



Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability in Spain)

€40,000,000,000

Global Medium Term Note Programme

Under this €40,000,000,000 Global Medium Term Note Programme (the **Programme**), Banco Bilbao Vizcaya Argentaria, S.A. (the **Issuer** or **BBVA**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Issuer and its consolidated subsidiaries are referred to herein as the **Group**.

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**) as Senior Notes or Subordinated Notes. Senior Notes may be Senior Preferred Notes or Senior Non-Preferred Notes. Subordinated Notes may be Senior Subordinated Notes or Tier 2 Subordinated Notes. The Notes may be governed by English law or Spanish law. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in this Offering Circular.

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

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

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

Potential investors should note the statements on pages 156 to 159 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by the First Additional Provision of Law 10/2014 of 26th June, 2014.

The Issuer and the Senior Preferred Notes issued under the Programme have been rated A- by Standard & Poor’s Credit Market Services Europe Limited (**S&P**), A3 by Moody’s Investors Services España, S.A. (**Moody’s**) and A- by Fitch Ratings España S.A.U. (**Fitch**). The Senior Non-Preferred Notes issued under the Programme have been rated BBB+ by S&P, Baa2 by Moody’s and A- by Fitch. Each of S&P, Moody’s and Fitch is established in the European Union (the **EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of S&P, Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes and Fixed Reset Notes may be calculated by reference to one of LIBOR or EURIBOR as specified in the relevant Final Terms. As at the date of this Offering Circular, (i) the administrator of LIBOR, ICE Benchmark Administration Limited, is included in ESMA’s register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**); and (ii) the administrator of EURIBOR, European Money Markets Institute, is not included in ESMA’s register of administrators under the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of EURIBOR, European Money Markets Institute is not required to obtain authorisation or registration as of the date of this Offering Circular.

This Offering Circular is issued in replacement of the Offering Circular dated 17th July, 2017 and accordingly supersedes that Offering Circular. This does not affect any Notes issued under the Programme prior to the date of this Offering Circular.

Arranger

UBS Investment Bank

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

BNP PARIBAS

Citigroup

Crédit Agricole CIB

Deutsche Bank

HSBC

Morgan Stanley

Nomura

UBS Investment Bank

Barclays

BofA Merrill Lynch

Commerzbank

Credit Suisse

Goldman Sachs International

J.P. Morgan

Natixis

Société Générale Corporate & Investment Banking

Wells Fargo Securities

The date of this Offering Circular is 2 August, 2018.

This Offering Circular has been approved by the Central Bank of Ireland (the **CBI**) as competent authority under the Prospectus Directive (as defined below). The CBI only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market (the **Main Securities Market**) of the Irish Stock Exchange plc, trading as Euronext Dublin (**Euronext Dublin**) or on another regulated market for the purposes of Directive 2014/65/EU (the **Markets in Financial Instruments Directive**) and/or that are to be offered to the public in any Member State of the European Economic Area (the **EEA**) in circumstances that require the publication of a prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to its official list (the **Official List**) and trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the Official List and trading on the Main Securities Market.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the CBI and, where listed, Euronext Dublin on or before the date of issue of the Notes of such Tranche. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin. This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, **Prospectus Directive** means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in a relevant Member State of the EEA.

The language of this Offering Circular is English. Certain legal references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under the applicable laws.

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

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

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

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

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial

condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

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

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

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

Neither the Issuer nor any of the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

-
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
 - (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
 - (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

ACCOUNTING PRINCIPLES

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1st January, 2005 in conformity with International Financial Reporting Standards adopted by the EU (**EU-IFRS**).

The Issuer's consolidated financial statements as at and for each of the years ending 31st December, 2017, 31st December, 2016 and 31st December, 2015 (the **Consolidated Financial Statements**), as included in the annual report of BBVA on Form 20-F for the fiscal year ended 31st December, 2017 filed with the U.S. Securities and Exchange Commission (the **SEC**) on 5th April, 2018 (the **Form 20-F**) are in compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (**IFRS-IASB**) and in accordance with EU-IFRS applicable as of 31st December, 2017, reflecting Circular 4/2004, which has been replaced by the Bank of Spain's Circular 4/2017, of 27th November (as amended), for financial statements as of 1st January, 2018, and any other legislation governing financial reporting applicable to the Group.

All references in this document to:

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

FINANCIAL INFORMATION

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

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

SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29th July (as so amended, **RD 1065/2007**), sets out the reporting obligations applicable to preference shares and debt instruments (including debt instruments issued at a discount for a period equal to or less than twelve months) issued under the First Additional Provision of Law 10/2014, of 26th June, on organisation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) (**Law 10/2014**).

General

The procedure described in this Offering Circular for the provision of information required by Spanish law and regulation is a summary only. Neither the Issuer nor any of the Dealers assumes any responsibility therefor.

IMPORTANT – EEA RETAIL INVESTORS

In the case of all Notes (other than Senior Preferred Notes), the Notes are not intended to and shall not be offered, sold or otherwise made available to any retail investor in the EEA. This prohibition shall also apply in the case of any Senior Preferred Notes for which a legend to this effect entitled “*Prohibition of Sales to EEA Retail Investors*” is included in the applicable Final Terms. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation EU No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling these Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is

responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Final Terms in respect of any Notes may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Unless otherwise stated in the applicable Final Terms, all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

U.S. INFORMATION

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

The Notes have not been nor will be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

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

Purchasers of Definitive IAI Registered Notes (as defined under "*Form of the Notes – Registered Notes*") will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain

representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*”.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 18th December, 2015 (the **Deed Poll**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CONTENTS

Risk Factors	10	Description of Banco Bilbao Vizcaya Argentaria, S.A.	132
Documents Incorporated by Reference	52	Book-Entry Clearance Systems	152
Overview of the Programme	54	Taxation	156
Form of the Notes	59	Subscription and Sale and Transfer and Selling Restrictions	161
Applicable Final Terms	64	General Information.....	170
Terms and Conditions of the Notes	79		
Use of Proceeds	130		

RISK FACTORS

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

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

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS IN RESPECT OF NOTES ISSUED UNDER THE PROGRAMME

Macroeconomic Risks

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

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

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

- weak economic growth or recession in the countries where it operates;
- changes in the institutional environment in the countries where it operates could evolve into sudden and intense economic downturns and/or regulatory changes;
- deflation, mainly in Europe, or significant inflation, such as the significant inflation recently experienced by Venezuela and, to a lesser extent, Argentina;
- changes in foreign exchange rates resulting in changes in the reported earnings of the Group's subsidiaries in Venezuela and Argentina together with the relevant impact on profits, as well as their assets, including their risk-weighted assets, and liabilities;
- a lower interest rate environment, even a prolonged period of negative interest rates in some areas where the Issuer operates, which could lead to decreased lending margins and lower returns on assets;
- a higher interest rate environment, including as a result of an increase in interest rates by the Federal Reserve or any further tightening of monetary policies, including to address inflationary pressures and currency devaluations in Latin America, which could endanger a still tepid and fragile economic

RISK FACTORS

recovery and make it more difficult for customers of the Group's mortgage and consumer loan products to service their debts;

- adverse developments in the real estate market, especially in Spain, Mexico, the United States and Turkey, given the Group's exposures to such markets;
- poor employment growth and structural challenges restricting employment growth, such as in Spain, where unemployment has remained relatively high, which may negatively affect the household income levels of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan loss provisions;
- substantially lower oil prices, which could particularly affect producing areas, such as Venezuela, Mexico, Texas or Colombia, to which the Group is materially exposed or, conversely, substantially higher oil prices, which could have a negative impact on disposable income levels in oil consuming areas, such as Spain or Turkey, where the Group is also materially exposed;
- changes in laws, regulations and policies as a result of election processes in the different geographies in which the Group operates, which may negatively affect the Group's business or customers in those geographies and other geographies in which the Group operates;
- the potential exit by an EU Member State from the European Monetary Union, which could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects;
- the possible political, economic and regulatory impacts in the United Kingdom and the EU derived from the outcome of the referendum held in the United Kingdom on 23rd June, 2016, which resulted in a vote in favour of the United Kingdom leaving the EU and the UK government giving notice to the EU under Article 50(2) of the Treaty on European Union of its intention to withdraw from the EU. The possible impact of the United Kingdom exiting the EU could include, among other things, political instability in the United Kingdom, the EU as a whole, or countries forming part of the EU; regulatory changes in the United Kingdom and/or in the EU; economic slowdown in the United Kingdom, in the EU and/or outside the EU; deterioration of the creditworthiness of borrowers based in or related to the United Kingdom and/or the EU; and volatility in financial markets which could limit or condition the Issuer's or any other issuer's access to capital markets, all of which may arise regardless of the uncertainty as to the timing and duration of the exit process; and
- an eventual government default or restructuring on public debt, which could affect the Group primarily in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default or restructuring in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several countries in which the Group operates.

For additional information relating to certain economic risks that the Group faces in Spain, see “—Since the Group's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition”. For additional information relating to certain economic risks that the Group faces in emerging market economies such as Latin America and Turkey, see “—The Group may be materially adversely affected by developments in the emerging markets where it operates”.

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

Since the Group'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 one of the main focuses of its business. The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. After rapid economic growth until 2007, Spanish gross domestic product (GDP) contracted in the period 2009-10 and 2012-13. The effects of the financial crisis were particularly pronounced in Spain given its heightened need for foreign financing as reflected by its high current account deficit, resulting from the gap between domestic investment and savings, and its public deficit. The current account imbalance has been corrected and the public deficit is on a downward trend, with GDP growth above 3 per cent. in 2015, 2016 and 2017 and unemployment falling to 16.7 per cent. in the first quarter of 2018. However, real or perceived difficulties in servicing public or private debt, triggered by foreign or domestic factors such as an increase in global financial risk or a decrease in the rate of domestic growth, could increase Spain's financing costs, hindering economic growth, employment and households' gross disposable income.

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

The Group may be adversely affected by political events in Catalonia

The Group's Spanish business includes extensive operations in Catalonia. Although actions carried out by the Spanish Government have helped diminish the level of uncertainty in the region resulting from its pro-independence movement, regional elections carried out in December 2017 resulted in pro-independence parties winning the majority of seats. As of the date of this Offering Circular, a new government has been formed but there is still significant uncertainty regarding the outcome of political and social tensions in Catalonia, which could result in volatile capital markets and other financing conditions in Spain or otherwise adversely affect the environment in which the Group operates in Catalonia and the rest of Spain, any of which could have an adverse effect on the Group's business, liquidity, financial condition and results of operations.

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

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

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

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

Emerging markets are generally subject to greater risks than more developed markets. For example, there is typically a greater risk of loss from unfavorable political and economic developments, social and geopolitical

RISK FACTORS

instability, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps and tax policies, and political unrest, such as the two-year state of emergency entitling the exercise of additional powers by the Turkish government that was first declared on 20th July, 2016. In addition, these emerging markets are affected by conditions in other related markets and in global financial markets generally and some are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Even considering that the global economic growth remains strong, there are risks of deterioration. If the global economic conditions deteriorate, the business, financial condition, operating results and cash flows of the Issuer's subsidiaries in emerging economies, mainly in Latin America and Turkey, may be materially adversely affected.

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

In addition, any changes in laws, regulations and policies pursued by the U.S. Government may adversely affect the emerging markets in which the Group operates, particularly Mexico due to the trade and other ties between Mexico and the United States. See “—*The Group's business could be adversely affected by global political developments, particularly with regard to U.S. policies that affect Mexico*” below.

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

The Group's business could be adversely affected by global political developments, particularly with regard to U.S. policies that affect Mexico

Changes in economic, political and regulatory conditions in the United States or in U.S. laws and policies governing foreign trade and foreign relations could create uncertainty in the international markets and could have a negative impact on the Mexican economy and public finances. This correlation is due, in part, to the high level of economic activity between the two countries generally, including the trade facilitated by the North American Free Trade Agreement (NAFTA), as well as due to their physical proximity.

Following the U.S. elections in November 2016 and the change in the U.S. administration for the four-year period from 2017 to 2020, there is uncertainty regarding future U.S. policies with respect to matters of importance to Mexico and its economy, particularly including trade and immigration. In particular, since 16th August, 2017, the U.S. administration has been renegotiating the terms of NAFTA with its Mexican and Canadian counterparts. The U.S. administration, which has also stated that it may withdraw from the agreement, seeks to decrease the trade deficit between the United States and Mexico, eliminate certain subsidies granted to and practices of State-owned companies (such as Petróleos Mexicanos (Pemex)) which are perceived to distort the market and achieve stronger protection for U.S. digital trade and intellectual properties. Because the Mexican economy is heavily influenced by the U.S. economy, the re-negotiation, or even termination, of NAFTA and/or the adoption of other policies by the U.S. government may adversely affect economic conditions in Mexico. Any decision taken by the U.S. administration that has an impact on the Mexican economy, such as by reducing the levels of remittances, reducing commercial activity among the two countries or slowing direct foreign investment in Mexico, could adversely affect the Group's business, financial condition and results of operations.

U.S. immigration policies could also affect trade and other relations between Mexico and the United States and have other consequences for Mexican government policies. These factors could have an impact on Mexico's GDP growth, the exchange rate between the U.S. dollar or euro and the Mexican peso, levels of foreign direct investment and portfolio investment in Mexico, interest rates, inflation and the Mexican

RISK FACTORS

economy generally, which in turn, may have an impact on the Group's business, financial condition and results of operations.

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

Severe market events such as the past sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. Several factors could further depress the valuation of the Group's assets. Current political processes such as the implementation of "Brexit", which will result in the United Kingdom leaving the European Union, the surge of populist trends in several European countries or potential changes in U.S. economic policies could increase global financial volatility and lead to the reallocation of assets. Doubts on the asset quality of European banks also affected their evolution in the market during 2016 and such doubts remained in 2017. In addition, uncertainty about China's growth expectations and its policymaking capability to address certain severe future challenges has recently resulted in sudden and intense deterioration of the valuation of global assets and further increased volatility in the global financial markets. Additionally, in dislocated markets, hedging and other risk management strategies may not be as effective as they are in more normal market conditions due in part to the decreasing credit quality of hedge counterparties. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

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

The Group has substantial exposure to the real estate market, mainly in Spain. The Group is further exposed to the real estate market due to the fact that real estate assets secure many of its outstanding loans and due to the significant amount of real estate assets held on its balance sheet and its stakes in real estate companies such as Metrovacesa, S.A. and Testa Residencial SOCIMI, S.A. Any deterioration of real estate prices could materially and adversely affect the Group's business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

The Group is subject to substantial regulation and regulatory and governmental oversight. Changes in the regulatory framework could have a material adverse effect on its business, results of operations and financial condition

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

In addition, the supervisory framework has been intensified, in conjunction with the increased emphasis on the regulatory framework, such that the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the **SSM**), and for resolution, with the single resolution mechanism (the **SRM**), is changing the regulatory and supervisory framework (see "*Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Issuer's business, financial condition and results of operations*"). The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be

RISK FACTORS

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.

Furthermore, regulatory and supervisory authorities have substantial discretion in how to regulate and supervise banks, and this discretion, and the means available to regulators and supervisors, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions that are deemed to be systemically important (including global systemically important banks (**G-SIBs**) and institutions deemed to be of local systemic importance, domestic systemically important banks (**D-SIBs**), such as the Issuer).

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

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

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

As a Spanish credit institution, the Issuer is subject to Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended, replaced or supplemented from time to time, the **CRD IV Directive**) through which the EU began implementing the Basel III capital reforms, with effect from 1st January, 2014, with certain requirements in the process of being phased in until 1st January, 2019. The core regulation regarding the solvency of credit institutions is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (as amended, replaced or supplemented from time to time, the **CRR** and, together with the CRD IV Directive and any measures implementing the CRD IV Directive or the CRR which may from time to time be applicable in Spain, **CRD IV**), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU Member States, without the need for national implementation measures. The implementation of CRD IV Directive into Spanish law has taken place through Royal Decree-Law 14/2013, of 29th November, Law 10/2014, of 26th June, on the organisation, supervision and solvency of credit institutions (**Law 10/2014**), Royal Decree

84/2015, of 13th February (**RD 84/2015**), Bank of Spain Circular 2/2014, of 31st January and Bank of Spain Circular 2/2016, of 2nd February (the **Bank of Spain Circular 2/2016**).

On 23rd November, 2016, the European Commission published a package of proposals with further reforms to CRD IV, Directive 2014/59/EU, of 15th May establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, replaced or supplemented from time to time, the **BRRD**) and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended, replaced or supplemented from time to time, the **SRM Regulation**), including measures to increase the resilience of EU institutions and enhance financial stability. On 25th May, 2018, the Council of the European Union published Presidency compromise proposals relating to the European Commission's above package of proposals and on 25 June, 2018, the European Parliament published its proposed amendments to the European Commission's package of proposals (the European Commission's package of proposals together with the Presidency compromise proposals, and the proposed amendments of the European Parliament, the **EU Banking Reforms**). The timing for the final implementation of these reforms as at the date of this Offering Circular is unclear. As of the date of this Offering Circular, the EU Banking Reforms are subject to further discussions and possible amendments at the European Parliament, the Council of the European Union and the European Commission.

CRD IV, among other things, established minimum "Pillar 1" capital requirements and increased the level of capital required by means of a "combined buffer requirement" that entities must comply with from 2016 onwards. The "combined buffer requirement" introduced five new capital buffers: (i) the capital conservation buffer, (ii) the G-SIB buffer, (iii) the institution-specific countercyclical buffer, (iv) the D-SIB buffer and (v) the systemic risk buffer (a buffer to prevent systemic or macro prudential risks). The "combined buffer requirement" applies in addition to the minimum "Pillar 1" capital requirements and is required to be satisfied with common equity tier 1 (**CET1**) capital.

The G-SIB buffer applies to those institutions included on the list of G-SIBs, which is updated annually by the Financial Stability Board (the **FSB**). The Issuer has been excluded from this list with effect from 1st January, 2017 and so, unless otherwise indicated by the FSB (or the Bank of Spain) in the future, it will no longer be required to maintain a G-SIB buffer.

The Bank of Spain announced on 24th November, 2017 that the Issuer continues to be considered a D-SIB and is required to maintain a fully-loaded D-SIB buffer of a CET1 capital ratio of 0.75 per cent. on a consolidated basis. The D-SIB buffer is being phased-in from 1st January, 2016 to 1st January, 2019, with the result that the D-SIB buffer applicable to the Issuer for 2018 is a CET1 capital ratio of 0.5625 per cent. on a consolidated basis.

The Bank of Spain agreed in December 2015 to set the countercyclical capital buffer applicable to credit exposures in Spain at 0 per cent. from 1st January, 2016. This percentage is revised each quarter. The Bank of Spain agreed on 7th June, 2018 to maintain the countercyclical capital buffer at 0 per cent. for the third quarter of 2018.

The Bank of Spain has greater discretion in relation to the determination of institution-specific countercyclical buffer, the buffer for D-SIBs and the systemic risk buffer. With the entry into force of the SSM on 4th November, 2014, the European Central Bank (the **ECB**) has the ability to provide certain recommendations in this respect.

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

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

Furthermore, the ECB is required, under Regulation (EU) No. 468/2014 of the ECB of 16th April, 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the **SSM Framework Regulation**), to carry out a supervisory review and evaluation process (the **SREP**) of the Issuer and the Group at least on an annual basis.

In addition to the above, the European Banking Authority (the **EBA**) published on 19th December, 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the **EBA SREP Guidelines**). Included in the EBA SREP Guidelines were the EBA’s proposed guidelines for a common approach to determining the amount and composition of additional “Pillar 2” own funds requirements to be implemented from 1st January, 2016. In accordance with these guidelines, national supervisors should set the composition requirement of the capital instruments required to comply with the “Pillar 2” requirement, so that at least 56 per cent. of the “Pillar 2” requirement is covered with CET1 capital and at least 75 per cent. with Tier 1 capital, as has also been provided in the EU Banking Reforms. The EBA SREP Guidelines and the EU Banking Reforms also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the “combined buffer requirement” and/or additional macro-prudential requirements.

Any additional “Pillar 2” own funds requirement that may be imposed on the Issuer and/or the Group by the ECB pursuant to the SREP will require the Issuer and/or the Group to hold capital levels above the minimum “Pillar 1” capital requirements.

As a result of the most recent SREP carried out by the ECB in 2017, the ECB has informed the Issuer that, effective from 1st January, 2018, it is required to maintain (i) a CET1 phased-in capital ratio of 8.4375 per cent. of risk-weighted assets (on a consolidated basis) and 7.875 per cent. of risk-weighted assets (on an individual basis); and (ii) a phased-in total capital ratio of 11.9375 per cent. of risk-weighted assets (on a consolidated basis) and 11.375 per cent. of risk-weighted assets (on an individual basis).

This phased-in total capital ratio of 11.9375 per cent. on a consolidated basis includes (i) the minimum CET1 capital ratio required under “Pillar 1” (4.5 per cent.); (ii) the “Pillar 1” Additional Tier 1 capital requirement (1.5 per cent.); (iii) the “Pillar 1” Tier 2 capital requirement (2 per cent.); (iv) the additional CET1 capital requirement under “Pillar 2” (1.5 per cent.); (v) the capital conservation buffer (1.875 per cent. CET1); and (vi) the D-SIB buffer (0.5625 per cent. CET1).

As of 30th June, 2018, the Issuer’s phased-in total capital ratio was 15.5 per cent. on a consolidated basis and 22.2 per cent. on an individual basis. As of 30th June, 2018, the Issuer’s CET1 phased-in capital ratio was 11.1 per cent. on a consolidated basis and 17.4 per cent. on an individual basis. Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Issuer and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further “Pillar 2” additional own funds requirements on the Issuer and/or the Group.

On 15th March, 2018, the ECB further published the ECB’s supervisory expectations for prudent levels of provisions for non-performing loans (**NPLs**). This was published as an addendum (the **Addendum**) to the ECB’s guidance to banks on non-performing loans published on 20th March, 2017, which clarified the ECB’s supervisory expectations regarding the identification, management, measurement and write-off of NPLs. The ECB states that the Addendum sets out what it deems to be a prudent treatment of NPLs with the aim of avoiding an excessive build-up of non-covered aged NPLs on banks’ balance sheets in the future, which would require supervisory measures.

The ECB states that it will assess any differences between banks’ practices and the prudential provisioning expectations laid out in the Addendum at least annually and will link the supervisory expectations in the

RISK FACTORS

Addendum to new NPLs classified as such from 1st April, 2018 onwards. Banks will then be asked to inform the ECB of any differences between their practices and the ECB's prudential provisioning expectations, as part of the SREP supervisory dialogue, from early 2021 onwards. Ultimately this could result in the ECB requiring banks to apply specific adjustments to own funds calculations where the accounting treatment applied by the bank is considered not prudent from a supervisory perspective, which could in turn impact on the capital position of the relevant bank. The supervisory expectations set out in the Addendum are expected to be reflected by the European Commission in the proposed amendments to the CRR as part of the EU Banking Reforms, which could impact the minimum coverage levels required for newly originated loans that become non-performing, requiring banks to increase their provisioning for future NPLs.

