall be equal to **EUR-EURIBOR- Reuters** (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Pricing Supplement in relation to the Reference Rate;

(c) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date or 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. **Rate of Interest** means (A) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 8(b), and (B) in any other case, the rate which is determined in accordance with the provisions of paragraph 8(a). The Amount of Interest shall be calculated by applying the Rate of Interest to the Denomination, multiplying such product by the Day Count Convention or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

(d) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;

(e) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and

(f) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the bearer of this Note or, if that is not practicable, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*). In addition, for so long as the Notes are listed on the Irish Stock Exchange, all notices required to be published concerning the Notes shall be published on the website of the Irish Stock or, in lieu of such publication, the Issuer may deliver the relevant notice to the relevant clearing system(s) or publish the notice by any other means acceptable to the Irish Stock Exchange.

10. Instructions for payment of any amounts payable pursuant to paragraph 1 must be received at the offices of the Issuing and Paying Agent together with this Note as follows:

(a) if this Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;

(b) if this Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; and

(c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, **Business Day** means:

(i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London; and

(ii) in the case of payments in euro, a TARGET Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency.][8]

11. This Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon as issuing and paying agent.

12. This Note and any non-contractual obligations arising out of or in connection with this Note are governed by English law. The Guarantee is governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

13. (a) *Jurisdiction:* the Issuer agrees for the benefit of the bearer that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Note (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) *Appropriate forum:* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) *Non-exclusivity:* The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the bearer to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

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

14. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

AUTHENTICATED by
THE BANK OF NEW YORK MELLON
without recourse, warranty or liability and for authentication purposes only

By: ....
(Authorised Signatory)

[By: ....

Signed on behalf of:
BBVA SENIOR FINANCE, S.A. UNIPERSONAL

By: ....
(Authorised Signatory)

[8] If this Note is denominated in Sterling, delete paragraphs 7 through 10 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

(Authorised Signatory)][9]

[9] Include second authentication block if the currency of this Note is Sterling.

[On the Reverse]

[(A) If this is an interest bearing Note, then:

(a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in part (a) or (b) (as the case may be) of paragraph 1 shall be payable on such fifteenth day; and

(b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment; and

(c) unless otherwise specified in the Pricing Supplement, the final Interest Payment Date shall be the Maturity Date.

(B) If this is a fixed rate interest bearing Note, interest shall be calculated on the Nominal Amount specified in the Pricing Supplement as follows:

(a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days at the Interest Rate with the resulting figure being rounded to the nearest penny (with halves being rounded upwards); and

(b) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is an "Interest Period" for the purposes of this paragraph (B).

(C) If this is a floating rate interest bearing Note, interest shall be calculated on the Nominal Amount as follows:

(a) the Rate of Interest will be the aggregate of LIBOR and the Margin (if any) above or below LIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days. As used in this Note, **LIBOR** shall be equal to the rate defined as **LIBOR-BBA** in respect of Sterling (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note (the **ISDA Definitions**)) as at 11.00 a.m. (London time) or as near thereto as practicable on the first day of the relevant Interest Period (the **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the relevant Pricing Supplement in relation to the Reference Rate;

(b) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on the LIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. **Rate of Interest** means the rate which is determined in accordance with the provisions of sub-paragraph (a) above. The Amount of Interest shall be calculated by applying the Rate of Interest to the Nominal Amount of one Note of each denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure to the nearest penny. The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent named above shall (in the absence of manifest error) be final and binding upon all parties;

(c) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;

(d) the period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph (C).]

SCHEDULE

PAYMENTS OF INTEREST

The following payments of interest in respect of this Note have been made:

Date Made	Payment From	Payment To	Amount Paid	Notation on behalf of Issuing and Paying Agent
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....

FORM OF DEED OF GUARANTEE

THIS DEED OF GUARANTEE is made on 10th December, 2013 by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) in favour of the Accountholders (as defined in the Deed of Covenant referred to below) in relation to the Notes (as defined below) and the holders for the time being of such Notes and, if applicable, the interest coupons (if any) appertaining to such Notes (**Coupons**), the Coupons being attached on issue to Definitive Bearer Note(s) (as defined below). Each Relevant Accountholder referred to above, each holder of a Note and each holder of a Coupon is a **Holder**.