The EU Banking Reforms propose new requirements that capital instruments should meet in order to be considered as Additional Tier 1 instruments or Tier 2 instruments. In particular, in the latest Presidency compromise proposals of the Council of the European Union, certain grandfathering measures are proposed. However, to the extent any of these new requirements once finally implemented are not initially subject to a grandfathering or exemption regime for those Additional Tier 1 instruments and/or Tier 2 instruments already in issue at the time of such implementation, such instruments could be subject to regulatory uncertainties on their inclusion as capital. This may lead to regulatory capital shortfalls and ultimately a breach of the applicable minimum regulatory capital requirements, with the consequences specified herein.

Any failure by the Issuer and/or the Group to comply with its "Pillar 1" minimum regulatory capital ratios, any "Pillar 2" additional own funds requirements and/or any "combined buffer requirement" could result in the imposition of restrictions or prohibitions on "discretionary payments" by the Issuer as discussed below or administrative actions or sanctions, which, in turn, may have a material adverse effect on the Group's results of operations.

According to Article 48 of Law 10/2014, Article 73 of RD 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any entity not meeting its "combined buffer requirement" is required to determine its Maximum Distributable Amount (**MDA**) as described therein. Until the MDA has been calculated and communicated to the Bank of Spain, where applicable, the relevant entity shall not make any (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 instruments (discretionary payments) and, once the MDA has been calculated and communicated to the Bank of Spain, any such discretionary payments by that entity will be subject to such MDA limit.

Furthermore, as set forth in Article 48 of Law 10/2014, the adoption by the Bank of Spain of the measures prescribed in Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds or limiting or prohibiting the distribution of dividends respectively will also result in a requirement to determine the MDA and restrict discretionary payments to such MDA. Pursuant to the EU Banking Reforms, the calculation of the MDA, as well as the consequences of, and pending, such calculation as specified in the paragraph above, could also take place as a result of a breach of MREL (as defined below) (see *"Any failure by the Issuer and/or the Group to comply with its MREL could have a material adverse effect on the Issuer's business, financial condition and results of operations"* below) and a breach of the minimum leverage ratio requirement.

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16th December, 2015 (the **December 2015 EBA Opinion**), in the EBA's opinion competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the MDA calculation is limited to the amount not used to meet the "Pillar 1" and, if applicable, "Pillar 2" own funds requirements of the institution. There can be no assurance as to how and when binding effect will be given to the December 2015 EBA Opinion in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements. The EU Banking Reforms propose certain amendments in order to clarify, for the purposes of restrictions on distributions, the hierarchy between the "Pillar 2" additional own funds requirements, the minimum "own funds" "Pillar 1" requirements, the own funds and eligible liabilities requirement, MREL and the "combined buffer requirements" (which is referred to as "stacking order"). In particular, pursuant to the latest Presidency

compromise proposals of the Council of the European Union for the EU Banking Reforms, no distinction is proposed to be made where discretionary payments are restricted to the MDA between distributions relating to CET1 capital or payments in respect of variable remuneration or discretionary pension revenues, and payments due on Additional Tier 1 instruments.

On 1st July, 2016, the EBA published additional information explaining how supervisors should use the results of the 2016 EU-wide stress test for SREP assessments. The EBA stated, among other things, that the incorporation of the quantitative results of the EU-wide stress test into SREP assessments may include setting additional supervisory monitoring metrics in the form of capital guidance. Such guidance will not be included in MDA calculations but competent authorities would expect banks to meet that guidance except when explicitly agreed. Competent authorities have remedial tools if an institution refuses to follow such guidance. The EU Banking Reforms also propose that a distinction be made between “Pillar 2” capital requirements and “Pillar 2” capital guidance, with only the former being mandatory requirements. Notwithstanding the foregoing, the EU Banking Reforms propose that, in addition to certain other measures, supervisory authorities be entitled to impose further “Pillar 2” capital requirements where an institution repeatedly fails to follow the “Pillar 2” capital guidance previously imposed.

The ECB has also confirmed in its recommendation of 28th December, 2017 on dividend distribution policies that credit institutions should establish dividend policies using conservative and prudent assumptions in order, after any distribution, to satisfy the applicable capital requirements and the outcomes of the SREP.

Any failure by the Issuer and/or the Group to comply with its regulatory capital requirements could also result, among other things, in the imposition of further “Pillar 2” requirements and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended, replaced or supplemented from time to time (**Law 11/2015**), which, together with Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities’ deposit guarantee fund is amended (as amended, replaced or supplemented from time to time, **RD 1012/2015**), has implemented the BRRD into Spanish law. See “–*The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*”.

At its meeting of 12th January, 2014, the oversight body of the Basel Committee on Banking Supervision (**BCBS**) endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from 1st January, 2015. As of the date of this Offering Circular, there is no applicable regulation in Spain which establishes a specific leverage ratio requirement for credit institutions. However, the EU Banking Reforms propose a binding leverage ratio requirement of 3 per cent. of Tier 1 capital that is added to an institution’s own funds requirements and that an institution must meet in addition to its risk based requirements. In particular, under the latest Presidency compromise proposals of the Council of the European Union for the EU Banking Reforms, any breach of this leverage ratio could also result in a requirement to determine the MDA and restrict discretionary payments to such MDA, as well as the consequences of, and pending, such calculation as specified above.

In addition, on 7th December, 2017 the BCBS announced the finalised Basel III reforms (informally referred to as Basel IV). These reforms include changes to the risk weightings applied to different assets and measures to enhance the risk sensitivity in such weightings, as well as imposing limits on the use of internal ratings-based approaches, and to ensure a minimum level of conservatism and to provide for greater comparability across banks where such internal ratings-based approaches are used. Revised capital floor requirements will also limit the regulatory capital benefit for banks in calculating total risk-weighted assets using internal risk models as compared to the standardised approach, with a minimum capital requirement of 50 per cent. of risk-weighted assets calculated using only the standardised approaches applying from 1st January, 2022 and increasing to 72.5 per cent. from 1st January, 2027. To the extent these reforms result in an increase in the total risk-weighted assets of the Issuer they could also result in a corresponding decrease in the Issuer’s capital ratio.

The ECB has announced that it is conducting a targeted review of the internal models (**TRIM**) being used by banks subject to its supervision for their internal ratings-based approaches in applying risk weightings to assets. TRIM is being undertaken to assess the extent to which such internal models are considered to be in line with regulatory requirements, and the results of those internal models are reliable and comparable, in order to harmonise the approaches to internal models used by banks across the European Union. During 2016, the ECB launched preliminary questionnaires and data requests, and on-site investigations were conducted in 2017 and are continuing in the first half of 2018. This first phase of TRIM involves a review of the models used to assess the credit risk for retail and small and medium-sized enterprise portfolios, as well as market risk and counterparty credit risk. Phase two, focusing on the models used to assess the credit risk for so-called low-default portfolios, is expected to start in the second half of 2018 and continue throughout 2019. Though the outcome of TRIM is at this stage unknown, the objective of the ECB in undertaking TRIM is to reduce unwarranted variability in risk-weighted assets across banks, not to increase risk-weighted assets in general. Nevertheless, TRIM could lead to increases or decreases in the capital needs of banks. To the extent TRIM results in any changes being required to the internal models used by banks and any resulting increase in the Issuer's risk-weighted assets, this could have a corresponding impact on the Issuer's capital position.

The implementation of Basel reforms differs across jurisdictions in terms of timing and applicable rules. This lack of uniformity among implemented rules may lead to an uneven playing field and to competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel requirements or increasing such requirements, could adversely affect a bank with global operations such as the Issuer and could undermine its profitability.

There can be no assurance that the implementation of the above capital requirements will not adversely affect the Issuer's ability to make "discretionary payments" or result in the cancellation of such payments (in whole or in part), or require the Issuer 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 Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Issuer's return on equity and other financial performance indicators.

Any failure by the Issuer and/or the Group to comply with its MREL could have a material adverse effect on the Issuer's business, financial condition and results of operations

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities known as the minimum requirement for own funds and eligible liabilities (**MREL**). According to Commission Delegated Regulation (EU) 2016/1450 of 23rd May, 2016 (the MREL Delegated Regulation), the level of own funds and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on, among other things, the criteria set forth in Article 45.6 of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided that, among other requirements, they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted by the resolution authority of a Member State under that law or through contractual provisions.

MREL came into force on 1st January, 2016. However, the EBA has recognised the impact which this requirement may have on banks' funding structures and costs, and the MREL Delegated Regulation states that the resolution authorities shall determine an appropriate transitional period but that this shall be as short as possible.

In addition, as a result of the EU Banking Reforms, Directive (EU) 2017/2399 of the European Parliament and of the Council of 12th December, 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was approved with the aim to harmonise national laws on insolvency and recovery and resolution of credit institutions and investment firms, by creating a new credit class of "non-preferred" senior debt that can only be bailed-in after junior ranking instruments but before other senior liabilities. In this regard, on 23rd June, 2017 Royal Decree-Law 11/2017 of 23rd June on urgent measures in financial matters (*Real Decreto-ley 11/2017, de 23 de junio, de medidas urgentes en materia financiera*) introduced into Spanish law the new class of "non-preferred" senior debt.

On 9th November, 2015, the FSB published its final Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet (the TLAC Principles and Term Sheet), proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior-ranking liabilities, such as guaranteed insured deposits, and forming a new standard for G-SIBs. The TLAC Principles and Term Sheet contain a set of principles on loss-absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (i) 16 per cent. of risk-weighted assets as of 1st January, 2019 and 18 per cent. as of 1st January, 2022, and (ii) 6 per cent. of the Basel III Tier 1 leverage ratio exposure measured as of 1st January, 2019, and 6.75 per cent. as of 1st January, 2022. The Issuer is no longer classified as a G-SIB by the FSB with effect from 1st January, 2017. However, if the Issuer were to be so classified in the future or if TLAC requirements as set out below are adopted and implemented in Spain and extended to non-G-SIBs through the imposition of requirements similar to MREL as set out below, then this could create additional minimum requirements for the Issuer.

In addition, the EU Banking Reforms establish some exemptions which could allow outstanding senior debt instruments to be used to comply with MREL. However, there is uncertainty regarding the final wording of the EU Banking Reforms insofar as such eligibility is concerned and how those regulations and exemptions are to be interpreted and applied. This uncertainty may impact upon the ability of the Issuer to comply with its MREL (at both individual and consolidated levels (together, MRELs)). In this regard, the EBA submitted on 14th December, 2016 its final report on the implementation and design of the MREL framework (the EBA MREL Report), which contains a number of recommendations to amend the current MREL framework. Additionally, the EU Banking Reforms contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standards. The EU Banking Reforms propose the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reforms also propose a number of changes to the MREL rules applicable to non-G-SIBs. While the EU Banking Reforms propose for minimum harmonised or “Pillar 1” MRELs for G-SIBs, in the case of non-G-SIBs, it is proposed that MRELs will be imposed on a bank-specific basis. For G-SIBs, it is also proposed that a supplementary or “Pillar 2” MRELs may be further imposed on a bank-specific basis. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

Neither the BRRD nor the MREL Delegated Regulation provides details on the implications of a failure by an institution to comply with its MRELs. However, the EU Banking Reforms propose that this be addressed by the relevant authorities on the basis of their powers to address or remove impediments to resolution, the exercise of their supervisory powers under the CRD IV Directive, early intervention measures and administrative penalties and other administrative measures.

Furthermore, in accordance with the EBA MREL Report, the EBA recommends that resolution authorities and competent authorities should engage in active monitoring of compliance with their respective requirements and considers that (i) the powers of resolution authorities to respond to a breach of MREL should be enhanced (which would require resolution authorities to be given the power to require the preparation and execution of an MREL restoration plan, to use their powers to address impediments to resolvability, to request that distribution restrictions be imposed on an institution by a competent authority and to request a joint restoration plan in cases where an institution breaches both MREL and minimum capital requirements); (ii) resolution authorities should assume a lead role in responding to a failure to issue or roll over MREL-eligible debt leading to a breach of MREL; and (iii) if there are both losses and a failure to roll over or issue MREL-eligible debt, the relevant resolution authority or, if applicable, the relevant competent authority should attempt to agree on a joint restoration plan (provided that both authorities believe that the institution is not failing or likely to fail). In addition, under the EBA Guidelines on triggers for use of early intervention measures of 8th May, 2015 a significant deterioration in the amount of eligible liabilities and own funds held by an institution for the purposes of meeting its MRELs may put an institution in a situation where conditions for early intervention are met, which may result in the application by the competent authority of early intervention measures.

Further, as outlined in the EBA MREL Report, the EBA's recommendation is that an institution will not be able to use the same CET1 capital to meet both MREL and the combined buffer requirements. In addition, the EU Banking Reforms provide that, in the case of the own funds of an institution that may otherwise contribute to the combined buffer requirement where there is any shortfall in MREL, this will be considered as a failure to meet the combined buffer requirement such that those own funds will automatically be used instead to meet that institution's MRELs and will no longer count towards its combined buffer requirement. Accordingly, this could trigger a limit on discretionary payments (see *"Increasingly onerous capital requirements may have a material adverse effect on the Group's business, financial condition and results of operations"*).

Additionally, if the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the **FROB**), the SRM or a Relevant Spanish Resolution Authority finds that there could exist any obstacles to resolvability by the Issuer and/or the Group, a higher MREL could be imposed.

Moreover, with respect to the EU Banking Reforms, there are uncertainties concerning how the subsidiaries of the Group would be treated in determining the resolution group of the Issuer and the applicable MRELs, which may lead to a situation where the consolidated MREL of the Issuer would not fully reflect its multiple-point-of-entry resolution strategy.

On 23rd May, 2018, the Issuer announced that it had received notification from the Bank of Spain of its MREL, as determined by the SRB. The Issuer's MREL has been set at 15.08 per cent. of the total liabilities and own funds of the Bank's resolution group at a sub-consolidated level as of 31st December, 2016, which corresponds to 28.04 per cent. of the risk-weighted assets of the Issuer's resolution group as of 31st December, 2016, and must be met by 1st January, 2020. Pursuant to the Group's multiple-point-of-entry resolution strategy as established by the SRB, the Issuer's resolution group consists of the Issuer and its subsidiaries which belong to the same European resolution group. As of 31st December, 2016, the total liabilities and own funds of the Issuer's resolution group amounted to €385,647 million, of which amount the total liabilities and own funds of the Issuer comprised approximately 95 per cent, and the risk-weighted assets of the Issuer's resolution group amounted to €207,362 million.

According to its own estimates, the Issuer believes that the current own funds and eligible liabilities structure of the Issuer's resolution group is in line with the above MREL. However, the Issuer's MREL is subject to change and no assurance can be given that the Issuer may not be subject to a higher MREL at any time in the future.

Any failure or perceived likelihood of failure by the Issuer and/or the Group to comply with its MRELs may have a material adverse effect on the Issuer's or the Group's business, financial conditions and results of operations and could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including the payment of dividends and interest or distributions on Additional Tier 1 instruments. There can also be no assurance as to the relationship between the "Pillar 2" additional own funds requirements, the "combined buffer requirement", the MRELs (once implemented in Spain) and the restrictions or prohibitions on discretionary payments.

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

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside 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

RISK FACTORS

financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate.

Law 18/2014, of 15th October, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Issuer operates.

Any levies, taxes or funding requirements imposed on the Issuer pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Contributions for assisting in the future recovery and resolution of the Spanish banking sector may have a material adverse effect on the Issuer's business, financial condition and results of operations

Law 11/2015 and RD 1012/2015 require Spanish credit institutions, including the Issuer, to make at least an annual ordinary contribution to the National Resolution Fund (*Fondo de Resolución Nacional*), payable on request of the FROB. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal at least one per cent. of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos de Entidades de Crédito*) by 31st December, 2024. The contribution will be adjusted to the risk profile of each institution in accordance with the criteria set out in Council Implementing Regulation (EU) 2015/81 of 19th December, 2014 and RD 1012/2015. The FROB may, in addition, collect extraordinary contributions.

Furthermore, Law 11/2015 also provides for an additional charge (*tasa*) which shall be used to further fund the activities of the FROB, in its capacity as a resolution authority, which charge shall equal 2.5 per cent. of the above annual ordinary contribution to be made to the National Resolution Fund. Similarly, Commission Delegated Regulation (EU) 2017/2361 of 14th September, 2017 establishes the system of contributions to the administrative expenditures of the Single Resolution Board (the **SRB**), to be paid by credit institutions in the EU.

In addition, since 2016, the Issuer has been required to make contributions directly to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it. The contributions made by the Issuer to date have not been material. See “—*Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Issuer's business, financial condition and results of operations*”.

Any levies, taxes or funding requirements imposed on the Issuer pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on the Issuer's business, financial condition and results of operations.

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

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

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

RISK FACTORS

The SSM is intended to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Framework Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including the Issuer), on 4th November, 2014.

The SSM represents a significant change in the approach to bank supervision at a European and global level, even if it is not expected to result in any radical change in bank supervisory practices in the short term. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including the Issuer, and indirect supervision of around 3,500 financial institutions. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 supervisory authorities that form part of the SSM. Several steps have already been taken in this regard, such as (i) the publication of the Supervisory Guidelines, (ii) the approval of the SSM Framework Regulation, (iii) the approval of Regulation (EU) 2016/445 of the ECB of 14th March, 2016 on the exercise of options and discretions available in European Union law, and (iv) a set of guidelines on the application of CRR's national options and discretions. In addition, the SSM represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The SRB started operating on 1st January, 2015 and fully assumed its resolution powers on 1st January, 2016. The Single Resolution Fund has also been in place since 1st January, 2016, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8 per cent. bail-in of a bank's total liabilities including own funds has been applied to cover capital shortfalls (in line with the BRRD).

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

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

In addition, on 29th January, 2014, the European Commission released its proposal on the structural reforms of the European banking sector, which will impose new constraints on the structure of European banks. The proposal is aimed at ensuring the harmonisation between the divergent national initiatives in Europe.

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

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

Group companies are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Although the Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that its anti-money laundering and anti-terrorism financing policies and procedures will not be circumvented or otherwise not be sufficient to prevent all money laundering or terrorism financing. Any of such events may have severe consequences, including sanctions, fines and,

RISK FACTORS

notably, reputational consequences, which could have a material adverse effect on the Group's financial condition and results of operations.

The Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programmes

The Group is required to comply with the laws and regulations of various jurisdictions where it conducts operations. In particular, its operations are subject to various anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010, and economic sanction programmes, including those administered by the United Nations, the EU and the United States, including the U.S. Treasury Department's Office of Foreign Assets Control. The anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of the Group's business, the Group may deal with entities the employees of which are considered government officials. In addition, economic sanctions programmes restrict the Group's business dealings with certain sanctioned countries, individuals and entities.

Although the Group has internal policies and procedures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that its employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which it or they may be ultimately held responsible. Any violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on the Group, limits being placed on the Group's activities, the Group's authorisations and licenses being revoked, damage to the Group's reputation and other consequences that could have a material adverse effect on the Group's business, results of operations and financial condition. Further, litigation or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could be costly.

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

The Issuer's operations are subject to regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in the various jurisdictions outside Spain where it operates. Regulations in certain jurisdictions where the Issuer operates differ in a number of material respects from equivalent regulations in Spain. For example, local regulations may require the Issuer's subsidiaries and affiliates to meet capital requirements that are different from those applicable to the Issuer as a Spanish bank, they may prohibit certain activities permitted to be undertaken by the Issuer in Spain or they may require certain approvals to be obtained in connection with such subsidiaries and affiliates' activities. Changes in regulations may have a material effect on the Group's business and operations, particularly changes affecting Mexico, the United States or Turkey, which are the Group's most significant jurisdictions by assets other than Spain.

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

Liquidity and Financial Risks

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

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

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

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

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, cause the Group to take other actions or even imply the adoption of any measures or the exercise of any Spanish Bail-in Power

Historically, one of the Group's principal sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest-rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of administrative initiatives, including the exercise of any Spanish Bail-in Power and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. The introduction of a national tax on outstanding deposits could be negative for the Group's activities in Spain.

Moreover, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, or where such withdrawal specifically affects the Group, 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. Furthermore, in such an event, the Issuer could be subject to the adoption of an early intervention or, ultimately, resolution measure by a Relevant Spanish Resolution Authority (as defined below) pursuant to Law 11/2015 (including, among other things but without limitation, the Spanish Bail-in Power (as defined below) (including Non-Viability Loss Absorption (as defined below))). See “—*The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*”.

Relevant Spanish Resolution Authority means the FROB, the SRM and, as the case may be, according to Law 11/2015, the Bank of Spain and the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or CNMV), and any other entity with the authority to exercise the Spanish Bail-in Power from time to time. **Spanish Bail-in Power** means any write-down, conversion, transfer, modification, or suspension power existing from time to time under: (i) any law, regulation, rule or requirement applicable from time to time in Spain, relating to the transposition or development of the BRRD (as amended, replaced or supplemented from time to time), including, but not limited to (a) Law 11/2015, (b) RD 1012/2015; and (c) the SRM Regulation, each as amended, replaced or supplemented from time to time; or (ii) any other law, regulation, rule or requirement applicable from time to time in Spain pursuant to which (a) obligations or liabilities of banks, investment firms or other financial institutions or their affiliates can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such persons or any other person (or suspended for a temporary period or permanently) or (b) any right in a contract governing the obligations referred to in (a) may be deemed to have been exercised.

In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures, and could be subject to the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015 (including, among other things but without limitation, the Spanish Bail-in Power (including Non-Viability Loss Absorption (as defined below))).

Implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of the Issuer's business activities

The liquidity coverage ratio (**LCR**) is a quantitative liquidity standard developed by the BCBS to ensure that those banking organisations to which this standard is to apply have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The final standard was announced in January 2013 by the BCBS. The LCR has been progressively implemented since 2015 in accordance with the CRR, with banks having had to fully comply (100 per cent.) with such ratio since 1st January, 2018.

The BCBS's net stable funding ratio (**NSFR**) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated that the NSFR, including any revisions, was to be implemented by member countries as a minimum standard by 1st January, 2018, with no phase-in scheduled. The EU Banking Reforms propose the introduction of a harmonised binding requirement for the NSFR across the EU.

Various elements of the LCR and the NSFR, as they are implemented by national banking regulators and complied with by the Issuer, may cause changes that affect the profitability of business activities and require changes to certain business practices, which could expose the Issuer to additional costs (including increased compliance costs) or have a material adverse effect on the Issuer's business, financial condition or results of operations. These changes may also cause the Issuer to invest significant management attention and resources to make any necessary changes.

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

The Group has exposures to many different products, counterparties and obligors and the credit quality of its exposures can have a significant effect on the Group's earnings. Adverse changes in the credit quality of the Group's borrowers and counterparties or collateral, or in their behavior or businesses, may reduce the value of the Group's assets, and materially increase the Group's write-downs and provisions for impairment losses. Credit risk can be affected by a range of factors, including an adverse economic environment, reduced consumer and/or government spending, global economic slowdown, changes in the rating of individual

RISK FACTORS

counterparties, the debt levels of individual contractual counterparties and the economic environment they operate in, increased unemployment, reduced asset values, increased personal or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these changes) in interest rates, counterparty challenges to the interpretation or validity of contractual arrangements and any external factors of a legislative or regulatory nature. In recent years, the global economic crisis has driven cyclically high bad debt charges.

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

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

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

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

The Issuer and certain of its subsidiaries are dependent on their credit ratings and any reduction of their credit ratings could materially and adversely affect the Group's business, financial condition and results of operations

The Issuer and certain of its subsidiaries are rated by various credit rating agencies. The credit ratings of the Issuer and such subsidiaries are an assessment by rating agencies of their ability to pay their obligations when due. Any actual or anticipated decline in the Issuer's or such subsidiaries' 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), or 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 Issuer's or such subsidiaries' credit ratings to below investment grade or otherwise could breach certain agreements or trigger additional obligations

RISK FACTORS

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

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

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

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

Some of the Group's operations are conducted through its financial services subsidiaries. As a result, the Issuer's ability to pay dividends, to the extent the Issuer decides to do so, depends in part on the ability of the Group's subsidiaries to generate earnings and to pay dividends to the Issuer. Payment of dividends, distributions and advances by the Group's subsidiaries will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from the Group's Venezuelan and Argentinean subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, the Issuer's right to receive any assets of any of the Group's subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganisation will be effectively subordinated to the claims of subsidiaries' creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on discretionary payments including the payment of dividends and other distributions to the Issuer by its subsidiaries (see “*Increasingly onerous capital requirements may have a material adverse effect on the Group's business, financial condition and results of operations*”).

Business and Industry Risks

The Group faces increasing competition in its business lines

The markets in which the Group operates are highly competitive and this trend will likely continue with new business models likely to be developed in coming years which impact is unforeseeable. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete.

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

In recent years, the financial services sector has experienced a significant transformation, closely linked to the development of the internet and mobile technologies. Part of that transformation involves the entrance of new players, such as non-bank digital providers that compete (and cooperate) between them and with banks in most of the areas of financial services as well as large digital players such as Amazon, Google, Facebook or Apple, who have also started to offer financial services (mainly, payments and credit) ancillary to their core business. However, as of the date of this Offering Circular, there is an uneven playing field between banks and such non-bank players. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank players that

are only subject to activity-specific regulations or benefit from regulatory uncertainty. In addition, fintech activities are generally subject to additional rules on internal governance when they are carried out within a banking group. For instance, the CRD IV Directive limits the ratio between the variable and the fixed salary that financial institutions can pay to certain staff members identified as risk takers. This places banking groups at a competitive disadvantage for attracting and retaining digital talent and for retaining the founders and management teams of acquired start-ups.

Existing loopholes in the regulatory framework are another source of uneven playing fields between banks and non-bank players. Some new services or business models are not yet covered under existing regulations. In these cases, asymmetries between players arise since regulated providers often face obstacles to engage in unregulated activities. For instance, the EBA has recommended to competent authorities that they prevent credit institutions, payment institutions and e-money institutions from buying, holding or selling virtual currencies.

The Group's future success may depend, in part, on its ability to use technology to provide products and services that provide convenience to customers. Despite the technological capabilities the Group has been developing its commitment to digitalisation, as a result of the uneven playing field referred to above or for other reasons, the Group may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers, which would adversely affect the Group's business, financial condition and results of operations.

In addition, companies offering new applications and financial-related services based on artificial intelligence are becoming more competitive. The often lower cost and higher processing speed of these new applications and services can be especially attractive to technologically-adept purchasers. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, machine learning and other advances outside of the Group's control. If the Group is not able to successfully keep pace with these technological advances, its business may be adversely impacted.

In addition, the project of achieving a European capital markets union was launched by the European Commission as a plan to mobilise capital in Europe, being one of its main objectives to provide businesses with a greater choice of funding at lower costs and to offer new opportunities for savers and investors. These objectives are expected to be achieved by developing a more diversified financial system complementing bank financing with deep and developed capital markets, which may adversely affect the Group's business, financial condition and results of operations.

The Group faces risks related to its acquisitions and divestitures

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

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

The Group is party to a number of legal and regulatory actions and proceedings

The Issuer and its subsidiaries are involved in a number of legal and regulatory actions and proceedings, including legal claims and proceedings, civil and criminal regulatory proceedings, governmental investigations and proceedings, tax proceedings and other proceedings, in jurisdictions around the world, the final outcome of which is unpredictable, including in the case of legal proceedings where claimants seek unspecified or undeterminable damages, or where the cases argue novel legal theories, involve a large number of parties or are at early stages of discovery or investigation.

Legal and regulatory actions and proceedings against financial institutions have been on the rise in Spain and other jurisdictions where the Group operates over the last decade, fuelled in part by certain recent consumer-friendly rulings. In certain instances, these rulings were as a result of appeals made to national or supranational courts (such as the European Court of Justice). Legal and regulatory actions and proceedings faced by the Group include legal proceedings brought by clients before Spanish and European courts in relation to mortgage loan agreements in which claimants seek that certain provisions of such agreements be declared null and void (including provisions concerning fees and other expenses, early termination, the use of certain interest rates indexes and the use of “floor” clauses limiting the interest rates in mortgages loans). Legal and regulatory actions and proceedings faced by other financial institutions on these or other matters, especially if such actions or proceedings result in consumer-friendly rulings, could also adversely affect the Group. The Group is also involved in antitrust investigations in certain countries which could give rise to sanctions or lead to lawsuits from clients or other persons. For example, in April 2017, the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica (COFECE)*) launched an antitrust investigation relating to alleged monopolistic practices of certain financial institutions, including the Issuer’s subsidiary BBVA Bancomer, in connection with transactions in Mexican government bonds. The Mexican Banking and Securities Exchange Commission (*Comisión Nacional Bancaria y de Valores (CNBV)*) also initiated a separate investigation on this matter. In March 2018, BBVA Bancomer and certain other affiliates of the Group were named as defendants in a putative class action lawsuit filed in the United States District Court for the Southern District of New York, alleging that the defendant banks and their named subsidiaries engaged in collusion with respect to the purchase and sale of Mexican government bonds. The plaintiffs seek unspecified monetary relief.

The outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, in connection with such matters the Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; regulatory restrictions on the Group’s business operations including the withdrawal of authorisations; changes in business practices; increased regulatory compliance requirements; the suspension of operations; public reprimands; the loss of significant assets or business; a negative effect on the Group’s reputation; loss of confidence by investors, counterparties, customers and clients; risk of credit rating agency downgrades; a potential negative impact on the availability and cost of funding and liquidity; and the dismissal or resignation of key individuals. There is also a risk that the outcome of any legal or regulatory actions or proceedings in which the Group is involved may give rise to changes in laws or regulations as part of a wider response by relevant lawmakers and regulators. A decision in any matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group. In addition, responding to the demands of litigation may divert management’s time and attention and the Group’s financial resources. Moreover, where provisions have already been taken in connection with an action or proceeding, such provisions could prove to be inadequate.

As a result of the above, legal and regulatory actions or proceedings currently faced by the Group, or which it may become subject to in the future, individually or in the aggregate, if resolved in whole or in part adversely to the Group could have a material adverse effect on the Group’s business, financial condition and results of operations.

RISK FACTORS

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

The Group operates commercial banks and insurance and other financial services companies in various countries and its overall success as a global business depends upon its ability to succeed in differing economic, social and political conditions. The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. See “—Legal, Regulatory and Compliance Risks—Local regulation may have a material effect on the Issuer's business, financial condition, results of operations and cash flows”. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation or expropriation of assets. The Group's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, political risk which may be particular to foreign investors and limitations on the distribution of dividends.

The Group's structural exchange-rate risk exposure level has remained fairly stable since the end of 2016. The hedging policy is intended to keep low levels of sensitivity to movements in the exchange rates of emerging currencies against the euro and is mainly focused on the Mexican peso and Turkish lira.

The Group's presence in locations such as the Latin American markets or Turkey requires it to respond to rapid changes in market conditions in these countries and exposes the Group to increased risks relating to emerging markets. See “—Macroeconomic Risks—The Group may be materially adversely affected by developments in the emerging markets where it operates”. There can be no assurance that the Group will succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

Financial, Reporting and Other Operational Risks

The Group's financial results, regulatory capital and ratios may be negatively affected by changes to accounting standards

The Group reports its results and financial position in accordance with the EU-IFRS (as defined above) required to be applied under the Bank of Spain's Circular 4/2004, which has been replaced by the Bank of Spain's Circular 4/2017 of 27th November, on Public and Confidential Financial Reporting Rules and Formats (**Circular 4/2017**), for financial statements as of 1st January, 2018 and thereafter, and in compliance with IFRS-IASB. Changes to IFRS or interpretations thereof may cause the Group's future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect the Group's regulatory capital and ratios. The Group monitors potential accounting changes and, when possible, the Group determines their potential impact and disclose significant future changes in the Group's financial statements that it expects as a result of those changes. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact the Group's reported results, financial position and regulatory capital in the future. In particular, IFRS 9 requires the Group to record credit losses on loans at inception net of expected loss basis instead of recording credit losses on an incurred loss basis.

Weaknesses or failures in the Group's internal or outsourced 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 by Group employees or against Group companies, are present in the Group's businesses. These businesses are dependent on processing and reporting accurately and efficiently a

RISK FACTORS

high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness in these internal processes, systems or security could have an adverse effect on the Group's results, the reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period. In addition, any breach in security of the Group's systems could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure for the Group. Although the Group devotes significant resources to maintain and regularly update its processes and systems that are designed to protect the security of its systems, software, networks and other technology assets, there is no assurance that all of its security measures will provide absolute security. Furthermore, the Group has outsourced certain functions (such as the storage of certain information) to third parties and, as a result, it is dependent on the adequacy of the internal processes, systems and security measures of such third parties. Any actual or perceived inadequacies, weaknesses or failures in the Group's systems, processes or security or the systems, processes or security of such third parties could damage the Group's reputation (including harming customer confidence) or could otherwise have a material adverse effect on its business, financial condition and results of operations.

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

Banks and their activities are increasingly dependent on highly sophisticated information technology (IT) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Issuer, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned.

Furthermore, the Group is under continuous threat of loss due to cyber-attacks, especially as it continues to expand customer capabilities to utilise internet and other remote channels to transact business. Two of the most significant cyber-attack risks that it faces are e-fraud and breach of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customers' or the Group's accounts. A breach of sensitive customer data, such as account numbers, could have a significant reputational impact and significant legal and/or regulatory costs for the Group.

Over the past few years, there have been a series of distributed denial of service attacks on financial services companies. Distributed denial of service attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. Generally, these attacks have not been conducted to steal financial data, but meant to interrupt or suspend a company's internet service. While these events may not result in a breach of client data and account information, the attacks can adversely affect the performance of a company's website and in some instances have prevented customers from accessing the Issuer's website. Distributed denial of service attacks, hacking and identity theft risks could cause serious reputational harm. Cyber threats are rapidly evolving and the Group may not be able to anticipate or prevent all such attacks. The Group's risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, its plans to continue to provide internet banking and mobile banking channels, and its plans to develop additional remote connectivity solutions to serve its customers. The Group may incur increasing costs in seeking to minimise these risks and could be held liable for any security breach or data loss.

Additionally, fraud risk may increase as the Issuer and its subsidiaries offer more products online or through mobile channels.

In addition to costs that may be incurred as a result of any failure of its IT systems, the Issuer could face fines from bank regulators if it fails to comply with applicable banking or reporting regulations as a result of any such IT failure or otherwise.

The Group faces security risks, including denial of service attacks, hacking, social engineering attacks targeting its colleagues and customers, malware intrusion or data corruption attempts, and identity theft

RISK FACTORS

that could result in the disclosure of confidential information, adversely affect its business or reputation, and create significant legal and financial exposure

The Group's computer systems and network infrastructure and those of third parties, on which it is highly dependent, are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. The Group's business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in its computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access the Group's network, products and services, its customers and other third parties may use personal mobile devices or computing devices that are outside of its network environment and are subject to their own cybersecurity risks.

The Group, its customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in the Group's systems or the systems of third parties or other security breaches that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Group, its employees, its customers or of third parties, damage its systems or otherwise materially disrupt the Group's or its customers' or other third parties' network access or business operations. As cyber threats continue to evolve, the Group may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of the Group's systems and implement controls, processes, policies and other protective measures, the Group may not be able to anticipate all security breaches, nor may it be able to implement guaranteed preventive measures against such security breaches and the measures implemented by the Group may not be sufficient. Cyber threats are rapidly evolving and the Group may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organisations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as the Group continues to increase its mobile-payment and other internet-based product offerings and expand its internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organised crime affiliates, terrorist organisations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of the Group's systems to disclose sensitive information in order to gain access to its data or that of its clients. Persistent attackers may succeed in penetrating the Issuer's or its subsidiaries' defences given enough resources, time, and motive. The techniques used by cyber criminals change frequently, may not be recognised until launched and may not be recognised until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorised vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to the Group's data may not be disclosed to it in a timely manner.

The Group also faces indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom it does business or upon whom it relies to facilitate or enable its business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Group. This consolidation, interconnectivity and complexity increase the risk of operational

RISK FACTORS

failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect the Group's ability to effect transactions, service its clients, manage its exposure to risk or expand its business.

Cyber-attacks or other information or security breaches, whether directed at the Group or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on its systems has been successful, whether or not this perception is correct, may damage the Group's reputation with customers and third parties with whom it does business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause the Group serious negative consequences, including loss of customers and business opportunities, significant business disruption to its operations and business, misappropriation or destruction of its confidential information and/or that of its customers, or damage to the Group's or its customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in the Group's security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact the Group's results of operations, liquidity and financial condition.

The Group could be the subject of misinformation

The Group may be the subject of intentional misinformation and misrepresentations deliberately propagated to harm the Group's reputation or for other deceitful purposes. Such misinformation could also be propagated by profiteering short sellers seeking to gain an illegal market advantage by spreading false information concerning the Group. Despite whatever measures may be implemented at any time by the Group to address any such misinformation, no assurance can be provided that the Group will be able to effectively neutralise and contain any false information that may be propagated regarding the Group, which could have an adverse effect on the Group's business, financial condition and results of operations.

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

The preparation of financial statements in accordance with IFRS-IASB requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include impairment of certain financial assets, the assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments, the useful life and impairment losses of tangible and intangible assets, the valuation of goodwill and purchase price allocation of business combinations, the fair value of certain unlisted financial assets and liabilities, the recoverability of deferred tax assets and the exchange rate and the inflation rate of countries in which certain subsidiaries operate. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse effect on the Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

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

RISKS RELATED TO EARLY INTERVENTION AND RESOLUTION

The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) and the SRM Regulation are designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in failing or likely to fail credit institutions or investment firms (each an **institution**) so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a Member State as a last resort, after having assessed and utilised the resolution tools set out below to the maximum extent possible whilst maintaining financial stability.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). Any such determination that an institution is failing or likely to fail may depend on a number of factors which may be outside of that institution's control.

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

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Spanish Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Spanish Resolution Authority shall be in the following order: (i) CET1 items; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments (including Tier 2 Subordinated Notes); (iv) the principal amount of other subordinated claims that are not Additional Tier 1 capital or Tier 2 capital (such as Senior Subordinated Notes); (v) the principal or outstanding amount of the remaining eligible liabilities in the order of the hierarchy of claims in normal insolvency proceedings (with senior non-preferred claims (*créditos ordinarios no preferentes*) (such as Senior Non-Preferred Notes) subject to the Spanish Bail-in Power after any subordinated claims (*créditos subordinados*) of the Issuer under Article 92 of the Insolvency Law (as defined in Condition 3(d)) but before the other senior claims of the Issuer (including Senior Preferred Notes)).

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Tier 2 Subordinated Notes at the point of non-viability (**Non-Viability Loss Absorption**

and, together with the Spanish Bail-in Power, the **Spanish Statutory Loss-Absorption Powers**) of an institution or its group. The point of non-viability of an institution is the point at which the Relevant Spanish Resolution Authority determines that the institution meets the conditions for resolution or the institution or group is failing or likely to fail unless the relevant capital instruments (such as the Tier 2 Subordinated Notes) are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Spanish Resolution Authority determines that the institution or its group is failing or likely to fail. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Spanish Resolution Authority in accordance with article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

Any application of the Spanish Statutory Loss-Absorption Powers shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by Applicable Banking Regulations (as defined in Condition 3(d)). Accordingly, the impact of such application on Noteholders will depend on the ranking of the relevant Notes in accordance with such hierarchy, including any priority given to other creditors such as depositors.

To the extent that any resulting treatment of Noteholders pursuant to the exercise of the Spanish Statutory Loss-Absorption Powers (except as indicated below with respect to Non-Viability Loss Absorption) is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a Noteholder may have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations (including, among other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Noteholder for the losses it has actually incurred and, in any event, there is likely to be a considerable delay in the recovery of such compensation. In addition, in the case of Non-Viability Loss Absorption effected prior to entry into resolution, there is uncertainty as to whether Noteholders would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Noteholder pursuant to the exercise of Non-Viability Loss Absorption was less favourable than would have been the case under such hierarchy in normal insolvency proceedings.

The powers set out in the BRRD as implemented through Law 11/2015 and RD 1012/2015 and the SRM Regulation impact how credit institutions and investment firms are managed, as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, upon any application of the Spanish Bail-in Power and, in the case of Tier 2 Subordinated Notes, Non-Viability Loss Absorption, holders of Notes may be subject to, among other things, a write-down (including to zero) and/or conversion into equity or other securities or obligations of such Notes. The exercise of any such powers (or any of the other resolution powers and tools) may result in such Noteholders losing some or all of their investment or otherwise having their rights under such Notes adversely affected. Such exercise could also involve modifications to, or the disapplication of, provisions in the terms and conditions of the Notes, including, among other provisions, the principal amount or any interest payable on the Notes, or the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of the Spanish Bail-in Power with respect to the Notes and/or Non-Viability Loss Absorption (in the case of Tier 2 Subordinated Notes) or the taking by the relevant Spanish Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The exercise of the Spanish Bail-in Power and/or (in the case of Tier 2 Subordinated Notes) Non-Viability Loss Absorption by the Relevant Spanish Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Issuer's control. In addition, as the Relevant Spanish Resolution Authority will retain a broad element of discretion and may exercise any of its powers without any prior notice to the holders of the Notes. Holders of the Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such

RISK FACTORS

Spanish Bail-in Power and/or (in the case of Tier 2 Subordinated Notes) Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Spanish Resolution Authority may occur.

This uncertainty may adversely affect the value of the Notes. The price and trading behaviour of the Notes may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Spanish Resolution Authority may exercise any such powers without providing any advance notice to the holders of the Notes.

In addition, the EBA has published certain regulatory technical standards and implementing technical standards to be adopted, if applicable, by the European Commission and certain other guidelines. These standards and guidelines could be potentially relevant to determining when or how a Relevant Spanish Resolution Authority may exercise the Spanish Bail-in Power and impose Non-Viability Loss Absorption. This includes guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital instruments, and on the rate of conversion of debt to equity or other securities or obligations in any bail-in. No assurance can be given that these standards and guidelines will not be detrimental to the rights of a Noteholder under, and the value of a Noteholder's investment in, the Notes.

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

The Issuer may be subject to a procedure of early intervention or resolution pursuant to the BRRD as implemented through Law 11/2015 and RD 1012/2015 and the SRM Regulation if the Issuer or its group of consolidated credit entities is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or the conditions for resolution referred to above are met (see *“The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes”*).

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

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any early intervention or resolution procedure will, therefore, be subject to the relevant provisions of the BRRD, Law 11/2015 and the SRM Regulation in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see *“The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes”*). Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and the SRM Regulation. There can be no assurance that the taking of any such action (or any threat or suggestion that such action may be taken) 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 to satisfy its obligations under the Notes and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

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

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

An optional redemption feature (including any redemption of the Notes (i) for tax reasons pursuant to Condition 6(b), (ii) upon the occurrence of an Eligible Liabilities Event pursuant to Condition 6(d) (other than in the case of Senior Preferred Notes where Eligible Liabilities Event has been specified as not applicable in the applicable Final Terms) and (iii) in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Event pursuant to Condition 6(e) (Eligible Liabilities Event and Capital Event each having the meanings given in Conditions 6(d) and 6(e), respectively)) may limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or the application or binding official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or, as applicable, any prior consent of the Regulator required for such redemption will be given.

The conversion of the interest basis from a fixed rate to a floating rate, or vice versa, may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as such change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes or Fixed Reset Notes which reference LIBOR, and other regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

On 27th July, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the

RISK FACTORS

administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

In addition to this announcement in relation to LIBOR, there have been other recent national and international regulatory guidance and proposals for reform of interest rates and indices which are deemed to be “benchmarks”, including LIBOR and EURIBOR. Some of these reforms are already effective whilst others are still to be implemented. These reforms could include, among other things, reforms to other “benchmarks” similar to those reforms announced in relation to LIBOR, and any such reforms may cause such “benchmarks” to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, any Floating Rate Notes, Fixed Reset Notes or any other Notes which are linked to or reference a “benchmark”.

The Benchmarks Regulation was published in the Official Journal of the EU on 29th June, 2016 and applies from 1st January, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international or national reforms (including those announced in relation to LIBOR and the application of any similar reforms to other “benchmarks”), or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark”; or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

Investors should be aware that in the case of Floating Rate Notes and Fixed Reset Notes, the Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published Benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR or other relevant reference rates ceases to exist or be published or another Benchmark Event occurs. These fallback arrangements include the possibility that the Rate of Interest could be determined, without any separate consent or approval of the Noteholders, by reference to a Successor Rate or an Alternative Rate and that an Adjustment Spread may be applied to such Successor Rate or Alternative Rate to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant benchmark or screen rate (as applicable) originally specified with the Successor Rate or the Alternative Rate (as the case may be), together with the making of certain Benchmark Amendments to the Terms and Conditions of such Notes, all as determined in the sole discretion of the Calculation Agent (acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser).

RISK FACTORS

Further, no Successor Rate, Alternative Rate or Adjustment Spread may be adopted, nor any other amendment to the Terms and Conditions of any Series of Notes may be made to effect any Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Notes as Tier 2 capital or eligible liabilities for the purposes of Article 45 of the BRRD, in each case of the Issuer or the Group, as applicable. If the Issuer or an affiliate of the Issuer is appointed as Calculation Agent, then depending on the circumstances in which any such discretion is required to be exercised, such exercise could present the Issuer or such affiliate with a conflict of interest.

In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period or Reset Period (as the case may be) may result in the Rate of Interest for the last preceding Interest Period or Reset Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Fixed Reset Notes, the application of the Reset Rate for a preceding Reset Period or the initial Rate of Interest applicable to such Notes on the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of any Successor Rate or Alternative Rate and the involvement of the Calculation Agent and any Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value or liquidity of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Fixed Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Fixed Reset Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes or Fixed Reset Notes.