WHEREAS:

(A) BBVA Senior Finance, S.A. Unipersonal (the **Issuer**) and the Guarantor have entered into a Dealer Agreement (the **Dealer Agreement**, which expression includes the same as it may be amended, supplemented or restated from time to time) dated 10th December, 2013 with, *inter alios*, the Dealers named therein under which the Issuer proposes from time to time to issue Notes (**Notes**). As used herein the expression **Notes** includes each Definitive Note issued by the Issuer and each Global Note issued by the Issuer representing a Note (where **Definitive Note** and **Global Note** have the meanings ascribed thereto in the Dealer Agreement) and to include any receipts issued in respect of Notes repayable in instalments;

(B) the Issuer has executed a Deed of Covenant on 21st December, 2012 (the **Deed of Covenant**, which expression includes the same as it may be amended, supplemented or restated from time to time) relating to Global Notes issued by the Issuer pursuant to the Dealer Agreement; and

(C) the Issuer and the Guarantor have entered into an Issue and Paying Agency Agreement (the **Issue and Paying Agency Agreement**, which expression includes the same as it may be amended, supplemented or restated from time to time) dated 10th December, 2013 with, *inter alios*, the Agents named therein.

NOW THIS DEED WITNESSES as follows:

1. **Guarantee**: The Guarantor irrevocably and unconditionally guarantees to each Holder that, if for any reason, the Issuer does not pay any sum payable by it to such Holder in respect of any Note or Coupon or (in respect of any Underlying Note) under the Deed of Covenant, as the case may be, (including any premium or any other amounts of whatever nature or additional amounts which may become payable under any of the foregoing) as and when the same shall become due under any of the foregoing, the Guarantor will pay to such Holder on demand the amount (as to which the certificate of such Holder shall in the absence of manifest error be conclusive) payable by the Issuer to such Holder.

2. **Guarantor as Principal Debtor**: Without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor (including (a) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (b) any amendment to any Note, any Coupon or the Deed of Covenant or to any security or other guarantee or indemnity, (c) the making or absence of any demand on the Issuer or any other person for payment, (d) the enforcement or absence of enforcement of any Note, any Coupon, the Deed of Covenant or of any security or other guarantee or indemnity, (e) the release of any such security, guarantee or indemnity, (f) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (g) the illegality, invalidity or unenforceability of or any defect in any provision of any Note, any Coupon or the Deed of Covenant or any of the Issuer's obligations under any of them).

3. **Guarantor's Obligations Continuing**: The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under any Note, any Coupon or (in respect of any Underlying Note) the Deed of Covenant. Furthermore, these obligations of the Guarantor are complementary to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a Holder, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands whatsoever.

4. **Repayment to the Issuer**: If any payment received by a Holder is, on the subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment had at all times remained owing by the Issuer.

5. **Indemnity**: As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable by the Issuer under any Note, any Coupon or (in respect of any Underlying Note) the Deed of Covenant but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Holder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any Holder.

6. **Status of Guarantee**: The payment obligations of the Guarantor under this Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank, *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

7. **Withholding or deduction**: All payments by the Guarantor under this Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments, or governmental charges of whatever nature (**Taxes**) unless such withholding or deduction is required by law. In the event that any withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain, or any political sub-division thereof or any authority therein or thereof having power to tax (**Spain**), the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by each Holder after such withholding or deduction shall equal the respective amounts which would have been received by them in the absence of the withholding or deduction; except that no additional amounts shall be payable:

   (a) to, or to a third party on behalf of, a Holder who is liable for such Taxes by reason of his having some connection with Spain other than the mere holding of the Note or Coupon or the mere crediting of Underlying Notes to its securities account with the Relevant Clearing System (as defined in the Deed of Covenant); or

   (b) in the case of a Note or Coupon presented for payment more than 30 days after the Relevant Date (as defined in Condition 9 of the Terms and Conditions of the Notes) except to the extent that a Holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day; or

   (c) in respect of any Note or Coupon presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is required or imposed by the Spanish Tax Authorities; or

(d) where such withholding tax is imposed on payments made to individuals with tax residence in Spain following the criteria held by the Spanish Tax Authorities in relation to article 44, Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive or law; or

(f) in respect of any Note or Coupon presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another paying agent in a Member State of the European Union.