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

Fixed Reset Notes will initially bear interest at the Initial Interest Rate (as specified in the applicable Final Terms) until (but excluding) the Reset Date (as specified in the applicable Final Terms). On the Reset Date and each Subsequent Reset Date (as specified in the applicable Final Terms) (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Reset Margin (each as specified in the applicable Final Terms) as determined by the Principal Paying Agent on the relevant Reset Determination Date (as defined in Condition 4(b)) (each such interest rate, a **Subsequent Reset Rate**). The Subsequent Reset Rate for any Reset Period could be less than the Initial Interest Rate or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Reset Notes.

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

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

The qualification of the Senior Preferred Notes, Senior Non-Preferred Notes or Senior Subordinated Notes as eligible liabilities of the Issuer or the Group is subject to uncertainty

The Senior Preferred Notes, Senior Non-Preferred Notes and Senior Subordinated Notes may be issued with the intention of being eligible for inclusion in the amount of eligible liabilities of the Issuer and/or the Group under Applicable Banking Regulations. However, there is uncertainty regarding the final form of Applicable Banking Regulations insofar as such eligibility is concerned and how those regulations are to be interpreted and applied. The Issuer cannot provide any assurance that any Senior Preferred Notes, Senior Non-Preferred Notes or Senior Subordinated Notes will be (or thereafter will remain) eligible liabilities of the Issuer and/or the Group.

While the terms and conditions of the Senior Preferred Notes, Senior Non-Preferred Notes and Senior Subordinated Notes may be consistent with the Draft EU Banking Reforms (as defined in Condition 6(d)), the Draft EU Banking Reforms have not yet been implemented and when finally adopted the final Applicable Banking Regulations may be different from those set forth in the Draft EU Banking Reforms. Because of the uncertainty surrounding any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that any Senior Preferred Notes, Senior Non-Preferred Notes or Senior Subordinated Notes will ultimately be (or thereafter remain) eligible liabilities of the Issuer and/or the Group. If an Eligible Liabilities Event occurs, the Issuer may redeem or substitute and vary the terms of those Notes at its option in accordance with Conditions 6(d) and 15(b). See "*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*" above.

Claims of Holders under the Senior Notes are effectively junior to those of certain other creditors and claims of Holders under the Senior Non-Preferred Notes are further junior to those of other senior creditors

The Senior Notes and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and, upon the insolvency (*concurso de acreedores*) of the Issuer, in accordance with and to the extent permitted by the Insolvency Law and other applicable laws relating to or affecting the enforcement of creditors' rights in Spain (including, without limitation, Additional Provision 14.2 of Law 11/2015), the payment obligations of the Issuer under the Senior Notes with respect to claims for principal (which claims will constitute ordinary claims) will rank: (a) in the case of Senior Preferred Notes: (i) junior to any (A) privileged claims (*créditos privilegiados*) (which shall include, among other claims, any claims in respect of deposits for the purposes of Additional Provision 14.1 of Law 11/2015) and (B) claims against the insolvency estate (*créditos contra la masa*); (ii) *pari passu* without any preference or priority among themselves and with all other Senior Preferred Obligations; and (iii) senior to (A) any Senior Non-Preferred Obligations; and (B) all subordinated claims (*créditos subordinados*) of the Issuer, present and future; and (b) in the case of Senior Non-Preferred Notes: (i) junior to any (A) privileged claims (*créditos privilegiados*); (B) claims against the insolvency estate (*créditos contra la masa*); and (C) Senior Preferred Obligations; (ii) *pari passu* with all other Senior Non-Preferred Obligations; and (iii) senior to all subordinated claims (*créditos subordinados*) of the Issuer, present and future. Terms used in this paragraph have the meanings given in Condition 3(d).

Upon insolvency, the obligations of the Issuer under the Senior Notes will also be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of, or the proceeds realised from, the assets securing such indebtedness. The Senior Notes are further structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the Issuer to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

Moreover, the BRRD, Law 11/2015 and the SRM Regulation contemplate that Senior Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority. This may involve the variation of the terms of the Senior Notes or a change in their form, if necessary, to give effect to, the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority. See "*Risks related to Early Intervention and Resolution —The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*".

An investor in Subordinated Notes and Senior Non-Preferred Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency or resolution

The Issuer's obligations under the Subordinated Notes will be subordinated and unsecured and, upon the insolvency of the Issuer, will rank junior to all unsubordinated obligations of the Issuer and other obligations that rank senior under Spanish law. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater risk that an investor in Subordinated Notes

will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (including, in the case of Tier 2 Subordinated Notes, Non-Viability Loss Absorption) or (ii) insolvent.

In the case of any exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority, the sequence of any resulting write-down or conversion of the Notes under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for Tier 2 Subordinated Notes (for so long as the obligations of the Issuer in respect of the Tier 2 Subordinated Notes constitute a Tier 2 Instrument of the Issuer) to be written-down or converted into equity or other securities or obligations prior to Senior Subordinated Notes and for Senior Subordinated Notes to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of any Senior Notes and any other relevant unsubordinated obligations of the Issuer (and for Senior Non-Preferred Notes to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of any Senior Preferred Notes). In addition, Tier 2 Subordinated Notes may be subject to Non-Viability Loss Absorption, which may be imposed prior to or in combination with any exercise of the Spanish Bail-in Power.

While any such write-down or conversion of the Notes and any other such obligations of the Issuer shall be implemented in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by Applicable Banking Regulations), even if grounds for compensation could be established, compensation may not be available under the BRRD to any holders of capital instruments subject to any write-down or conversion and even if available would only take the form of shares, other securities or other obligations of the Issuer, the Group or another person. See *“Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes”*.

Senior Non-Preferred Notes, Subordinated Notes and certain Senior Preferred Notes may not be redeemed prior to maturity at the option of Noteholders, including in the event of non-payment of principal or interest and the redemption of the Notes may be subject to certain conditions

Pursuant to the CRR, the Issuer is prohibited from including in the terms and conditions of any Tier 2 Subordinated Notes terms that would oblige it to redeem such Tier 2 Subordinated Notes prior to their stated maturity at the option or request of holders of the Tier 2 Subordinated Notes. Additionally, in accordance with Article 45 of the BRRD, Article 38 of RD 1012/2015 and the EU Banking Reforms, terms of instruments (including Senior Preferred Notes, Senior Non-Preferred Notes and Senior Subordinated Notes) that provide for any early redemption of that instrument at the option of the holder could limit its eligibility for MREL purposes. As a result, the terms and conditions of the Senior Preferred Notes, the Senior Non-Preferred Notes and the Senior Subordinated Notes may not include provisions allowing for early redemption of such Notes at the option of Noteholders. Furthermore, unless otherwise specified in the applicable Final Terms, in the case of Senior Preferred Notes only, Noteholders will not have any rights under the terms and conditions of such Notes to request the early redemption of the relevant Notes in the event of any failure by the Issuer to comply with its obligations under the Notes (including, without limitation, any obligation to pay principal or interest in respect of such Notes). See Condition 9.

Articles 77 and 78 of the CRR set out the conditions for the redemption of Tier 2 Subordinated Notes, which include the prior consent of the Regulator. Such consent will be given only if either of the following conditions is met:

- (i) on or before such redemption of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with instruments qualifying as Tier 2 capital of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the Regulator that its Tier 1 capital and Tier 2 capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.

RISK FACTORS

Similar conditions to the redemption of any Notes eligible for MREL purposes are also contemplated under the EU Banking Reforms.

It is not possible to predict whether the relevant circumstances in which the Issuer may be able to elect to redeem any such Notes will occur, including whether any prior consent of the Regulator required for such redemption will be given, and if so whether or not the Issuer will elect to exercise any option to redeem the Notes. Accordingly, no assurance can be given as to any possible redemption at any time of any Senior Non-Preferred Notes, Subordinated Notes and any applicable Senior Preferred Notes. See also “*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*” above.

The terms of the Notes contain a waiver of set-off rights

No holder of any Notes may at any time exercise or claim any Waived Set-Off Rights (as defined in Condition 3(d)) against any right, claim or liability of the Issuer or that the Issuer may have or acquire against such holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind, whether or not relating to such Notes).

The terms and conditions of the Notes provide that holders of the Notes shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. As a result, those Noteholders will not at any time be entitled to set-off the Issuer’s obligations under such Notes against obligations owed by them to the Issuer.

Risks relating to Notes denominated in Renminbi

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

Renminbi is not completely freely convertible, there are still significant restrictions on remittance of Renminbi into and out of the PRC and the liquidity of investments in Renminbi Notes is subject to such restrictions

Renminbi is not completely freely convertible as of the date of this Offering Circular. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong and a number of other jurisdictions (the **Applicable Jurisdictions**) have been permitted to engage in the settlement of current account trade transactions in Renminbi however, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are (as of the date of this Offering Circular) being developed.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further implementing accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by The People’s Bank of China (the **PBoC**) in 2018, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future that have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

RISK FACTORS

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

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

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

There are restrictions imposed by the PBoC on Renminbi business participating banks in relation to cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

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

An investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change and others that may be implemented, may increase the volatility in the value of Renminbi against other currencies. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms, and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other applicable foreign currencies, then the value of an investor's investment in Renminbi Notes in terms of the U.S. dollar or other applicable foreign currency will decline.

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

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. If a Renminbi Note carries a fixed interest rate, then the trading price of such Renminbi Notes will vary with fluctuations in Renminbi interest rates. If an investor in

RISK FACTORS

Renminbi Notes tries to sell such Renminbi Notes before their maturity then they may receive an offer that is less than the amount invested.

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

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of Renminbi Notes will be made solely: (i) for so long as Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**), by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in Condition 5(h), the Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

The application of the net proceeds of SDG Notes as described in “*Use of Proceeds*” may not meet investor expectations or be suitable for an investor’s investment criteria

Prospective investors in any Notes where the “*Reasons for the Offer*” in Part B of the applicable Final Terms are stated to be for “green”, “social” or “sustainability” purposes as described in “*Use of Proceeds*” below (**Green Notes, Social Notes or Sustainability Notes**, respectively, and, together, **SDG Notes**), should have regard to the information in “*Use of Proceeds*” regarding the use of the net proceeds of those SDG Notes and must determine for themselves the relevance of such information for the purpose of any investment in such SDG Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Dealers that the use of such proceeds for any Sustainability Projects (as defined in the “*Use of Proceeds*” section below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green”, “social” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “social” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Sustainability Projects will meet any or all investor expectations regarding such “green”, “social” or “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Sustainability Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any SDG Notes and in particular with any Sustainability Projects to fulfil any environmental, social, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such SDG Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in such SDG Notes. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

RISK FACTORS

In the event that any SDG Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “social” or “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such SDG Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the SDG Notes.

While it is the intention of the Issuer to apply the net proceeds of any SDG Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*”, there can be no assurance that the Issuer will be able to do this. Nor can there be any assurance that any Sustainability Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply the net proceeds of any issue of SDG Notes for any Sustainability Projects or to obtain and publish any such reports, assessments, opinions and certifications, will not constitute an event of default under the relevant SDG Notes or give rise to any other claim of a holder of such SDG Notes against the Issuer. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such SDG Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such SDG Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

RISKS RELATED TO NOTES GENERALLY

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

Spanish tax rules

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

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

- (i) identification of the securities;
- (ii) payment date;
- (iii) total amount of income paid on the relevant date; and
- (iv) 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.

RISK FACTORS

In accordance with Article 44.5 of RD 1065/2007 the relevant 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 obliged to provide the declaration fail to do so, the Issuer or the Paying Agent on its behalf will make a withholding at the general rate of 19 per cent.

If, before the tenth day of the month following the month in which interest is paid, the obliged entity provides the statement, the Issuer will reimburse the amounts withheld.

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

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 Noteholders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on interest payments in respect of the Notes if the Noteholders do not comply with such information procedures.

General

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and none of the Issuer 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 Noteholders 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 Noteholders do not comply with such information procedures.

The conditions of the Notes contain provisions which may permit their modification by defined majorities or without any separate consent or approval of the Noteholders

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

If an Eligible Liabilities Event or a Capital Event, as applicable, occurs and is continuing, the Issuer may substitute or modify the terms of the Notes, without any separate consent or approval of the Noteholders, so that the Notes once again become or remain Qualifying Notes (as defined in Condition 15(b)), provided that any variation in the terms of the Notes resulting from such substitution or modification is not materially prejudicial to the interests of the Noteholders. In the case of any Notes governed by English law pursuant to Condition 19, any change in the governing law of such Notes from English law to Spanish law so that the Notes become again or remain Qualifying Notes shall be deemed not to be prejudicial to the interests of the Noteholders. See Condition 15(b).

There can be no assurance as to how the terms of any Qualifying Notes resulting from any such substitution or modification will be viewed by the market or whether any such Qualifying Notes will trade at prices that are at least equivalent to the prices at which the Notes would have traded on the basis of their original terms.

In addition, the Issuer will not be under any obligation to have regard to the tax position of any Noteholders in connection with any such substitution or modification of the Notes or to the tax consequences of any such substitution or modification for individual Noteholders. No Noteholder shall be entitled to claim any indemnification or payment from or have any other recourse to the Issuer or any other person, in respect of any tax or other consequences of any such substitution or modification for that Noteholder.

RISK FACTORS

Substitution of the Issuer

If the conditions set out in Condition 17 of the Notes are met, the Issuer may, without any separate consent or approval of the Noteholders, substitute in its place another company incorporated anywhere in the world as the principal debtor in respect of all obligations arising under or in connection with the Notes (the **Substituted Debtor**). In that case, the Noteholders will assume the risk that the Substituted Debtor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. No Noteholder shall be entitled to claim any indemnification or payment from or have any other recourse to the Issuer, in respect of any tax or other consequences of any such substitution for that Noteholder.

The rights of Noteholders could be adversely affected by a change in Spanish law, English law or administrative practice

The Conditions of the Notes are based on English law and Spanish law, as applicable, in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the rights of any Noteholders.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

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

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

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

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

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the 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 the market price of the Notes may be subject to factors outside of the Issuer's control, all of which could 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 an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be

RISK FACTORS

adversely affected. If a market does develop, it may not be very liquid. The market price of the Notes could also be affected by market conditions more generally and other factors outside of the Issuer's control and unrelated to the Group's business, financial condition and results of operations. Therefore, investors may not be able to sell their Notes at a particular time or may not be able to sell their Notes at a favourable price.

Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market, 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. The liquidity of any market for the Notes will depend on a number of factors including:

- the number of holders of the Notes;
- the Issuer's ratings published by major credit rating agencies;
- the Issuer's financial performance;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

No assurance can be given that an active market for the Notes will develop or, if developed, that it will continue.

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 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 and/or the Specified 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 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 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 (including on an unsolicited basis). The ratings may not reflect the potential impact of all risks related to structure and market

RISK FACTORS

of the Notes and additional factors discussed above and do not address the price, if any, at which the Notes may be resold prior to maturity (which may be substantially less than the original offering prices of the Notes) and other factors that may affect the value of the Notes. However, real or anticipated changes in the Issuer's credit ratings or the credit ratings of the Notes will generally affect the market value of the Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with similar structures to the Notes, as opposed to any revaluation of the Issuer's financial strength or other factors such as conditions affecting the financial services industry generally.

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.

The Issuer does not participate in any decision making of the rating agencies and any revision or withdrawal of any credit rating assigned to the Issuer or any Notes is a third party decision for which the Issuer does not assume any responsibility.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Form 20-F of the Issuer, for the financial year ended 31st December, 2017 as filed with the SEC on 5th April, 2018 (which includes on pages F-1 and F-2 thereof the auditor's report and on pages F-3 to F-289 thereof, the Consolidated Financial Statements) (available at: <https://www.sec.gov/Archives/edgar/data/842180/000084218018000006/d20f2017f.htm>);
- (b) the section entitled “Alternative Performance Measures (APMs)” set out on pages 86 to 91 (inclusive) of the Management Report 2017 included in the Group’s Consolidated Financial Statements (and the Auditors’ Report thereon) and Management Report (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/03/BBVA_Group_Annual_Report_2017_Version_WEB.pdf);
- (c) the tables on pages 5 and 6 of the Group’s quarterly report for January to June 2018 (the **Second Quarter Report**) headed “Consolidated income statement: quarterly evolution” and “Consolidated income statement”, respectively (available at: [<https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/InformeTrimestral1T18-ENG.pdf>]);
- (d) the table on page 12 of the Second Quarter Report headed “Consolidated balance sheet”;
- (e) the provisional information on capital base set out under the heading “Capital base” in the table on page 14 of the Second Quarter Report;
- (f) the audited stand-alone financial statements of the Issuer as at and for the year ended 31st December, 2017 (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/03/BBVA_Annual_Report_2017_WEB.pdf);
- (g) the audited stand-alone financial statements of the Issuer as at and for the year ended 31st December, 2016 (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/05/CuentasAnualesConsolidadasBBVA2016_tcm927-643412.pdf);
- (h) the terms and conditions of the Notes contained in the previous Offering Circular dated 17th July, 2017, pages 63 to 102 (inclusive) (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/09/Offering_Circular_17072017_tcm926-6688651.pdf);
- (i) the terms and conditions of the Notes contained in the previous Offering Circular dated 25th November, 2016, pages 60 to 96 (inclusive) (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/01/OfferingCircular25112016_tcm926-630659.pdf); and
- (j) the terms and conditions of the Notes contained in the previous Offering Circular dated 18th December, 2015, pages 59 to 94 (inclusive) (available at: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/01/OfferingCircular18122015_tcm926-555661.pdf).

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any

RISK FACTORS

statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Physical copies of documents incorporated by reference in this Offering Circular can be obtained from the Issuer at Calle Azul, 4, 28050, Madrid, Spain and at the principal office in England of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom for Notes admitted to the Official List.

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

Any non-incorporated parts of a document referred to herein are either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) covered elsewhere in this Offering Circular.

The contents of any website (except for the documents incorporated by reference into this Offering Circular to the extent set out on any such website) referenced in this Offering Circular do not (and shall not be deemed to) form part of (and are not incorporated into) this Offering Circular.

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

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Directive 2003/71/EC. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Description:	Global Medium Term Note Programme
Issuer:	Banco Bilbao Vizcaya Argentaria, S.A. (BBVA)
Issuer Legal Entity Identifier (LEI):	K8MS7FD7N5Z2WQ51AZ71
Arranger:	UBS Limited
Dealers:	<p>Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc NATIXIS Nomura International plc Société Générale UBS Limited Wells Fargo Securities International Limited Wells Fargo Securities, LLC</p> <p>and any other Dealers appointed in accordance with the Programme Agreement.</p>
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”).
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Euro Registrar:	Deutsche Bank Luxembourg S.A.
U.S. Registrar and Paying Agent:	Deutsche Bank Trust Company Americas

Programme Size:	Up to €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement, subject to the restrictions set out under “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” below, and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	<p>Notes may be issued with:</p> <ul style="list-style-type: none">(a) any maturity greater than one month in the case of Senior Preferred Notes;(b) a minimum original maturity of one year in the case of Senior Non-Preferred Notes and Senior Subordinated Notes and, if intended to qualify as eligible liabilities of the Issuer or the Group for the purposes of Article 45 of the BRRD (as implemented in Spain and including any amendment or replacement of the relevant implementing provisions), Senior Preferred Notes, or such other minimum or maximum maturity as may be permitted or required from time to time by the Applicable Banking Regulation; and(c) a minimum original maturity of five years in the case of Tier 2 Subordinated Notes, or such other minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations, <p>each as indicated in the applicable Final Terms.</p> <p>Notes may otherwise be issued with such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.</p>
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in either bearer or registered form and, may be issued in NGN form as described in “ <i>Form of the Notes</i> ”. Notes issued in registered form may be held under the New Safekeeping Structure for registered global securities (the NSS) as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice-versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Fixed Reset Notes: The interest rate on Fixed Reset Notes will reset on each Reset Date by reference to the relevant Reset Margin and Mid-Swap Rate.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms.

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

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

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

Benchmark Discontinuation: On the occurrence of a Benchmark Event, the Calculation Agent may, subject to certain conditions, in accordance with Condition 4(d) and without any separate consent or approval of the Noteholders, determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments.

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

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or upon the occurrence of an Eligible Liabilities Event (other than in the case of Senior Preferred Notes where Eligible Liabilities Event has been specified as not applicable in the applicable Final Terms) or, in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Event) or that such Notes will be redeemable at the option of the Issuer and/or, except in the case of Tier 2 Subordinated Notes, the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

Notes may be redeemed prior to their original maturity only in

compliance with Applicable Banking Regulations (as defined in Condition 3(d)) then in force and, with the consent of the Regulator, if required. See Conditions 6(b) to 6(e).

Substitution and Variation

If an Eligible Liabilities Event or a Capital Event, as applicable, occurs and is continuing, the Issuer may, without any separate consent or approval of the Noteholders, substitute or modify the terms of the Notes, including changing the governing law of the Notes, so that the Notes once again become or remain Qualifying Notes. See Condition 15(b).

Denomination of Notes:

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

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

Taxation:

Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

According to RD 1065/2007 the Issuer is not obliged to withhold any tax amount provided that the simplified information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent, as described in “*Taxation – Tax Reporting Obligations of the Issuer*”.

For further information regarding the interpretation of RD 1065/2007 please refer to “*Risk Factors – Spanish tax rules*”.

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

Cross Default:

The terms of the Notes will not contain any cross default provision.

Negative Pledge:

The terms of the Notes will not contain a negative pledge provision.

Additional Events of Default:

The terms of Senior Preferred Notes will only contain the Additional Events of Default as provided in Condition 9(b) if so specified in the applicable Final Terms.

Status of the Notes:

The Notes may be either Senior Notes or Subordinated Notes. Senior Notes may be either Senior Preferred Notes or Senior Non-Preferred Notes. Subordinated Notes may be either Senior Subordinated Notes or Tier 2 Subordinated Notes. See Condition 3.

Substitution of the Issuer:	The terms and conditions of the Notes will contain provisions allowing for the substitution of the Issuer as principal debtor, without any separate consent or approval of the Noteholders, as more fully described in Condition 17.
Rating:	The Senior Preferred Notes issued under the Programme have been rated A- by S&P, A3 by Moody's and A- by Fitch. The Senior Non-Preferred Notes issued under the Programme have been rated BBB+ by S&P, Baa2 by Moody's and A- by Fitch. The Programme has Series of Notes issued that may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made for Notes issued under the Programme to be listed on Euronext Dublin.
Governing Law:	The terms and conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with either, English law or Spanish law as specified in the applicable Final Terms. In the case of Notes governed by English law, the provisions of Conditions 3 and 20 (and any non-contractual obligations arising out of or in connection with them) will be governed by, and shall be construed in accordance with, Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.
Selling Restrictions:	There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in Japan, the EEA (including Spain, the United Kingdom, Italy, Belgium and France), Hong Kong, the PRC, Singapore, the United States and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ").

FORM OF THE NOTES

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

Bearer Notes

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

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

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

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

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

FORM OF THE NOTES

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

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

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

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

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

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

Registered Notes

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

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

FORM OF THE NOTES

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

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

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

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

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

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

with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Issuer, as the case may be, may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

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

General

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

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

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the giving of a notice by a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to its securities account that it wishes to accelerate such Notes, then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and in the case of Notes governed by English law subject to the terms of a deed of covenant dated 18th December, 2015 and executed by the Issuer (the

FORM OF THE NOTES

Deed of Covenant) and in the case of Notes governed by Spanish law the terms of the Global Notes. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, **the PRIIPs Regulation**) for offering or selling Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

[MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, MiFID II)/**MiFID II**]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]]²

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes to be capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Singapore Monetary Authority (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]]³

Banco Bilbao Vizcaya Argentaria, S.A.
Issuer Legal Entity Identifier (LEI): K8MS7FD7N5Z2WQ51AZ71

Issue of [] []
under the €40,000,000,000
Global Medium Term Note Programme

PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the Offering Circular dated 2 August, 2018 [and the supplement[s] to it dated [] and

¹ Legend to be included on front of the Final Terms for all Senior Non-Preferred Notes and Subordinated Notes. In the case of Senior Preferred Notes, this legend should also be included if the Senior Preferred Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction in Part B, paragraph 7 of the Final Terms should be specified to be “Applicable”.

² Legend to be included on front of the Final Terms if one or more of the Managers/Dealers in relation to the Notes is a MiFID regulated entity.

³ Legend to be included on front of the Final Terms if the Notes do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

FORM OF FINAL TERMS

[] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of Euronext Dublin.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date. N.B. when using a post – 1 July 2012 approved Offering Circular to tap a previous issue under a pre – 1 July 2012 approved Offering Circular, the final terms in the post – 1 July 2012 Offering Circular will take a different form due to the more restrictive approach to final terms.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the Offering Circular dated [[17th July, 2017 and the supplements to it dated 25th April, 2017 and 30th April, 2018 which are incorporated by reference therein]/[25th November, 2016 and the supplements to it dated 1st February, 2017 and 28th April, 2017 which are incorporated by reference therein]/18th December, 2015]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated [[17th July, 2017 and the supplements to it dated 25th April, 2017 and 30th April, 2018 which are incorporated by reference therein]/[25th November, 2016 and the supplements to it dated 1st February, 2017 and 28th April, 2017 which are incorporated by reference therein]/18th December, 2015] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of Euronext Dublin.]

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

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

- | | | |
|----|--|--|
| 1. | Issuer: | Banco Bilbao Vizcaya Argentaria, S.A. |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with <i>[identify earlier Tranches]</i> on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 23 below, which is expected to occur on or about <i>[date]</i>][Not Applicable] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | [] |

- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (a) Specified Denomination[s]: []
- (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made) *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent)*
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
- (Applicable to Notes in definitive form)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [[specify]/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [[Specify date or for Floating rate notes]/Interest Payment Date falling in or nearest to [specify month and year]]⁴
9. Interest Basis: [[] per cent. Fixed Rate]
- [Fixed Reset Notes]
- [] month [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate][Zero Coupon][Not Applicable]
- (see paragraphs [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount

⁴ For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

FORM OF FINAL TERMS

11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs [14], [15], [16] and [17] below and identify there][Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(see paragraph [19]/[20] below)]
13. (a) Status of the Notes [Senior/Subordinated]
- (b) Status of Senior Notes: [Senior Preferred/Senior Non-Preferred/Not Applicable]
- (c) Status of Subordinated Notes: [Senior Subordinated/Tier 2 Subordinated/Not Applicable]
- (d) [Date [Board] approval for issuance of Notes obtained: []][Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [[] per cent. per annum payable in arrear on each Interest Payment Date]/[Not Applicable]
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[Not Applicable]⁵
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount]/[Not Applicable]⁶

⁵ For certain Renminbi-denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day".

⁶ For Renminbi denominated Fixed Rate Notes where the Interests Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY 0.005, being rounded upwards."

- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): ☐ per Calculation Amount payable on the Interest Payment Date falling ☐ in/on ☐ ☐ [Not Applicable]

[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]

- (e) Day Count Fraction: ☐ 30/360 or ☐ 30/360 (ISDA) ☐ Actual/Actual (ICMA) ☐ Actual/Actual (ISDA) ☐ Actual/365 (Fixed) ☐ [Not Applicable]

- (f) Determination Date(s): ☐ in each year ☐ [Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

(NB: This will need to be amended in the case of regular Interest Payment Dates which are not of equal duration)

15. Fixed Reset Note Provisions

☐ Applicable/Not Applicable

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Initial Interest Rate: ☐ per cent. per annum ☐ [payable ☐ annually/semi-annually/quarterly] in arrear on each Interest Payment Date]

- (b) Interest Payment Date(s): ☐ in each year up to and including the Maturity Date]

(Amend appropriately in the case of irregular coupons)

- (c) Fixed Coupon Amount to (but excluding) the Reset Date for Notes in definitive form (and in relation to Notes in global form see Conditions): ☐ per Calculation Amount/Not Applicable]

- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): ☐ per Calculation Amount payable on the Interest Payment Date falling ☐ in/on ☐ ☐ [Not Applicable]

- (e) Day Count Fraction: ☐ 30/360 or Actual/Actual (ICMA) ☐ Actual/365 (Fixed)⁷

- (f) Determination Date(s): ☐ in each year ☐ [Not Applicable]

(NB: Only relevant where Day Count Fraction is

⁷ Applicable to Renminbi-denominated Fixed Rate Notes.

Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

- (g) Reset Date: []
- (h) Subsequent Reset Date(s): [] [and []]
- (i) Reset Margin: [+/-][] per cent. per annum
- (j) Relevant Screen Page: []
- (k) Floating Leg Reference Rate: []
- (l) Floating Leg Screen Page: []
- (m) Initial Mid-Swap Rate: [] per cent. per annum (quoted on a[n annual/semi-annual basis])

16. Floating Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

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

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each

Interest Period if EURIBOR or euro LIBOR)

– Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) ISDA Determination: [Applicable/Not Applicable]

– Floating Rate Option: []

– Designated Maturity: []

– Reset Date: []

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)

(h) Linear Interpolation: [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation(*specify for each short or long interest period*)]

(i) Margin(s): [+/-] [] per cent. per annum

(j) Minimum Rate of Interest: [] per cent. per annum

(k) Maximum Rate of Interest: [] per cent. per annum

(l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360 or Eurobond Basis]
[30E/360 (ISDA)]

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

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: [] per cent. per annum

(b) Reference Price: []

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360][Actual/360][Actual/365]

PROVISIONS RELATING TO REDEMPTION

18. Tax Redemption

If redeemable in part:

(a) Minimum Redemption Amount: []

(b) Maximum Redemption Amount: []

19. Issuer Call

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [[] per Calculation Amount]

[Set out appropriate variable details in this pro forma, for example reference obligation]

(c) If redeemable in part:

(i) Minimum Redemption Amount: []

(ii) Maximum Redemption Amount: []

(d) Notice periods: Minimum period: [] days

Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)

20. Investor Put

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [] per Calculation Amount

(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)

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

Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)

21. Final Redemption Amount: [] per Calculation Amount

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

(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]

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

[Permanent Bearer Global Note exchangeable for Definitive Notes upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14th December, 2005⁸]

(N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be

⁸ Include for Notes that are to be offered in Belgium.

expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."

[Registered Notes:

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

24. New Global Note (NGN):

[Applicable][Not Applicable]

25. Additional Financial Centre(s):

[Not Applicable/[give details]]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 16(c) relates)

26. Talons for future Coupons to be attached to Definitive Bearer Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

27. Condition 16 applies:

[Yes][No]

28. Eligible Liabilities Event:

[Applicable/Not Applicable], in the case of Senior Preferred Notes only, as Eligible Liabilities Event will always be applicable in the case of any Notes other than Senior Preferred Notes

29. Additional Events of Default (Senior Preferred Notes):

[Applicable/Not Applicable]

30. RMB Currency Event:

[Applicable/Not Applicable]

31. Spot Rate (if different from that set out in Condition 5(h)):

[]/Not Applicable]

32. Party responsible for calculating the Spot Rate:

[] (the **Calculation Agent**)

33. Relevant Currency (if different from that in Condition 5(h)):

[]/Not Applicable]

FORM OF FINAL TERMS

34. RMB Settlement Centre(s): ☐ /Not Applicable]

35. Governing Law: [English Law]/[Spanish Law]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Dublin's regulated market and admitted to the Official List of Euronext Dublin] with effect from []]

(When documenting an issue of Notes that is to be consolidated and to form a single Series with a previous listed issue, it should be indicated here that the original Notes are already listed and admitted to trading.)

- (b) Estimate of total expenses related to admission to trading: []

2. RATINGS

[The Notes to be issued will not be rated]/[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and the associated defined terms].]

Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]

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

[Save for [any fees/the fees of [insert relevant fee disclosure]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

4. REASONS FOR THE OFFER []

(See "Use of Proceeds" wording in Offering Circular – if reasons for offer are different from general corporate purposes and there is a particular identified use of proceeds, this will need to be stated here.)

5. YIELD (Fixed Rate Notes and Fixed Reset Notes only)

- (a) Indication of yield: [] [Not Applicable]

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

6. OPERATIONAL INFORMATION

- (a) ISIN: []
- (b) Common Code: []
- (c) CFI: [] [Not Applicable]
- (d) FISN: [] [Not Applicable]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

- (e) CUSIP: []
- (f) Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, S.A. and the Depository Trust Company and the relevant identification number(s): [Not Applicable/[give name(s) and number(s)]]

- (g) Delivery: Delivery [against/free of] payment

- (h) Names and addresses of additional Paying Agent(s) (if any): []

- (i) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. The Notes will be deposited initially upon issue with one of Euroclear Bank SA/NV and/or Clearstream Banking, S.A. [(together, the ICSDs)] acting as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, held under the NSS.]] [Include this text for Registered Notes]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of Euroclear Bank SA/NV and/or Clearstream Banking, S.A. [(together, the ICSDs)] as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the

NSS.][include this text for Registered Notes] Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

7. PROHIBITION OF SALES

- (a) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(“Applicable” should be specified for all Senior Non-Preferred Notes and Subordinated Notes. In the case of Senior Preferred Notes, if the Senior Preferred Notes clearly do not constitute “packaged” products and the Issuer does not wish to prohibit offers to EEA retail investors for any other reason, “Not Applicable” should be specified. If the Senior Preferred Notes may constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, “Applicable” should be specified.)

- (b) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)

8. RELEVANT BENCHMARKS

- (a) Relevant Benchmark[s]: [Not Applicable]/[[specify benchmark] is provided by [administrator legal name].

[As at the date hereof, [[administrator legal name] appears in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to the Benchmarks Regulation.]

[As at the date hereof, [[administrator legal name] does not appear in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation. [As far as the Issuer is aware, as at the date hereof, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [administrator legal name] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).]/[[administrator legal name] does not fall within the scope of the Benchmarks Regulation.]].

9. THIRD PARTY INFORMATION

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

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Banco Bilbao Vizcaya Argentaria, S.A., (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

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

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 18th December, 2015 as supplemented by a supplemental agency agreement dated 25th November, 2016, a second supplemental agency agreement dated 17th July, 2017 and a third supplemental agency agreement dated 2 August, 2018 (as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) each made between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Luxembourg S.A. as euro registrar (the **Euro Registrar**, which expression shall include any successor euro registrar) and as a transfer agent, Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and as U.S. registrar (the **U.S. Registrar**, which expression shall include any successor U.S. registrar and, together with the Euro Registrar, the **Registrars**) and a transfer agent and the other transfer agents named therein (together with Deutsche Bank Luxembourg S.A., the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

In the case of Notes specified in the applicable Final Terms as being governed by English law, the Noteholders and the Couponholders are entitled to the benefit of the deed of covenant dated 18th December, 2015 and made by the Issuer (the **Deed of Covenant**). The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below). In the case of Notes specified in the applicable Final Terms as being governed by Spanish law, the rights of the Noteholders to proceed directly against the Issuer in the relevant circumstances as provided in the case of English law governed Notes in the Deed of Covenant are provided for directly under the terms of the Global Notes.

Copies of a deed poll dated 18th December, 2015 and made by the Issuer (the **Deed Poll**), the Deed of Covenant and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, each Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrars being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin (**Euronext Dublin**), the applicable Final Terms will be published on the website of Euronext Dublin. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

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

Depending on the Status of the Notes specified in the applicable Final Terms, this Note may be either a Senior Note or a Subordinated Note. If this Note is specified as being a Senior Note, it may be a Senior Preferred Note or a Senior Non-Preferred Note, and if this Note is specified as being a Subordinated Note, it may be a Senior Subordinated Note or a Tier 2 Subordinated Note, in each case as indicated in the applicable Final Terms.

TERMS AND CONDITIONS OF THE NOTES

The Issuer may at any time take any step or other action and submit any application for (i) Senior Preferred Notes, Senior Non-Preferred Notes and Senior Subordinated Notes to be included (in whole or in part) in the amount of eligible liabilities of the Issuer or the Group for the purposes of Article 45 of the BRRD (as implemented in Spain and including any amendment or replacement of the relevant implementing provisions); and (ii) Tier 2 Subordinated Notes to qualify (in whole or in part) as regulatory capital for capital adequacy purposes, in each case in compliance with Applicable Banking Regulations.

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

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

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

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

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

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

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all

applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of DTC or a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

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

(c) Registration of transfer upon partial redemption

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

(d) Costs of registration

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

(e) Transfers of interests in Regulation S Global Notes

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

- (i) upon receipt by the relevant Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of

TERMS AND CONDITIONS OF THE NOTES

which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

- (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (B) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

(g) Exchanges and transfers of Registered Notes generally

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

(h) Definitions

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

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

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

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

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

Regulation S means Regulation S under the Securities Act;

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

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

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

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

3. STATUS OF THE NOTES AND WAIVED SET-OFF RIGHTS

Each Noteholder (which for the purpose of this Condition 3 includes each holder of a beneficial interest in the Notes or the Coupons), by its acquisition of the Notes, will be deemed to have irrevocably accepted the status of the Notes described below.

The obligations of the Issuer under the Notes are subject to, and may be limited by, the exercise of any power pursuant to Law 11/2015, RD 1012/2015, the SRM Regulation or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain (including,

TERMS AND CONDITIONS OF THE NOTES

without limitation, the exercise and effect of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority (each as defined, and the exercise and effect of which is further described, in Condition 20)).

See “*Risk Factors – Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*”.

Any such exercise and its effect on the obligations of the Issuer under the Notes, together with the remainder of this Condition 3 (including any non-contractual obligations arising out of or in connection with any such exercise, its effect and this Condition 3) shall in all circumstances be governed by, and construed in accordance with, Spanish law in accordance with Condition 19(b) below.

(a) Status of the Senior Notes

The Senior Notes and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and, upon the insolvency (*concurso de acreedores*) of the Issuer, in accordance with and to the extent permitted by the Insolvency Law and other applicable laws relating to or affecting the enforcement of creditors' rights in Spain (including, without limitation, Additional Provision 14.2 of Law 11/2015), the payment obligations of the Issuer under the Senior Notes with respect to claims for principal (which claims will constitute ordinary claims) will rank:

- (i) in the case of Senior Preferred Notes:
 - (A) junior to any (I) privileged claims (*créditos privilegiados*) (which shall include, among other claims, any claims in respect of deposits for the purposes of Additional Provision 14.1 of Law 11/2015) and (II) claims against the insolvency estate (*créditos contra la masa*);
 - (B) *pari passu* without any preference or priority among themselves and with all other Senior Preferred Obligations; and
 - (C) senior to (I) any Senior Non-Preferred Obligations and (II) all subordinated obligations of or claims against the Issuer (*créditos subordinados*), present and future; and
- (ii) in the case of Senior Non-Preferred Notes:
 - (A) junior to any (I) privileged claims (*créditos privilegiados*) (which shall include, among other claims, any claims in respect of deposits for the purposes of Additional Provision 14.1 of Law 11/2015), (II) claims against the insolvency estate (*créditos contra la masa*) and (III) Senior Preferred Obligations;
 - (B) *pari passu* without any preference or priority among themselves and with all other Senior Non-Preferred Obligations; and
 - (C) senior to all subordinated obligations of or claims against the Issuer (*créditos subordinados*), present and future,

such that any claim for principal in respect of the Senior Notes will be satisfied, as appropriate, only to the extent that all claims ranking senior to it have first been satisfied in full and then *pro rata* with any claims ranking *pari passu* with it, in each case as provided above.

Pursuant to article 59 of the Insolvency Law, the further accrual of interest shall be suspended from the date of declaration of the insolvency of the Issuer. Claims in respect of interest on the Senior Notes (including with respect to any relative Coupon) expressly or implicitly accrued but unpaid as of the commencement of any insolvency procedure in respect of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law (including, without limitation, junior to claims on account of principal in respect of contractually subordinated obligations of the Issuer, unless otherwise provided by the Insolvency Law). See “Risk Factors – Claims of Holders under the Senior Notes are effectively junior to those of certain other creditors and claims of Holders under the Senior Non-Preferred Notes are further junior to those of other senior creditors”.

(b) Status of the Subordinated Notes

The Subordinated Notes and any relative Coupons constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and, upon the insolvency (*concurso de acreedores*) of the Issuer, in accordance with and to the extent permitted by the Insolvency Law and other applicable laws relating to or affecting the enforcement of creditors' rights in Spain (including, without limitation, Additional Provision 14.3 of Law 11/2015), the payment obligations of the Issuer under the Subordinated Notes with respect to claims for principal, will rank:

- (i) in the case of Senior Subordinated Notes:
 - (A) junior to any unsubordinated obligations of or claims against the Issuer (including where the relevant obligations subsequently become subordinated pursuant to article 92.1 of the Insolvency Law);
 - (B) *pari passu* without any preference or priority among themselves and with all claims for principal in respect of other contractually subordinated obligations of the Issuer, present and future, not constituting Additional Tier 1 Capital or Tier 2 Capital of the Issuer for the purposes of Additional Provision 14.3.(a) of Law 11/2015; and
 - (C) senior to any other subordinated obligations of or claims against the Issuer (*créditos subordinados*) which by law rank junior to the obligations of or claims against the Issuer for principal in respect of Senior Subordinated Notes, including, without limitation, any claim for principal in respect of contractually subordinated obligations of the Issuer under any outstanding Additional Tier 1 Instruments or Tier 2 Instruments, present and future; and
- (ii) in the case of Tier 2 Subordinated Notes, and for so long as the obligations of the Issuer in respect of the Tier 2 Subordinated Notes constitute a Tier 2 Instrument of the Issuer:
 - (A) junior to (I) any unsubordinated obligations of or claims against the Issuer (including where the relevant obligations subsequently become subordinated pursuant to article 92.1 of the Insolvency Law), (II) any claim for principal in respect of Senior Subordinated Notes and (III) any claim for principal in respect of other contractually subordinated obligations of the Issuer, present and future, not constituting Additional Tier 1 Capital or Tier 2 Capital of the Issuer for the purposes of section 3.(a) of Additional Provision 14 of Law 11/2015;
 - (B) *pari passu* without any preference or priority among themselves and with all claims for principal in respect of other contractually subordinated obligations of the Issuer under any outstanding Tier 2 Instruments, present and future; and
 - (C) senior to any other subordinated obligations of or claims against the Issuer (*créditos subordinados*) which by law rank junior to the obligations of or claims against the Issuer for principal in respect of Tier 2 Subordinated Notes, including, without

limitation, any claim for principal in respect of contractually subordinated obligations of the Issuer under any outstanding Additional Tier 1 Instruments, present and future,

such that any claim for principal in respect of the Subordinated Notes will be satisfied, as appropriate, only to the extent that all claims ranking senior to it have first been satisfied in full and then *pro rata* with any claims ranking *pari passu* with it, in each case as provided above.

To the extent the Tier 2 Subordinated Notes cease to constitute a Tier 2 Instrument of the Issuer, the payment obligations of the Issuer under the Tier 2 Subordinated Notes will rank as if the Notes were Senior Subordinated Notes.

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

(c) **Waived Set-Off Rights**

No holder of any Notes may at any time exercise or claim any Waived Set-Off Rights against any right, claim or liability of the Issuer or that the Issuer may have or acquire against such holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind or any non-contractual obligation, whether or not relating to such Note) and each holder of any Note shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any amount payable by the Issuer in respect of, or arising under or in connection with, any Note to any holder of such Note is discharged by set-off or any netting, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

Nothing in this Condition 3(c) is intended to provide, or shall be construed as acknowledging, any Waived Set-Off Rights or that any such Waived Set-Off Right is or would be available to any holder of any Note but for this Condition 3(c).