8. **Power to execute**: The Guarantor hereby warrants, represents and covenants with each Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Guarantee, and that this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

9. **Deposit of Guarantee**: This Guarantee shall take effect for the benefit of the Holders from time to time and for the time being. This Guarantee shall be deposited with and held by Deutsche Bank AG, London Branch, until all the obligations of the Guarantor have been discharged in full.

10. **Production of Guarantee**: The Guarantor hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Holder, and that each Holder shall be entitled severally to enforce the said obligations against the Guarantor.

11. **Subrogation**: Until all amounts which may be payable under the Notes, the Coupons and/or (in respect of any Underlying Note) the Deed of Covenant have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.

12. **Governing Law and Submission to Jurisdiction**: This Guarantee is governed by, and shall be construed in accordance with, Spanish law.

The Guarantor irrevocably agrees for the benefit of each Holder that the courts of Madrid (Spain) 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 the courts of Madrid (Spain).

The Guarantor irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any Proceedings in the courts of Madrid (Spain) and irrevocably agrees that a final judgment in any Proceedings brought in the courts of Madrid (Spain) shall be conclusive and binding upon the Guarantor and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

IN WITNESS whereof this Guarantee has been manually executed on behalf of the Guarantor.

Executed under seal by	)
BANCO BILBAO VIZCAYA	)
ARGENTARIA, S.A.	)
and signed and delivered	)
as a deed on its behalf by	)
	)
in the presence of:	)

Witness's Signature:

Name:

Address:

Dated 10th December, 2013

TAXATION

SPANISH TAXATION

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

Acquisition of the Notes

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

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 5/2004 of 5th March approving the consolidated text of the Non-Resident Income Tax Law (*Impuesto sobre la Renta de los no Residentes*), Royal Legislative Decree 4/2004 of 5th March approving the consolidated text of the Corporate Income Tax Law (Impuesto sobre Sociedades) and Law 35/2006 of 28th November on Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*), Law 19/1991 of 6th June approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*) and Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law (*Impuesto sobre Sucesiones y Donaciones*). Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1776/2004 of 30th July approving the Non-Resident Income Tax Regulations, Royal Decree 439/2007 of 30th March, approving the Individuals Income Tax Regulations and Royal Decree 1777/2004 of 30th July approving the Corporate Income Tax Regulations).

Consideration has also been given to Spanish legislation on the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary (Law 13/1985, as amended, and RD 1065/2007 (as amended by RD 1145/2011), approving the General Regulations relating to tax inspection and management procedures and developing the common rules of the procedures to apply taxes).

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

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

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

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain is exempt from Non-Resident Income Tax (see "-*Tax Reporting Obligations of the Issuer and the Guarantor*").

Income obtained through a permanent establishment in Spain in respect of the Notes/Corporate Income Tax taxpayers.

The holding of Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by non-Spanish resident holders acting through a permanent establishment in Spain in respect of the Notes will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as Spanish Corporate Income Tax taxpayers and, therefore, it shall be computed as taxable income in accordance with the general rules set out in the Corporate Income Tax Law and will therefore be taxed at the current rate of 30 per cent.

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 59(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements laid down by the reply to the Directorate General for Taxation's (*Dirección General de Tributos*) consultation, on 27th July, 2004, indicating that in the case of issuances made by entities with tax residency in Spain (as in the case of the Issuer), application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries. Notes issued under the Programme are expected to satisfy these requirements.

Individuals with tax residency in Spain

Income obtained by Noteholders who are Personal Income Tax taxpayers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of an individual's capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 21 per cent. to 27 per cent.).

The above mentioned income will be subject to the corresponding personal income tax withholding at the applicable tax rate (currently 21 per cent.). Article 44 of the RD 1065/2007 has established new information procedures for debt instruments issued under the Law 13/1985 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Issuing and Paying Agent for the whole amount, provided that such information procedures are complied with.

Nevertheless, withholding tax at the applicable rate (currently 21 per cent.) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

According to RD 1145/2011, the Issuer and the Guarantor are not obliged to withhold any tax amount provided that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Paying Agent as it is described in section "*Tax Reporting Obligations of the Issuer and the Guarantor*".

However, regarding the interpretation of the "*Tax Reporting Obligations of the Issuer and the Guarantor*" please refer to "*Risk Factors – Spanish Tax Rules*".