(d) **Interpretation**

In these Conditions:

Additional Tier 1 Capital means Additional Tier 1 capital (*capital de nivel 1 adicional*) as provided under Applicable Banking Regulations;

Additional Tier 1 Instrument means any contractually subordinated obligation of the Issuer constituting an Additional Tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with Applicable Banking Regulations;

Applicable Banking Regulations means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD, the SRM Regulation and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such

requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

BRRD means Directive 2014/59/EU of 15th May establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect in place thereof, as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

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

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time;

CRD IV Implementing Measures means any regulatory capital rules implementing or developing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or the Group (on a consolidated basis), including, without limitation, Law 10/2014, as amended or replaced from time to time, and any other regulation, circular or guidelines implementing Law 10/2014;

CRR means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June, 2013 on the prudential requirements for credit institutions and investment firms, as amended or replaced from time to time;

Group means the Issuer and its consolidated subsidiaries;

Insolvency Law means Law 22/2003 of 9th July on Insolvency (*Ley 22/2003, de 9 de julio, concursal*), as amended, replaced or supplemented from time to time;

Law 10/2014 means Law 10/2014 of 26th June on the organisation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended, replaced or supplemented from time to time;

Law 11/2015 means Law 11/2015 of 18th June on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended, replaced or supplemented from time to time;

ordinary claims means the class of claims with respect to unsecured, non-privileged and unsubordinated obligations (*créditos ordinarios*) of the Issuer which, upon the insolvency (*concurso de acreedores*) of the Issuer and pursuant to Articles 89.3, 157 and 158 of the Insolvency Law, rank (i) junior to privileged claims (*créditos privilegiados*) (which shall include, among other claims, any claims in respect of deposits for the purposes of Additional Provision 14.1 of Law 11/2015 and any secured claims), and claims against the insolvency estate (*créditos contra la masa*) and (ii) senior to subordinated claims (*créditos subordinados*);

RD 1012/2015 means Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de*

garantía de depósitos de entidades de crédito), as amended, replaced or supplemented from time to time;

Regulator means the European Central Bank, *Banco de España* or the Relevant Spanish Resolution Authority, as applicable, or such other or successor authority having primary bank supervisory authority with respect to prudential or resolution matters in relation to the Issuer and/or the Group;

Relevant Spanish Resolution Authority means the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*), the Single Resolution Mechanism, the Bank of Spain, the Spanish Securities Market Commission or any other entity with the authority to exercise any the resolution tools and powers contained in Law 11/2015 from time to time;

Senior Non-Preferred Obligations means the obligations of the Issuer with respect to (i) the payment of principal under the Senior Non-Preferred Notes and (ii) all other ordinary claims, present and future, which, upon the insolvency (*concurso de acreedores*) of the Issuer are expressed to rank within the ordinary claims but junior to Senior Preferred Obligations;

Senior Preferred Obligations means the obligations of the Issuer with respect to (i) the payment of principal under the Senior Preferred Notes and (ii) all other ordinary claims, present and future, other than Senior Non-Preferred Obligations;

SRM Regulation means Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time;

Tier 2 Capital means Tier 2 capital (*capital de nivel 2*) as provided under Applicable Banking Regulations;

Tier 2 Instrument means any contractually subordinated obligation of the Issuer constituting a Tier 2 instrument (*instrumentos de capital de nivel 2*) in accordance with Applicable Banking Regulations; and

Waived Set-Off Rights means any and all rights or claims of any holder of a Note against the Issuer for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

4. INTEREST

(a) Interest on Fixed Rate Notes

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
- (iii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

(b) Interest on Fixed Reset Notes

Each Fixed Reset Note bears interest from (and including):

- (i) the Interest Commencement Date to (but excluding) the Reset Date at the rate per annum equal to the Initial Interest Rate; and
- (ii) the Reset Date to (but excluding) either (A) the Maturity Date or (B) if applicable, the first Subsequent Reset Date and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each period in (A) and (B) a **Reset Period**), in each case at the rate per annum equal to the relevant Reset Rate,

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

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

In these Conditions:

Mid-Swap Rate means, in relation to the Reset Date or relevant Subsequent Reset Date, as the case may be, and the Reset Period commencing on the Reset Date or that Subsequent Reset Date, the rate for the Reset Date or that Subsequent Reset Date of, in the case of semi-annual or annual Interest Payment Dates, the semi-annual or annual swap rate, respectively (with such semi-annual swap rate to be converted to a quarterly rate in accordance with market convention, in the case of quarterly Interest Payment Dates) for swap transactions in the Specified Currency maturing on the last day of such

TERMS AND CONDITIONS OF THE NOTES

Reset Period, expressed as a percentage, which appears on the Relevant Screen Page as of approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date. If such rate does not appear on the Relevant Screen Page, the Mid-Swap Rate for the Reset Date or relevant Subsequent Reset Date, as the case may be, will be the Reset Reference Bank Rate for the Reset Period;

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

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

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

Reset Determination Date means the second Business Day immediately preceding the relevant Reset Date or relevant Subsequent Reset Date, as the case may be;

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

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

Reset Reference Bank Rate means, in relation to the Reset Date or relevant Subsequent Reset Date, as the case may be, and the Reset Period commencing on the Reset Date or that Subsequent Reset Date, the percentage determined on the basis of the Reset Period Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 in the principal financial centre of the Specified Currency on the Reset Determination Date. The Principal Paying Agent, with the assistance of the Issuer if required will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the Reset Date or relevant Subsequent Reset Date, as the case may be, will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Mid-Swap Rate will be the Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate.

(c) Interest on Floating Rate Notes

(i) *Interest Payment Dates*

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

In these Conditions, **Business Day** means:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (C) either (I) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign

currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (II) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

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

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

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

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

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

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

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

quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4(c)(ii)(B)I, no rate or offered quotation appears or, in the case of Condition 4(c)(ii)(B)II, fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer is suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in

TERMS AND CONDITIONS OF THE NOTES

accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

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

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

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

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

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

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

For the purposes of the calculation of an amount of interest in accordance with this Condition 4(c), **Day Count Fraction** means:

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) *Linear Interpolation*

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

For the purposes of this Condition 4(c)(v), **Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

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

the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Certificates to be final*

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

(d) **Benchmark Discontinuation**

By its acquisition of the Notes, each Noteholder (which for these purposes includes each holder of a beneficial interest in the Notes) will be deemed to have expressly consented to the application of the provisions of this Condition 4(d). Without any requirement for any further consent or approval of the Noteholders (whether pursuant to Condition 14 or otherwise) and notwithstanding the provisions in Conditions 4(b) or 4(c), as the case may be, above, if the Issuer or the Calculation Agent (in consultation with the Issuer, where the Calculation Agent is a party other than the Issuer, or, if the Calculation Agent deems it appropriate, an Independent Adviser) determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to that Original Reference Rate, then the following provisions of this Condition 4(d) shall apply.

(i) *Successor Rate or Alternative Rate*

If the Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4(d)(ii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4(d)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4(d)(ii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4(d)).

(ii) *Adjustment Spread*

If the Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be), then the Calculation Agent shall, if necessary, calculate such Adjustment Spread and apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for

each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iii) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(d) and the Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion (A) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer and the Principal Paying Agent shall, subject to giving notice thereof in accordance with Condition 4(d)(v), without any requirement for any further consent or approval of Noteholders or Couponholders (whether pursuant to Condition 14 or otherwise), agree to the necessary modifications to these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such modifications in accordance with this Condition 4(d)(iii), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading. Notwithstanding any other provision of this Condition 4(d), no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Notes as Tier 2 capital or eligible liabilities for the purposes of Article 45 of the BRRD, in each case of the Issuer or the Group, as applicable.

(iv) *Calculation Agent and any Independent Adviser*

In the event the Calculation Agent determines it appropriate, in its sole discretion, to consult with an Independent Adviser in connection with any determination to be made by the Calculation Agent pursuant to this Condition 4(d), the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 4(d) shall act in good faith but shall have no relationship of agency or trust with the Noteholders and (in the absence of fraud) shall have no liability whatsoever to the Calculation Agent or the Noteholders or the Couponholders for any determination made by it or for any advice given to the Calculation Agent in connection with any determination made by the Calculation Agent pursuant to this Condition 4(d) or otherwise in connection with the Notes.

If the Calculation Agent is in any doubt as to the occurrence of any Benchmark Event and/or whether there is a Successor Rate or an Alternative Rate and/or any Adjustment Spread is required to be applied and/or in relation to the quantum of, or any formula or methodology for determining such Adjustment Spread and/or whether any Benchmark Amendments are necessary and/or in relation to the terms of any such Benchmark Amendments, a written determination of an Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error, and (in the absence of fraud) the Calculation Agent shall have no liability whatsoever to any Noteholders or Couponholders in respect of anything done, or omitted to be done, in relation to that matter in accordance with any such written determination or otherwise in connection with the Notes.

(v) *Notice*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(d) will be notified promptly by the Issuer to the Paying Agents and, in accordance with Condition 13, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) *Survival of Original Reference Rate Provisions*

Without prejudice to the obligations of the Calculation Agent and the Issuer under this Condition 4(d), the Original Reference Rate and the fallback provisions provided for in Conditions 4(b) and 4(c)(ii)(B) and the applicable Final Terms, as the case may be, will continue to apply unless and until the Calculation Agent has determined the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with the relevant provisions of this Condition 4(d).

(vii) *Definitions*

In this Condition 4(d), the following expressions shall have the following meanings:

Adjustment Spread means either a spread, or the formula or methodology for calculating a spread and the spread resulting from such calculation, which spread may in either case be positive or negative and is to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) in the case of a Successor Rate if no such spread, formula or methodology is formally recommended or provided as an option by any Relevant Nominating Body or in the case of an Alternative Rate, is in customary market usage in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate,

or if no such recommendation or option has been made (or made available), or the Calculation Agent, acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines there is no such spread, formula or methodology in customary market usage, the spread, formula or methodology which the Calculation Agent, following consultation with an Independent Adviser, and acting in good faith and a commercially reasonable manner, determines in its sole discretion:

- (A) is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (B) if the Calculation Agent so determines that no such industry standard is recognised or acknowledged, to be appropriate,

and in either such case, which the Calculation Agent, following consultation with an Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be so applied;

Alternative Rate means an alternative benchmark or screen rate which the Calculation Agent determines in accordance with this Condition 4(d) is used in place of the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period or reset period, as applicable, and in the same Specified Currency as the Notes;

Benchmark Event means:

- (A) the Original Reference Rate ceasing to exist or be published;
- (B) the later of (a) the making of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (b) the date falling six months prior to such specified date;
- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued or is prohibited from being used or that its use is subject to restrictions or adverse consequences or, where such discontinuation, prohibition, restrictions or adverse consequences are to apply from a specified date after the making of any public statement to such effect, the later of the date of the making of such public statement and the date falling six months prior to such specified date; or
- (D) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for the Calculation Agent, any Paying Agent or the Issuer to determine any Rate of Interest and/or calculate any Interest Amount using the Original Reference Rate (including, without limitation, under Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**), if applicable).

Calculation Agent means the party specified in the applicable Final Terms as being responsible for determining the Rate of Interest and/or calculating the Interest Amount in respect of the Notes unless (i) where such party is a party other than the Issuer, that party fails to perform or notifies the Issuer that it is unable to perform any of its duties or obligations as Calculation Agent or (ii) where such party is the Issuer, the Issuer determines in its sole discretion to appoint another party as Calculation Agent, in which case the Calculation Agent shall be such other party as is appointed by the Issuer to act as Calculation Agent, which party may, as applicable, include the Issuer or an affiliate of the Issuer and shall be a leading bank or financial institution, or another party of recognised standing and with appropriate expertise to make the determinations and/or calculations to be made by the Calculation Agent;

Independent Adviser means an independent financial institution of international repute or other independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense;

Original Reference Rate means the benchmark or screen rate (as applicable) originally specified in the applicable Final Terms for the purposes of determining the relevant Rate of Interest (or any component part thereof) in respect of the Notes;

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

TERMS AND CONDITIONS OF THE NOTES

- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(e) **Accrual of interest**

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

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

5. **PAYMENTS**

(a) **Method of payment**

Subject as provided below:

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

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

(b) **Presentation of definitive Bearer Notes and Coupons**

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

TERMS AND CONDITIONS OF THE NOTES

as used herein, means the United States of America (including the States and the District of Columbia and its possessions).

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

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

Upon the date on which any Floating Rate Note, Fixed Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) **Payments in respect of Bearer Global Notes**

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

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

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the relevant Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the relevant Registrar (the **Register**) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate

equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the U.S. Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars unless the participant in DTC with an interest in the Notes has elected to receive any part of such payment in that Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

Neither the Issuer nor any Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the

TERMS AND CONDITIONS OF THE NOTES

Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due in respect of such Global Note.

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

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

(f) **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

(h) RMB Currency Event

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

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

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

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

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

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

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

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

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

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

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

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

(i) **RMB account**

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

6. REDEMPTION AND PURCHASE

(a) **Redemption at maturity**

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

Senior Preferred Notes will have a maturity of more than one month.

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

Senior Non-Preferred Notes, Senior Subordinated Notes and, if intended to qualify as eligible liabilities of the Issuer or the Group for the purposes of Article 45 of the BRRD, Senior Preferred Notes will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

TERMS AND CONDITIONS OF THE NOTES

Tier 2 Subordinated Notes will have an original maturity of at least five years from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations for their qualification as regulatory capital for capital adequacy purposes.

(b) Redemption for tax reasons

Subject to Condition 6(g), the Issuer may, subject to such redemption being in compliance with Applicable Banking Regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations, redeem all or, if so specified in the applicable Final Terms, some only of the Notes then outstanding at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 90 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if as a result of any change in, or amendment to, the laws or regulations of Spain (as defined in Condition 7) or any change in the application or binding official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the most recent Tranche of the Notes:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts, as provided or referred to in Condition 7; or
- (ii) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the Notes on the occasion of the next payment due under the Notes or the value of such deduction to the Issuer would be reduced; or
- (iii) the applicable tax treatment of the Notes would be materially affected,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (A) the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due, (B) the Issuer would not be entitled to claim such deduction or the amount of such deduction would be reduced or (C) such tax treatment on the Notes would be affected.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by a duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts or, as the case may be, will not be entitled to claim such deduction or the amount of such deduction would be reduced or, as the case may be, the applicable tax treatment of the Notes has been or will be affected, in each case as a result of such change or amendment and a copy of the Regulator's consent to redemption (if required).

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, subject to such redemption being in compliance with Applicable Banking Regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then

outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(d) Redemption at the option of the Issuer (Eligible Liabilities Event)

If, on or after the Issue Date, and other than in the case of Senior Preferred Notes where Eligible Liabilities Event has been specified as not applicable in the applicable Final Terms, an Eligible Liabilities Event occurs, the Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being in compliance with Applicable Banking Regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 90 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

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

In these Conditions:

Eligible Liabilities Event means:

- (i) in the case of Notes other than Senior Preferred Notes where Additional Events of Default has been specified as applicable in the applicable Final Terms, a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law or Applicable Banking Regulations (including, without limitation, any legislation which gives effect to the EU Banking Reforms in Spain differing in any respect from the forms of the EU Banking Reforms (including if the EU Banking Reforms are not implemented in full in Spain)) or any official application or interpretation thereof, that results (or is likely to result) in:
 - (A) in the case of Notes other than Senior Preferred Notes where Additional Events of Default has been specified as not applicable in the applicable Final Terms, the relevant Notes not being (or ceasing to be) fully eligible for inclusion in the amount of eligible liabilities of the Issuer or the Group (the **Eligible Liabilities Amount**) for the purposes of Article 45 of the BRRD or Applicable Banking Regulations or any other regulations applicable in Spain from time to time; or
 - (B) in the case of Senior Preferred Notes where Additional Events of Default has been specified as not applicable in the applicable Final Terms, the relevant Notes not meeting the eligibility criteria for their inclusion in the Eligible Liabilities Amount, except for any requirement in relation to the ranking of such Senior Preferred Notes upon the insolvency (*concurso de acreedores*) of the Issuer and subject to any limitation on the amount of such Notes that may be eligible for inclusion in the Eligible Liabilities Amount, in each case under the Applicable Banking Regulations (or any other regulations applicable in Spain from time to time) effective on the Issue Date; or
- (ii) in the case of Senior Preferred Notes where Additional Events of Default has been specified as applicable in the applicable Final Terms, a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law or Applicable Banking Regulations or in any official application or interpretation thereof after the CRR as amended by the EU Banking Reforms has come into force, that results (or is likely to result) in the relevant Notes not meeting the eligibility criteria for their inclusion in the Eligible Liabilities Amount, except for any requirement in relation to the ranking of such Senior Preferred Notes upon the insolvency (*concurso de acreedores*) of the Issuer and subject to any limitation on the amount

of such notes that may be eligible for inclusion in the Eligible Liabilities Amount, in each case under the Applicable Banking Regulations (or any other regulations applicable in Spain from time to time) effective on the Issue Date;

provided that an Eligible Liabilities Event shall not occur where such ineligibility for inclusion of such Notes in the Eligible Liabilities Amount is due to the remaining maturity of those Notes being less than any period prescribed by any applicable eligibility criteria under the Applicable Banking Regulations (or any other regulations applicable in Spain from time to time) effective on (1) the Issue Date, in the case of (i) above and (2) the date on which the CRR as amended by the EU Banking Reforms comes into force in Spain, in the case of (ii) above;

In these Conditions, **EU Banking Reforms** means the European Commission's proposals to amend and supplement certain provisions of CRD IV, the BRRD and the SRM Regulation as published by the European Commission on 23rd November, 2016.

(e) Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes

If, on or after the Issue Date and in the case of Tier 2 Subordinated Notes only, a Capital Event occurs, the Tier 2 Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being in compliance with Applicable Banking Regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 90 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Tier 2 Subordinated Notes redeemed pursuant to this Condition 6(e) will be redeemed at their Early Redemption Amount referred to in paragraph (g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Capital Event means a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law or Applicable Banking Regulations that results (or is likely to result) in any of the outstanding aggregate nominal amount of the relevant Tier 2 Subordinated Notes ceasing to be included in, or counting towards, the Group's or the Issuer's Tier 2 Capital.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, in whole or in part, such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. No such redemption option will be applicable to any Tier 2 Subordinated Notes, except as permitted under Applicable Banking Regulations.

To exercise the right to require redemption of any Note the holder of such Note must if such Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the relevant Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the relevant Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed. If a Note is in definitive bearer form, the Put Notice must be accompanied by such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following

delivery of the Put Notice, be held to its order or under its control. If a Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Note the holder of such Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time, and, if such Note is a Bearer Note represented by a global Note, the terms of which require presentation for recording changes to its nominal amount, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly.

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

(g) Early Redemption Amounts

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

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

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

(h) Partial redemption of Notes

In the event of any redemption of some only of the Notes pursuant to Conditions 6(b) or 6(c) above, such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of any partial redemption of Notes, the Notes to be redeemed (**Redeemed**

Notes) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, in accordance with applicable law, not more than 30 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms) (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms). No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (h) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(i) Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise (subject to such purchase being in compliance with Applicable Banking Regulations then in force, and subject to the prior consent of the Regulator if required pursuant to such regulations). Senior Preferred Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation. Notes (other than Senior Preferred Notes) so acquired by the Issuer or any member of the Group shall be forthwith forwarded to the Principal Paying Agent for cancellation in accordance with Condition 6(j) below.

(j) Cancellation

All Notes which are redeemed and all Notes (other than Senior Preferred Notes) purchased by the Issuer pursuant to Condition 6(i) above will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Senior Preferred Notes purchased and to be cancelled pursuant to Condition 6(i) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent. Notes which are cancelled in accordance with this Condition 6(j) cannot be reissued or resold.

(k) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (g)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature unless such withholding or deduction is required by law. In the event that

TERMS AND CONDITIONS OF THE NOTES

any withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax (**Spain**) in respect of payments of interest only, in the case of Tier 2 Subordinated Notes, and principal and interest, in the case of all other Notes, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of interest only, in the case of Tier 2 Subordinated Notes, and principal and interest, in the case of all other Notes, which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

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

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes, Receipts and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

In these Conditions, the **Relevant Date**, in respect of any payment, means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the relevant Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

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

8. PRESCRIPTION

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

TERMS AND CONDITIONS OF THE NOTES

of Notes (whether in bearer or registered form) will become void unless made within a period of three years after the Relevant Date (as defined in Condition 7) therefore.

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

9. EVENTS OF DEFAULT

(a) Events of Default

If an order is made by any competent court commencing insolvency proceedings (*procedimiento concursal*) against the Issuer or an order is made or a resolution is passed for the dissolution or winding up of the Issuer (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been approved by an Extraordinary Resolution or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (*Entidad de Crédito* according to article 1 of Law 10/2014) and will have a rating for long-term senior or subordinated debt, as applicable, assigned by Standard & Poor's Rating Services or Moody's Investors Services equivalent to or higher than the rating for long-term senior or subordinated debt, respectively, of the Issuer immediately prior to such reconstruction or merger or amalgamation) (each an **Event of Default**), and such Event of Default is continuing, then the holder of any Note may declare such Note by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 6(g)), together with accrued interest (if any) to the date of repayment.

(b) Additional Events of Default

This Condition 9(b) applies only to Senior Preferred Notes if specified as applicable in the applicable Final Terms and references to "Notes" shall be construed accordingly.

If any of the following events (together with the Events of Default referred to in Condition 9(a) above, each an **Event of Default**) shall have occurred and be continuing:

- (i) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 30 days or more in the payment of any interest due in respect of any of the Notes; or
- (ii) a default is made in the performance by the Issuer of any other obligation under the provisions of the Notes and such default continues for more than 60 days following service by a Noteholder on the Issuer of a notice requiring the same to be remedied; or
- (iii) the Issuer is adjudicated or found bankrupt or insolvent by any competent court, or any order of any competent court or administrative agency is made for, or any resolution is passed by the Issuer to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or substantially all of its assets (unless in the case of an order for a temporary appointment, such appointment is discharged within 60 days); or
- (iv) the Issuer (except (A) for the purpose of an amalgamation, merger or reconstruction (i) approved by an Extraordinary Resolution or (ii) where the entity resulting from any such reconstruction or merger or amalgamation will have a rating for long term senior debt assigned by Standard & Poor's Rating Services or Moody's Investor Services equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction or merger or amalgamation, or (B) where the Issuer otherwise continues to

carry on the relevant business whether directly or indirectly) ceases or threatens to cease to carry on the whole or substantially the whole of its business; or

- (v) an application is made for the appointment of an administrative or other receiver, manager, administrator or similar official in relation to the Issuer or in relation to the whole or substantially the whole of the undertaking or assets of the Issuer and is not discharged within 60 days,

then the holder of any Note may declare such Note by written notice to the Issuer at the specified office of the Principal Paying Agent or the relevant Registrar, as the case may be, effective upon the date of receipt thereof by the Principal Paying Agent or the relevant Registrar, as the case may be, (in the case of paragraph (iii), (iv) and (v) above, only if then permitted by applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in Condition 6(g)), together with accrued interest (if any) to the date of repayment.

(c) **SDG Notes**

In the case of any Notes where the “*Reasons for the Offer*” in Part B of the applicable Final Terms are stated to be for “green”, “social” or “sustainability” purposes as described in the “*Use of Proceeds*” section (the **SDG Notes Use of Proceeds Disclosure**) in the Offering Circular dated 2 August, 2018 (**SDG Notes**), no Event of Default shall occur or other claim against the Issuer or right of a holder of, or obligation or liability of the Issuer in respect of, such SDG Notes arise as a result of the net proceeds of such SDG Notes not being used, any report, assessment, opinion or certification not being obtained or published, or any other step or action not being taken, in each case as set out and described in the SDG Notes Use of Proceeds Disclosure.

For the purposes of this Condition 9:

The Insolvency Law provides, among other things: (i) that any claim not included in the company’s accounts or otherwise reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency may not be recognised within the insolvency proceedings or may become subordinated, (ii) that provisions in certain contracts granting one party the right to terminate on the other’s insolvency are void and (iii) for the further accrual of interest to be suspended from the date of declaration of the insolvency.

Noteholders may also not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015 and the SRM Regulation. See “Risk Factors – Risks related to Early Intervention and Resolution – Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015 and the SRM Regulation”.

10. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

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

11. **AGENTS**

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

TERMS AND CONDITIONS OF THE NOTES

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority; and
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

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

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

12. EXCHANGE OF TALONS

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

13. NOTICES

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

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

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing

the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes except that for so long as any Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a manner which complies with those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

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

14. MEETINGS OF NOTEHOLDERS

(a) Convening of Meetings, Quorum, Adjourned Meetings

- (i) The Issuer may at any time and, if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being outstanding, shall convene a meeting of the Noteholders and, if the Issuer fails for a period of seven days to convene the meeting, the meeting may be convened by the relevant Noteholders. Whenever the Issuer is about to convene any meeting it shall immediately give notice in writing to the Principal Paying Agent and the Dealers of the day, time and place of the meeting and of the nature of the business to be transacted at the meeting. Every meeting shall be held at a time and place approved by the Principal Paying Agent.
- (ii) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Noteholders in the manner provided in Condition 13. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either (i) specify the terms of the Extraordinary Resolution to be proposed or (ii) inform Noteholders that the terms of the Extraordinary Resolution are available free of charge from the Principal Paying Agent, provided that, in the case of (ii) such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid. The notice shall (i) include statements as to the manner in which Noteholders are entitled to attend and vote at the meeting or (ii) inform Noteholders that details of the voting arrangements are available free of charge from the Principal Paying Agent, provided that, in the case of (ii), the final form of such details are so available with effect on and from the date on which the notice convening such meeting is given as aforesaid. A copy of the notice shall be sent by post to the Issuer (unless the meeting is convened by the Issuer).
- (iii) The person (who may but need not be a Noteholder) nominated in writing by the Issuer shall be entitled to take the chair at each meeting but if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting the Noteholders present shall choose one of their number to be Chairman failing which the Issuer may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.
- (iv) At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in nominal amount of the Notes for the time being outstanding, shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a

TERMS AND CONDITIONS OF THE NOTES

Chairman in accordance with Condition 14(a)(iii) above) shall be transacted at any meeting unless the required quorum is present at the commencement of business. The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding provided that at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (A) modification of the Maturity Date (if any) of the Notes or reduction or cancellation of the nominal amount payable at maturity;
- (B) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the rate of interest in respect of the Notes;
- (C) reduction of any Minimum Rate of Interest and/or Maximum Rate of Interest specified in the applicable Final Terms;
- (D) modification of the currency in which payments under the Notes are to be made; or
- (E) modification of the majority required to pass an Extraordinary Resolution;
- (F) the sanctioning of any scheme or proposal described in Condition 14(b)(viii)(E) below; or
- (G) alteration of this proviso or the proviso to Condition 14(a)(v) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in nominal amount of the Notes for the time being outstanding.

- (v) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Noteholders, be dissolved. In any other case it shall be adjourned to the same day in the next week (or if that day is a public holiday the next following business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Principal Paying Agent). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Principal Paying Agent, and the provisions of this sentence shall apply to all further adjourned meetings.
- (vi) At any adjourned meeting one or more Eligible Persons present (whatever the nominal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 14(a)(iv) above the quorum shall be one or more

TERMS AND CONDITIONS OF THE NOTES

Eligible Persons present and holding or representing in the aggregate not less than one-third in nominal amount of the relevant Notes for the time being outstanding.

- (vii) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in Condition 14(a)(ii) above and the notice shall state the relevant quorum. Subject to this it shall not be necessary to give any notice of an adjourned meeting.

(b) Conduct of Business at Meetings

- (i) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (ii) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Issuer or by any Eligible Person present (whatever the nominal amount of the Notes held by him), a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (iii) Subject to Condition 14(b)(v), if at any meeting a poll is demanded it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (iv) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (v) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- (vi) Any director or officer of the Issuer and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the proviso to the definition of outstanding in Condition 14(c) below, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders or join with others in requiring the convening of a meeting unless he is an Eligible Person. No person shall be entitled to vote at any meeting in respect of Notes held by, for the benefit of, or on behalf of the Issuer or any subsidiary of the Issuer. Nothing contained in this Condition 14(b)(vi) shall prevent a director, officer or representative of or otherwise connected with the Issuer from being duly appointed as a proxy or representative of the Noteholders.
- (vii) Subject as provided in Condition 14(b)(vi) above, at any meeting:
 - (A) on a show of hands every Eligible Person present shall have one vote; and
 - (B) on a poll every Eligible Person present shall have one vote in respect of each:
 - I. €1.00; and

TERMS AND CONDITIONS OF THE NOTES

- II. in the case of a meeting of the holders of Notes denominated in a currency other than euro, the equivalent of €1.00 in that currency (calculated as specified in Condition 14(b)(xiv) below),

or such other amount as the Principal Paying Agent shall in its absolute discretion specify in nominal amount of the relevant Notes in respect of which he is an Eligible Person.

Without prejudice to any duly appointed proxies, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (viii) The duly appointed proxies or representatives of Noteholders do not need to be Noteholders themselves.
- (ix) A meeting of the Noteholders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in Conditions 14(a)(iv) and 14(a)(vi) above), namely:
- (A) power to approve any compromise or arrangement proposed to be made between the Issuer and the Noteholders and Couponholders or any of them;
 - (B) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and Couponholders against the Issuer or against any of its property whether these rights arise under the Agency Agreement, the Notes or the Coupons or otherwise;
 - (C) power to agree to any modification of the provisions contained in the Agency Agreement, these Conditions, the Notes, the Coupons or the Deed of Covenants which is proposed by the Issuer;
 - (D) power to give any authority or approval which under the provisions of this Condition 14 or the Notes is required to be given by Extraordinary Resolution;
 - (E) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon any committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
 - (F) power to approve any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash; and
 - (G) power to approve the substitution of any entity in place of the Issuer (or any previous substitute) as the principal debtor in respect of the Notes and the Coupons.
- (x) Any resolution (i) passed at a meeting of the Noteholders duly convened and held (ii) passed as a resolution in writing or (iii) passed by way of electronic consents given by Noteholders through the relevant clearing system(s), shall be binding upon all the Noteholders whether present or not present at the meeting referred to in (i) above and whether or not voting and upon all Couponholders and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly

TERMS AND CONDITIONS OF THE NOTES

considered by the Noteholders shall be published in accordance with Condition 13 by the Issuer within 14 days of the result being known provided that non-publication shall not invalidate the resolution.

- (xi) The expression **Extraordinary Resolution** when used in this Condition 14 means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Condition 14 by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll; (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Noteholders; or (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding.
- (xii) Subject to Condition 14(b)(i) above, to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 14, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- (xiii) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had at the meeting to have been duly passed or had.
- (xiv) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (xv) If the Issuer has issued and has outstanding Notes which are not denominated in euro, the nominal amount of such Notes shall:
 - (A) for the purposes of Condition 14(a)(ii) above, be the equivalent in euro at the spot rate of a bank nominated by the Principal Paying Agent for the conversion of the relevant currency or currencies into euro on the seventh dealing day before the day on which the written requirement to call the meeting is received by the Issuer; and
 - (B) for the purposes of Conditions 14(a)(iv), 14(a)(vi) and 14(a)(vii) above (whether in respect of the meeting or any adjourned meeting or any poll), be the equivalent at that spot rate on the seventh dealing day before the day of the meeting,

and, in all cases, the equivalent in euro of Zero Coupon Notes or any other Notes issued at a discount or a premium shall be calculated by reference to the original nominal amount of those Notes.

In the circumstances set out above, on any poll each person present shall have one vote for each euro 1.00 in nominal amount of the Notes (converted as above) which he holds or represents.

(c) Definitions

For the purposes of this Condition 14,

- (i) **Eligible Person** means those persons entitled to attend and vote at a meeting of the Noteholders as stated in the relevant notice of meeting or pursuant to the relevant voting arrangements details of which are available from the Principal Paying Agent, in each case in accordance with Condition 14(a)(ii) above (being the relevant Noteholders or duly appointed proxies or representatives of such Noteholders);
- (ii) those Notes (if any) which are for the time being held by or for the benefit of the Issuer or any subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain **outstanding**; and
- (iii) a **relevant clearing system** means, in respect of any Notes represented by a Global Note, any clearing system on behalf of which the Global Note is held or which is the bearer or (directly or through a nominee) registered owner of the Global Note, in each case whether alone or jointly with any other clearing system(s).

15. MODIFICATION AND WAIVER, SUBSTITUTION AND VARIATION

- (a) By its acquisition of the Notes, each Noteholder and Couponholder (which for these purposes includes each holder of a beneficial interest in the Notes or the Coupons) will be deemed to have expressly consented to any modification of the Notes, the Coupons or the Agency Agreement pursuant to this Condition 15(a). Without any requirement for any further consent or approval of the Noteholders or Couponholders (whether pursuant to Condition 14 or otherwise) and without limiting and notwithstanding Condition 15(b), the Principal Paying Agent and the Issuer may agree to:
 - (i) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
 - (ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

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

- (b) By its acquisition of the Notes, each Noteholder (which for these purposes includes each holder of a beneficial interest in the Notes) will be deemed to have expressly consented to any substitution or modification of the Notes pursuant to this Condition 15(b). Without any requirement for any further consent or approval of the Noteholders (whether pursuant to Condition 14 or otherwise) and without limiting and notwithstanding Condition 15(a) above, if an Eligible Liabilities Event, other than in the case of Senior Preferred Notes where Eligible Liabilities Event has been specified as not applicable in the applicable Final Terms, or a Capital Event, in the case of Tier 2 Subordinated Notes only, occurs and is continuing, the Issuer may substitute or modify the terms of all (but not some only) of the Notes, provided that any variation in the terms of the Notes resulting from such substitution or modification is not materially prejudicial to the interests of the Noteholders, so that the Notes are substituted for, or the terms and conditions of the Notes are varied to become again or remain, Qualifying Notes, at any time on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date for such substitution or, as applicable, variation), and subject to the prior consent of the Regulator if required pursuant to Applicable Banking Regulations.

For the purposes of the foregoing paragraph, any variation in the ranking of the relevant Notes as set out in Condition 3 resulting from any such substitution or modification shall be deemed not to be prejudicial to the interests of the Noteholders where the ranking of such Notes following such

substitution or modification is at least the same ranking as is applicable to such Notes under Condition 3 on the Issue Date of such Notes. In addition, in the case of any Notes governed by English law pursuant to Condition 19 below, any change in the governing law of such Notes from English law to Spanish law so that the Notes become again or remain Qualifying Notes shall be deemed not to be prejudicial to the interests of the Noteholders.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Notes. Such substitution or variation will be effected without any cost or charge to the Noteholders.

Noteholders (which for the purpose of this Condition 15(b) includes each holder of a beneficial interest in the Notes) shall, by virtue of purchasing and holding any Notes, be deemed to accept any substitution or variation of the terms pursuant to this Condition 15(b) and to grant to the Issuer full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Noteholders which is necessary or convenient to complete any such substitution or variation.

In these Conditions:

London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London; and

Qualifying Notes means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer, provided that the Issuer shall have delivered a certificate signed by a duly authorised signatory of the Issuer to that effect to the Principal Paying Agent not less than five London Business Days prior to (i) in the case of a substitution of the Notes, the issue date of the relevant securities or (ii) in the case of a variation of the terms and conditions of the Notes, the date such variation becomes effective, provided that such securities shall:

- (a) contain terms which comply with the then current requirements (i) for inclusion in the Eligible Liabilities Amount and/or (ii) to be included in, or count towards, the Group's or the Issuer's Tier 2 Capital, as applicable;
- (b) have at least the same ranking as is applicable to the Notes under Condition 3 on the Issue Date of such Notes;
- (c) have the same denomination and aggregate outstanding principal amount, the same rate of interest and terms for the determination of any applicable rate of interest, the same date of maturity and the same dates for payment of interest as the relevant Notes immediately prior to any substitution or variation pursuant to this Condition 15(b); and
- (d) be listed or admitted to trading on any stock exchange as selected by the Issuer, if the Notes were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation pursuant to this Condition 15(b).

16. FURTHER ISSUES

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

17. SUBSTITUTION OF THE ISSUER

- (i) By its acquisition of the Notes, each Noteholder (which for these purposes includes each holder of a beneficial interest in the Notes) will be deemed to have expressly consented to any substitution of the Issuer pursuant to this Condition 17. Without any requirement for any further consent or approval of the Noteholders (whether pursuant to Condition 14 or otherwise), the Issuer may, but subject to such substitution being in compliance with Applicable Banking Regulations then in force, and subject the prior consent of the Regulator if required pursuant to such regulations, be replaced and substituted by another company incorporated anywhere in the world as the principal debtor (in such capacity, the **Substituted Debtor**) in respect of the Notes provided that:
- (A) a deed poll or a substitution deed executed before a Spanish public Notary, as applicable and/or such other applicable documents (if any) shall be executed by the Issuer and the Substituted Debtor as may be necessary to give full effect to the substitution (together, the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute);
 - (B) without prejudice to the generality of Condition 17(i)(A), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;
 - (C) the Documents shall contain a warranty and representation by the Substituted Debtor that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for such substitution, that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by it of its obligations under the Documents and that all such approvals and consents are in full force and effect;
 - (D) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
 - (E) the Issuer shall have delivered or procured the delivery to the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer and the Substituted Debtor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
 - (F) the Issuer shall have delivered or procured the delivery to the Principal Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer and the Substituted Debtor from a leading firm of, in the case of Notes specified in the applicable Final Terms as being governed by English law, English lawyers and in the case of Notes specified in the applicable Final Terms as being governed by Spanish law, Spanish lawyers, to the effect that the Documents constitute legal, valid and binding obligations of the parties thereto under English law or Spanish law, as

TERMS AND CONDITIONS OF THE NOTES

applicable, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the Principal Paying Agent and the relevant Registrar;

- (G) in the case of Notes specified in the applicable Final Terms as being governed by English law, the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
 - (H) there is no outstanding Event of Default in respect of the Notes;
 - (I) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
 - (J) the substitution complies with all applicable requirements established under Spanish law.
- (ii) Upon the execution of the Documents as referred to in Condition 17(i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.
 - (iii) The Documents shall be deposited with and held by the Principal Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
 - (iv) Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 13.
 - (v) In the case of Notes specified in the applicable Final Terms as being governed by Spanish law, each Noteholder (which for these purposes includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes will be deemed to have expressly:
 - (A) consented to the substitution of the Issuer with the Substituted Debtor prior to when the relevant assignment and acknowledged and accepted that such prior consent is fully effective for the purposes of article 1,205 of the Spanish Civil Code;
 - (B) acknowledged and accepted that the amendment made by the substitution of the Issuer with, the Substituted Debtor is to be considered as a non-extinctive amendment (“*novación no extintiva*” or “*impropia*”) for all purposes; and
 - (C) acknowledged and accepted that the substitution requirements set forth under this Condition 17 are fully reasonable considering all of the requirements to be met to complete such a substitution which include the rating condition set forth under Condition 17(i)(I) above and, therefore, that the Noteholders have accepted the substitution as reasonable and in accordance with the applicable requirements of law as the substitution may only be made in the case of a Substituted Debtor which provides for a rating of the Notes that is the same or an improvement on the rating assigned to the Notes before the substitution.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

In the case of Notes specified in the applicable Final Terms as being governed by English law, no rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The governing law of the Notes will be specified in Part A of the applicable Final Terms.

(a) English Law

If English law is specified as the governing law of the Notes in the applicable Final Terms, the provisions of this Condition 19(a) shall apply to the Notes.

(i) Governing law:

The Notes (except for Conditions 3 (including the application of any Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority) and 20), the Coupons and any non-contractual obligations arising out of or in connection with the Notes (except for Conditions 3 and 20), and the Coupons are governed by, and shall be construed in accordance with, English law. Conditions 3 and 20 (and any non-contractual obligations arising out of or in connection with either of them) are governed by, and shall be construed in accordance with, Spanish law in accordance with Condition 19(b) below. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

(ii) Submission to jurisdiction:

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

the grounds that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

(iii) Service of Process:

The Issuer agrees that process may be served on it in relation to any proceedings before the English courts in relation to any Dispute at Banco Bilbao Vizcaya Argentaria, S.A., London Branch being its registered office for the time being in England and agrees that, in the event of Banco Bilbao Vizcaya Argentaria, S.A., London Branch 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 Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(b) Spanish Law

If Spanish law is specified as the governing law of the Notes in the applicable Final Terms, the provisions of this Condition 19(b) shall apply to the Notes.

(i) Governing law:

The Notes, any non-contractual obligations arising out of or in connection with the Notes and the application of any Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority shall be governed by, and construed in accordance with, Spanish law.

(ii) Submission to jurisdiction:

The Issuer hereby irrevocably agrees for the benefit of the Holders that the courts of Spain in the city of Madrid, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as **Proceedings**) may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 19(b) shall limit any right of any Noteholders or Couponholders (other than in relation to any Bail-in Dispute) to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

In addition, the Spanish courts have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Bail-in Dispute submits to the exclusive jurisdiction of the Spanish courts. Each of the Issuer and any Noteholders or Couponholders in relation to any Bail-in Dispute further waives any objection to the Spanish courts on the grounds that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

20. RECOGNITION OF SPANISH STATUTORY LOSS-ABSORPTION POWERS

Notwithstanding any other term of the Notes or any other agreements, arrangements, or understandings between the Issuer and any Noteholder, by its acquisition of the Notes, each Noteholder (which, for the purposes of this Condition 20, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

- (a) the exercise and effect of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority, which may be imposed with or without any prior notice with

respect to the Notes, and which may include and result in any of the following, or some combination thereof:

- (A) the reduction or cancellation of all, or a portion, of the Amounts Due;
 - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer, the Group or another person (and the issue to or conferral on the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - (C) the cancellation of the Notes; and
 - (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Notes, as deemed necessary by the Relevant Spanish Resolution Authority, to give effect to the exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority.

The exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in Spain is not dependent on the application of this Condition 20.

In this Condition 20,

Amounts Due means the principal amount of or outstanding amount, together with any accrued but unpaid interest, due on the Notes. References to such amount will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority;

regulated entity means any entity subject to any Spanish Statutory Loss-Absorption Power; and

Spanish Statutory Loss-Absorption Powers means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the resolution of credit entitles and/or transposition of the BRRD, including, but not limited to (i) Law 11/2015 (ii) RD 1012/2015, as amended from time to time, (iii) Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time, and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii) or (iii), pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used for the Group's general corporate purposes, which include making a profit. In addition, where the "*Reasons for the Offer*" in Part B of the applicable Final Terms are stated to be for "green", "social" or "sustainability" purposes as described in this "Use of Proceeds" section the net proceeds from each such issue of SDG Notes will be used as so described. If specified otherwise in the applicable Final Terms, the net proceeds from the issue of the relevant Notes will be used as so specified.

For any SDG Notes, an amount equal to the net proceeds from each issue of SDG Notes will be separately identified and applied by the Issuer in financing or refinancing on a portfolio basis Green Projects and/or Social Projects (each as defined below and further described in the Issuer's Sustainable Development Goals (SDGs) Bond Framework (April 2018) published on its website (<https://shareholdersandinvestors.bbva.com>) (including as amended, supplemented, restated or otherwise updated on such website from time to time, the **SDGs Bond Framework**)) (together, the **Sustainability Projects**), including the financing of new or future Sustainability Projects, and the refinancing of existing and on-going Sustainability Projects where originally financed within three years of the issue of the relevant Notes, all in accordance with the SDGs Bond Framework. In the case of Green Notes, such financing or refinancing shall be of Green Projects, in the case of Social Notes, such financing or refinancing shall be of Social Projects and, in the case of Sustainability Notes, such financing or refinancing shall be of Green Projects and Social Projects.

Green Projects are projects where at least 80 per cent. of (i) the principal amount financed is for the financing of activities falling or (ii) the business of the borrower in respect of the relevant project falls, under the "green eligible categories" described in the SDGs Bond Framework of energy efficiency, sustainable transport, water, waste management and/or renewable energy, each as further described in the SDGs Bond Framework, and, at any time, include any other "green" projects in accordance with any update of the ICMA Green Bond Principles at such time.

The **ICMA Green Bond Principles**, at any time, are the Green Bond Principles published by the International Capital Markets Association at such time, which as of the date of this Offering Circular are the Green Bond Principles 2017 (<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>).

Social Projects are projects where at least 80 per cent. of (i) the principal amount financed is for the financing of activities falling or (ii) the business of the borrower in respect of the relevant project falls, under the "social eligible categories" described in the SDGs Bond Framework of healthcare, education, SME financing and microfinancing, and/or affordable housing, each as further described in the SDGs Bond Framework, and, at any time, include any other "social" projects in accordance with any update of the ICMA Social Bond Principles at such time.

The **ICMA Social Bond Principles**, at any time, are the Social Bond Principles published by the International Capital Markets Association at such time, which as of the date of this Offering Circular are the Social Bond Principles 2017 (<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/SocialBondsBrochure-JUNE2017.pdf>).

The proceeds of any SDG Notes will not be used to finance nuclear power generation, large scale (above 20 megawatt) dam, defence, mining, carbon related or oil and gas activities.

Pending the application of any net proceeds of SDG Notes in financing or refinancing the relevant Sustainability Projects, such proceeds will be applied by the Issuer on the same basis as for the management of its liquidity portfolio. The Issuer will endeavour to apply a percentage of the net proceeds of any SDG Notes in financing Sustainability Projects originated in the year of issue of such SDG Notes. In the event that any Sustainability Project to which the net proceeds of any SDG Notes are allocated, ceases or will cease to comply with the relevant categories for such Sustainability Project to constitute a Green Project or a Social

TERMS AND CONDITIONS OF THE NOTES

Project, as the case may be, the Issuer will substitute that Sustainability Project within the relevant portfolio for a compliant Sustainability Project.

Within 12 months of the issue date of each Series of SDG Notes and for each year until the maturity or early redemption of those SDG Notes, the Issuer will publish a report on its website (<https://shareholdersandinvestors.bbva.com>) in respect of that Series of SDG Notes as described in the SDGs Bond Framework.

The Issuer has obtained an independent verification assessment from DNV GL Business Assurance Services Limited in respect of the SDGs Bond Framework. This independent verification assessment is published on the Issuer's website (<https://shareholdersandinvestors.bbva.com>).

The Issuer further intends to obtain an independent verification assessment from an external verifier for each benchmark Series of SDG Notes it issues and will publish that verification assessment on its website (<https://shareholdersandinvestors.bbva.com>).

In addition, the Issuer may request, on an annual basis starting one year after the issue of each Series of SDG Notes and until maturity (or until redemption in full), a limited assurance report of the allocation of the net proceeds of those SDG Notes to Green Projects and/or Social Projects, as the case may be, which may be provided by its external auditor or another suitably qualified provider and published on its website (<https://shareholdersandinvestors.bbva.com>).

Neither the SDGs Bond Framework, nor any of the above reports, verification assessments or contents of any of the above websites are incorporated in or form part of this Offering Circular.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

HISTORY AND DEVELOPMENT OF THE ISSUER

BBVA's predecessor bank, BBV (Banco Bilbao Vizcaya), was incorporated as a public limited 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 (Banco Bilbao Vizcaya), 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) (volume 2,083, Folium 1, Page BI-17.A, first inscription). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Calle Azul, 4, 28050, Madrid, Spain, telephone number +34-91-374-6201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Banco Bilbao Vizcaya Argentaria, S.A., New York Branch (1345 Avenue of the Americas, 44th Floor, New York, New York 10105 (Telephone: +1-212-728-1660)). BBVA is incorporated for an unlimited term.

BBVA's corporate purpose contained in article 3 of its bylaws is to engage in all kinds of activities, operations, acts, contracts and services within the banking business or directly or indirectly related to it, that are permitted or not prohibited by prevailing provisions and any ancillary activities. Its corporate purpose also includes the acquisition, holding, utilisation and divestment of securities, public offerings to buy and sell securities, and any kind of holdings in any company or enterprise.