Wealth Tax

Individuals with tax residency in Spain are subject to Wealth Tax in the tax year 2013 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31st December, 2013, without prejudice to any exemption which may apply and the laws and regulations in force in each autonomous community within Spain.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory, exceed €700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any exemption which may apply.

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

The transfer of the Notes to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) in accordance with the applicable Spanish and State rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

Tax rules for payments made by the Guarantor

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

Tax Reporting Obligations of the Issuer and the Guarantor

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 13/1985. The procedures apply to interest deriving from preference shares and debt instruments to which Law 13/1985 refers, including debt instruments issued for a period of less than twelve months.

According to the literal wording of Article 44.5 of RD 1065/2007, as amended by RD 1145/2011, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognised by Spanish law or by the law of another OECD country (such as Euroclear or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Issuing and Paying Agent appointed by the Issuer submits a statement to the Issuer, the form of which is included in the Issue and Paying Agency Agreement, with the following information:

(i) identification of the securities; and

(ii) total amount of the income corresponding to each clearing house located outside Spain.

For these purposes, "income" means interest and the difference, if any, between the aggregate amount payable on the redemption of the Notes and the issue price of the Notes.

In accordance with Article 44 of RD 1065/2007 as amended by RD 1145/2011, the Issuing and Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on the date, the entities obliged to provide the declaration fail to do so, the Issuer or the Issuing and Paying Agent on its behalf will make a withholding at the general rate (currently 21 per cent.) on the total amount of the return on the relevant Notes otherwise payable to such entity.

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

Regarding the interpretation of Article 44 RD 1065/2007 and the new simplified information procedures please refer to "*Risk Factors – Spanish Tax Rules*".

THE PROPOSED FINANCIAL TRANSACTIONS TAX

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

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

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

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

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). In April, 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The arrangements by which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealer agreement dated 10th December, 2013 (as amended, supplemented or restated from time to time, the **Dealer Agreement**) and made between the Issuer and the Dealers.

1. GENERAL

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Notes and it will not directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute the Information Memorandum or any Pricing Supplement, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

2. UNITED STATES OF AMERICA

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes and the Guarantee, if applicable, may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold, and will offer and sell, Notes and the Guarantee only outside the United States to non-US persons in accordance with Rule 903 of Regulation S. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the United States 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, US persons. Terms used above have the meanings given to them by Regulation S under the Securities Act."

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

3. THE UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor, if they were not authorised persons; 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 such Notes in, from or otherwise involving the United Kingdom.

4. JAPAN

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the **FIEA**) and, accordingly, each Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

5. SPAIN

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. No publicity of any kind shall be made in Spain.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the shareholder's meeting and the Board of Directors of the Issuer dated 11th December, 2012 and the giving of the Guarantee has been duly authorised by a resolution of the shareholders' meeting of the Guarantor dated 11th March, 2011 and a resolution of the Board of Directors of the Guarantor dated 28th November, 2012.

Listing of Notes on the Irish Stock Exchange

Applications may, in respect of particular tranches or series of Notes, be made to the Irish Stock Exchange for such Notes to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). No Notes may be issued pursuant to the Programme on an unlisted basis.

Use of Proceeds

The net proceeds from each issue of Notes will, in accordance with law 13/1985 of 25th May, 1985 on investment ratios, capital adequacy and information requirements for financial intermediaries, be deposited on a permanent basis with the Guarantor and will be used for the Group's general corporate purposes.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is 3 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855 Luxembourg.

Significant or Material Change

Except as disclosed in the section entitled "*Business Description of the Guarantor* - *Recent Developments*" on page 47, there has been no significant change in the financial or trading position of the Group since 30th September, 2013.

Litigation

Except as disclosed in the section entitled "*Business Description of the Guarantor - Recent Developments*" on page 52, there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of any of the Issuer, the Guarantor or the Group.

Auditors

The auditors of the Issuer are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuer's accounts which have been prepared in accordance with generally accepted accounting principles and practices in Spain for each of the two financial years ended 31st December, 2011 and 31st December, 2012.

The auditors of the Guarantor are Deloitte, S.L. (registered as auditors on the *Registro Oficial Auditores de Cuentas*) who have audited the Guarantor's accounts, for each of the two financial years ended 31st December, 2011 and 31st December, 2012 which have been prepared in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 (as amended thereafter) and in compliance with IFRS-IASB.

DETAILS OF PROGRAMME PARTICIPANTS

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