CAPITAL EXPENDITURES

BBVA's principal investments are financial investments in its subsidiaries and affiliates. The main capital expenditures from 2015 to the date of this Offering Circular were the following:

2017

Acquisition of an additional 9.95 per cent. of Garanti

On 22nd March, 2017, BBVA acquired 41,790,000,000 shares (in the aggregate) of Garanti (amounting to 9.95 per cent. of the total issued share capital of Garanti) from Doğu Holding A.Ş. and Doğu Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş., under certain agreements entered into on 21st February, 2017, at a purchase price of 7.95 TL per share (3,322 million TL or €859 million in the aggregate).

2016

In 2016 there were no significant capital expenditures.

2015

Acquisition of an additional 14.89 per cent. of Garanti

On 27th July, 2015, BBVA acquired 62,538,000,000 shares (in the aggregate) of Garanti from Doğu Holding A.Ş., Ferit Faik Şahenk, Dianne Şahenk and Defne Şahenk, under certain agreements entered into on 19th November, 2014. The total price effectively paid by BBVA amounted to 8.765 TL per batch of 100 shares, amounting to TL 5,481 million and €1,857 million applying a 2.9571 TL/EUR exchange rate.

Following this acquisition, BBVA held 39.90 per cent. of Garanti's share capital and started to fully consolidate Garanti's results in its consolidated financial statements as it determined that it was able to control such entity. On 2nd March, 2017, BBVA completed the acquisition of an additional 9.95 per cent. stake in Garanti. See "— 2017" above.

In accordance with applicable accounting rules, at the date of achieving effective control over Garanti, BBVA had to measure at fair value its previously acquired stake of 25.01 per cent. in Garanti (classified as a joint venture accounted for under the equity method). This resulted in a negative impact in “*Gains (losses) on derecognition of non-financial assets and subsidiaries, net*” in the consolidated income statement of the Group for the year ended 31st December, 2015 which resulted, in turn, in a net negative impact in the “*Profit attributable to parent company*” of the Group in 2015 amounting to €1,840 million. Such accounting impact did not result in any additional cash outflow from BBVA. Most of this impact resulted from the depreciation of the TL against the Euro since the acquisition by BBVA of such stake until the date of achieving such effective control.

Acquisition of Catalunya Banc

On 24th April, 2015, once the necessary authorisations were obtained and all the agreed conditions precedent were fulfilled, BBVA announced the acquisition of 1,947,166,809 shares of Catalunya Banc, S.A. (Catalunya Banc) (98.4 per cent. of its share capital) for a price of €1,165 million.

Previously, on 21st July, 2014, the Management Commission of the FROB accepted BBVA’s bid in the competitive auction for the acquisition of Catalunya Banc.

CAPITAL DIVESTITURES

BBVA’s principal divestitures are financial divestitures in its subsidiaries and affiliates. The main capital divestitures from 2015 to the date of this Offering Circular were the following:

2018

Sale of BBVA’s stake in BBVA Chile

On 28th November, 2017, BBVA received a binding offer from The Bank of Nova Scotia group (**Scotiabank**) for the acquisition of BBVA’s stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. (**BBVA Chile**) as well as in other companies of the Group in Chile whose operations are complementary to its banking business in Chile (amongst them, BBVA Seguros de Vida, S.A.). BBVA owns, directly and indirectly, 68.19 per cent. of BBVA Chile’s share capital. The offer received does not include BBVA’s stake in the automobile financing companies which are part of the Forum group and in other Chilean entities which are engaged in non-banking activities of the Group. On 5th December, 2017, BBVA accepted the offer and entered into a sale and purchase agreement.

On 6th July, 2018, BBVA has completed the sale to The Bank of Nova Scotia of its direct and indirect shareholding stake in BBVA Chile. The consideration received in cash by BBVA as consequence of the referred sale amounts to USD 2,200 million. The transaction results in a capital gain net of taxes of EUR 640 million and a positive impact on BBVA Group’s Common Equity Tier 1 (fully loaded) of 50 basis points. These impacts will be recorded in BBVA Group’s third quarter financial statements for 2018.

2017

Agreement for the creation of a joint-venture and transfer of the real estate business in Spain

On 29th November, 2017, BBVA reached an agreement with an affiliate of Cerberus Capital Management, L.P. (**Cerberus**) for the creation of a “joint venture” to which the real estate business of BBVA in Spain will be transferred (the **Spun-off Business**). BBVA will contribute the Spun-off Business to a single company (the **Newco**) and will sell 80 per cent. of the shares of such Newco to Cerberus on the closing date of the transaction.

The Spun-off Business comprises: (i) foreclosed real estate assets (the **REOs**), with a gross book value of €13,000 million, based on the value of the REOs as of 26th June, 2017; and (ii) the necessary assets and

employees to manage the Spun-off Business in an autonomous manner. For the purpose of the agreement with Cerberus, the Spun-off Business was valued at €5,000 million.

Considering the valuation of the Spun-off Business previously mentioned and assuming that all the Spun-off Business' REOs as of 26th June, 2017 will be contributed to the Newco, the sale price for 80 per cent. of the shares would amount to €4,000 million. The final price will be determined based on the volume of REOs effectively contributed, which may vary depending on, among other matters, sales of such REOs carried out from the date of reference of 26th June, 2017 until the date of closing of the transaction.

The consummation of the transaction is subject to obtaining the relevant authorisations from the competent authorities.

2016

In 2016 there were no significant capital divestitures.

2015

Sale of the participation in Citic International Financial Holdings Limited (CIFH)

On 23rd December, 2014, the Group signed an agreement to sell its 29.68 per cent. participation in Citic International Financial Holdings Limited (**CIFH**) to China CITIC Bank Corporation Limited (**CNCB**). CIFH is a non-listed subsidiary of CNCB domiciled in Hong Kong. On 27th August, 2015, BBVA completed the sale of this participation. The selling price of HK\$8,162 million was recognised under "*Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations*".

Partial sale of China CITIC Bank Corporation Limited (CNCB)

On 23rd January, 2015, the Group signed an agreement to sell a 4.9 per cent. stake in CNCB to UBS AG, London Branch (**UBS**), which in turn entered into transactions pursuant to which such CNCB shares were to be transferred to a third party, with the ultimate economic benefit of ownership of such CNCB shares being transferred to Xinhua Zhongbao Co., Ltd (**Xinhua**) (collectively, the **Relevant Transactions**). On 12th March, 2015, after having obtained the necessary approvals, BBVA completed the sale. The selling price to UBS was HK\$5.73 per share, amounting to a total of HK\$13,136 million, equivalent to €1,555 million (with an exchange rate of €/HK\$=8.45 as of the date of the closing).

In addition to the sale of this 4.9 per cent. stake, the Group made various sales of CNCB shares in the market during 2015. In total, a participation of 6.34 per cent. in CNCB was sold during 2015. The impact of these sales on the Consolidated Financial Statements of the Group was a gain, net of taxes, of €705 million in 2015. This gain, gross of taxes, was recognised under "*Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations*" in the consolidated income statement for 2015. See Note 50 to the Consolidated Financial Statements for additional information.

BUSINESS OVERVIEW

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

Operating Segments

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

- Banking Activity in Spain
- Non-Core Real Estate (until March 2017, this operating segment was named Real Estate Activity in Spain)

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

- Turkey
- Rest of Eurasia
- Mexico
- South America
- United States

In addition to the operating segments referred to above, the Group has a Corporate Center which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including costs from central units that have a strictly corporate function; management of structural exchange rate positions carried out by the Financial Planning unit; specific issues of capital instruments to ensure adequate management of the Group's overall capital position; proprietary portfolios such as holdings in some of Spain's leading companies and their corresponding results; certain tax assets and liabilities; provisions related to commitments with pensioners; and goodwill and other intangibles.

The calculation for constant currency amounts and percentages has been performed by applying current period exchange rates to the prior periods as stated and published in the Management Report.

The breakdown of the Group's total assets by operating segments as of 31st December, 2017, 2016 and 2015 is as follows:

Total Assets by Operating Segment	As of 31st December,		
	2017	2016 ⁽¹⁾	2015 ⁽¹⁾
	(in millions of euros)		
Banking Activity in Spain	319,417	335,847	343,793
Non-Core Real Estate	9,714	13,713	17,122
The United States	80,493	88,902	86,454
Mexico	89,344	93,318	99,591
Turkey	78,694	84,866	89,003
South America	74,636	77,918	70,657
Rest of Eurasia	17,265	19,106	19,579
Subtotal Assets by Operating Segment	669,563	713,670	726,199
Corporate Center and other adjustments	20,495	18,186	23,656
Total Assets BBVA Group	690,059	731,856	749,855

(1) The figures corresponding to 2016 and 2015 have been restated due to changes in the structure of BBVA's internal organisation in a manner that caused the composition of the reportable segments to change. These changes were not significant.

The following table sets forth information relating to the profit (loss) attributable to the parent company by each of BBVA's operating segments and Corporate Center for the years ended 31st December, 2017, 2016 and 2015.

	Profit/(Loss) Attributable to Parent Company			% of Profit/(Loss) Attributable to Parent Company		
	For the Year Ended 31st December,					
	2017	2016	2015	2017	2016	2015
	(in millions of euros)			(in percentage)		
Banking Activity in Spain	1,381	905	1,080	26	21	24
Non-Core Real Estate	(501)	(595)	(496)	(9)	(14)	(11)
The United States	511	459	517	10	11	11

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Mexico	2,162	1,980	2,094	40	46	46
Turkey	826	599	371	15	14	8
South America	861	771	905	16	18	20
Rest of Eurasia	125	151	70	2	4	2
Subtotal operating segments	5,363	4,269	4,541	100	100	100
Corporate Center	(1,844)	(794)	(1,899)			
Profit attributable to parent company	3,519	3,475	2,642			

The following table sets forth information relating to the income of each operating segment for the years ended 31st December, 2017, 2016 and 2015 and reconciles the income statement of the various operating segments to the consolidated income statement of the Group:

	Operating Segments										
	Banking Activity in Spain	Non-Core Real Estate	The United States	Mexico	Turkey ⁽¹⁾	South America	Rest of Eurasia	Corporate Center	Total	Adjustme nts ⁽²⁾	BBVA Group
	(in millions of euros)										
2017											
Net interest income	3,738	71	2,158	5,437	3,331	3,200	180	(357)	17,758	-	17,758
Gross income	6,180	(17)	2,919	7,080	4,115	4,451	468	73	25,270	-	25,270
Net margin before provisions ⁽³⁾	2,802	(132)	1,061	4,635	2,612	2,444	160	(811)	12,770	-	12,770
Operating profit/(loss) before tax	1,866	(673)	784	2,948	2,147	1,691	177	(2,009)	6,931	-	6,931
Profit attributable to parent company	1,381	(501)	511	2,162	826	861	125	(1,844)	3,519	-	3,519
2016											
Net interest income	3,877	60	1,953	5,126	3,404	2,930	166	(455)	17,059	-	17,059
Gross income	6,416	(6)	2,706	6,766	4,257	4,054	491	(31)	24,653	-	24,653
Net margin before provisions ⁽³⁾	2,837	(130)	863	4,371	2,519	2,160	149	(907)	11,862	-	11,862
Operating profit/(loss) before tax	1,268	(743)	612	2,678	1,906	1,552	203	(1,084)	6,392	-	6,392
Profit attributable to parent company	905	(595)	459	1,980	599	771	151	(794)	3,475	-	3,475
2015											
Net interest income	4,015	71	1,811	5,387	2,194	3,202	176	(432)	16,426	(404)	16,022
Gross income	6,803	(28)	2,631	7,081	2,434	4,477	465	(183)	23,680	(318)	23,362
Net margin before provisions ⁽³⁾	3,363	(154)	825	4,459	1,273	2,498	113	(1,015)	11,363	(109)	11,254
Operating profit/(loss) before tax	1,540	(716)	685	2,772	853	1,814	103	(1,172)	5,879	(1,276)	4,603
Profit attributable to parent company	1,080	(496)	517	2,094	371	905	70	(1,899)	2,642	-	2,642

⁽¹⁾ The information for the year ended 31st December, 2015, until July 2015, is presented under management criteria, pursuant to which Garanti's results have been proportionally integrated based on BBVA's 25.01 per cent. interest in Garanti until July 2015, when the acquisition by BBVA of an additional 14.89 per cent. stake in Garanti was completed and BBVA started consolidating 100 per cent. of the Garanti group. See Note 3 to the Consolidated Financial Statements.

⁽²⁾ Adjustments in 2015 include (i) adjustments made to account for the fact that, until July 2015, in the Consolidated Financial Statements, Garanti was accounted for using the equity method rather than using the management criteria referred to above; and (ii) adjustments relating to the reclassification in the fourth quarter of 2015, of certain operating expenses related to technology from the Corporate Center to the Banking Activity in Spain segment. This reclassification was a consequence of the reassignment of technology-related management competences, resources and responsibilities from the Corporate Center to the Banking Activity in Spain segment during 2015.

⁽³⁾ "Net margin before provisions" is calculated as "Gross income" less "Administration costs" and "Depreciation and amortisation".

Banking Activity in Spain

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

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

- **Spanish Retail Network:** including individual customers, private banking, small companies and businesses in the domestic market;
- **Corporate and Business Banking (CBB):** which manages small and medium-sized enterprises (SMEs), companies and corporations, public institutions and developer segments;
- **Corporate and Investment Banking (C&IB):** responsible for business with large corporations and multinational groups and the trading floor and distribution business in Spain; and
- **Other units:** which include the insurance business unit in Spain (BBVA Seguros), and the Asset Management unit, which manages Spanish mutual funds and pension funds. The provision of loans to real estate developers that are not in difficulties is also included here.

In addition, Banking Activity in Spain includes certain loans and advances portfolios, finance and structural euro balance sheet positions.

The following table sets forth information relating to the activity of this operating segment as of 31st December, 2017, 2016 and 2015:

	2017	As of 31st December, 2016 (in millions of euros)	2015
Total Assets	319,417	335,847	343,793
Loans and advances to customers	188,463	187,201	192,028
<i>Of which:</i>			
Residential mortgages	77,366	81,659	85,029
Consumer finance	9,804	7,141	6,207
Loans	7,845	5,374	4,577
Credit cards	1,959	1,767	1,631
Loans to enterprises	46,259	43,472	43,635
Loans to public sector	15,952	18,268	20,892
Customer deposits	177,763	180,544	188,116
<i>Of which:</i>			
Current and savings accounts	119,003	98,989	81,270
Time deposits	47,599	70,696	81,048
Other customer funds	6,680	5,124	14,861
Assets under management	62,054	56,147	54,910
Mutual funds	37,992	32,648	31,927
Pension funds	24,022	23,448	22,860
Other placements	40	51	123

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €188,463 million, a 0.7 per cent. increase compared with the €187,201 million recorded as of 31st December, 2016, mainly as a result of a €3,074 million increase in repurchase agreements (repos) and other loans, increased activity with clients in France, and a €2,787 million increase in loans to enterprises, of which approximately €800 million related to unimpaired loans transferred from the Non-Core Real Estate operating segment, partially offset by a €4,293 million decrease in residential mortgages continuing the trend of 2016.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €177,763 million, a 1.5 per cent. decrease compared with the €180,544 million recorded as of 31st December, 2016, mainly as a result of a €23,097 million decrease in time deposits partially offset by a €20,014 million increase in current and savings accounts. Due to the low interest rate environment and the consequent low profitability of time

deposits, there was a transfer from time deposits to current and savings accounts and, to a lesser extent, mutual funds.

Mutual funds of this operating segment as of 31st December, 2017 amounted to €37,992 million, a 16.4 per cent. increase compared with the €32,648 million recorded as of 31st December, 2016, continuing the trend of the previous year. Increased activity in mutual funds was mainly attributable to the low return on deposits and the improvement of the markets. Pension funds of this operating segment as of 31st December, 2017 amounted to €24,022 million, a 2.4 per cent. increase compared with the €23,448 million recorded as of 31st December, 2016.

The non-performing asset ratio of this operating segment as of 31st December, 2017 was 5.2 per cent. compared with 5.8 per cent. as of 31st December, 2016. This operating segment's non-performing assets coverage ratio (which reflects the degree to which the impairment of non-performing assets has been covered in the Group's consolidated financial statements through loan loss provisions) decreased to 50 per cent. as of 31st December, 2017, from 53 per cent. as of 31st December, 2016.

Non-Core Real Estate

This operating segment was 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 primarily includes lending to real estate developers and foreclosed real estate assets (except for those new loans to developers that are included in the Banking Activity in Spain segment). In November 2017, BBVA reached an agreement with a subsidiary of Cerberus for the creation of a joint venture to which the real estate business of BBVA in Spain will be transferred, which represents the majority of the assets and the business of this operating segment. BBVA will retain a 20 per cent. interest in such joint venture, while Cerberus will acquire a 80 per cent. interest in exchange for approximately €4,000 million. See “—*History and Development of the Issuer—Capital Divestitures—2017—Agreement for the creation of a joint-venture and transfer of the real estate business in Spain*”.

Loans and advances to customers of this operating segment have significantly declined over recent years. As of 31st December, 2017, loans and advances to customers amounted to €5,042 million, a 44.4 per cent. decrease compared with the €9,070 million recorded as of 31st December, 2016.

Non-performing assets of this segment have continued to decline and as of 31st December, 2017 and were 4.5 per cent. lower than as of 31st December, 2016. The coverage of non-performing and potential problem loans of this segment decreased to 55.6 per cent. as of 31st December, 2017, compared with 59.4 per cent. as of 31st December, 2016 of the total amount of real-estate assets in this operating segment.

The number of real estate assets sold amounted to 36,041 units in 2017, which was 67.2 per cent. higher than in 2016.

The United States

This operating segment encompasses the Group's business in the United States. BBVA Compass accounted for 92 per cent. of the operating segment's balance sheet as of 31st December, 2017. Given its size in this segment, most of the comments below refer to BBVA Compass. This operating segment also includes 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 as of 31st December, 2017, 2016 and 2015:

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

	As of 31st December,		
	2017	2016	2015
	(in millions of euros)		
Total Assets	80,493	88,902	86,454
Loans and advances to customers	55,122	62,000	60,599
<i>Of which:</i>			
Residential mortgages	11,048	12,893	13,182
Consumer finance	6,841	7,413	7,364
Loans	6,312	6,838	6,784
Credit cards	529	575	580
Loans to enterprises	29,506	33,084	31,882
Loans to public sector	5,133	4,594	4,442
Customer deposits	61,357	65,760	63,715
<i>Of which:</i>			
Current and savings accounts	44,915	49,430	45,717
Time deposits	11,423	13,765	14,456
Other customer funds	208	-	-
Assets under management	-	-	-

The U.S. dollar depreciated 12.1 per cent. against the euro as of 31st December, 2017 compared with 31st December, 2016, negatively affecting the business activity of the United States operating segment as of 31st December, 2017 expressed in euro.

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €55,122 million, a 11.1 per cent. decrease compared with the €62,000 million recorded as of 31st December, 2016, mainly due to the depreciation of the U.S. dollar against the euro. Using constant currency, loans and advances to customers increased by 1.2 per cent. driven by an overall increase in commercial loans as well as consumer loans, particularly in residential real estate loans.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €61,357 million, a 6.7 per cent. decrease compared with the €65,760 million recorded as of 31st December, 2016, mainly due to the depreciation of the U.S. dollar against the euro. Using constant currency, customers deposits increased by 6.2 per cent. mainly as a result of a 3.4 per cent. increase in current and savings accounts due primarily to marketing efforts, partially offset by a 5.6 per cent. decrease in time deposits.

The non-performing asset ratio of this operating segment as of 31st December, 2017 was 1.2 per cent. compared with 1.5 per cent. as of 31st December, 2016. This operating segment's non-performing assets coverage ratio decreased to 104 per cent. as of 31st December, 2017, from 94 per cent. as of 31st December, 2016.

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 as of 31st December, 2017, 2016 and 2015:

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

	As of 31st December,		
	2017	2016	2015
	(in millions of euros)		
Total Assets	89,344	93,318	99,591
Loans and advances to customers	46,463	47,938	49,074
<i>Of which:</i>			
Residential mortgages	8,235	8,410	9,099
Consumer finance	10,883	11,286	11,588
Loans	6,486	6,630	6,550
Credit cards	4,397	4,656	5,037
Loans to enterprises	18,668	18,684	18,160
Loans to public sector	3,111	3,862	4,197
Customer deposits	49,414	50,571	49,552
<i>Of which:</i>			
Current and savings accounts	32,232	31,112	32,165
Time deposits	7,669	7,048	7,049
Other customer funds	4,497	5,324	5,738
Assets under management	19,472	19,111	21,557
Mutual funds	16,430	16,331	17,894
Pension funds	-	-	-
Other placements	3,041	2,780	3,663

The Mexican peso depreciated 8.0 per cent. against the euro as of 31st December, 2017 compared with 31st December, 2016, negatively affecting the business activity of the Mexico operating segment as of 31st December, 2017 expressed in euro.

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €46,463 million, a 3.1 per cent. decrease compared with the €47,938 million recorded as of 31st December, 2016, primarily due to the depreciation of the Mexican peso against the euro and, to a lesser extent, prepayments in the commercial portfolio in the fourth quarter of 2017. Using constant exchange rates, loans and advances to customers increased by 5.3 per cent. explained by overall increases in all the business lines of this operating segment, in line with the growth of the Mexican banking system.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €49,414 million, a 2.3 per cent. decrease compared with the €50,571 million recorded as of 31st December, 2016, primarily due to the depreciation of the Mexican peso against the euro. Using constant currency, customer deposits increased by 6.2 per cent. driven by the performance of time deposits and current and savings accounts, supported by the growth of the Mexican banking system.

Mutual funds of this operating segment as of 31st December, 2017 amounted to €16,430 million, a 0.6 per cent. increase compared with the €16,331 million recorded as of 31st December, 2016.

This operating segment's non-performing asset ratio was 2.3 per cent. as of 31st December, 2017 and 2016. This operating segment's non-performing assets coverage ratio decreased to 123 per cent. as of 31st December, 2017, from 127 per cent. as of 31st December, 2016.

Turkey

This operating segment comprises the banking and insurance businesses conducted by Garanti and its consolidated subsidiaries.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The following table sets forth information relating to the business activity of this operating segment as of 31st December, 2017, 2016 and 2015:

	As of 31st December,		
	2017	2016	2015
	(in millions of euros)		
Total Assets	78,694	84,866	89,003
Loans and advances to customers	53,446	57,941	57,768
<i>Of which:</i>			
Residential mortgages	5,113	5,801	5,884
Consumer finance	15,839	15,819	15,940
Loans	11,047	10,734	10,607
Credit cards	4,792	5,085	5,332
Loans to enterprises	30,459	33,836	33,472
Loans to public sector	1	-	-
Customer deposits	44,691	47,244	47,148
<i>Of which:</i>			
Current and savings accounts	11,751	12,237	11,889
Time deposits	32,705	35,231	35,543
Other customer funds	43	21	25
Assets under management	3,902	3,753	3,620
Mutual funds	1,265	1,192	1,243
Pension funds	2,637	2,561	2,378
Other placements	-	-	-

The Turkish lira depreciated 18.5 per cent. against the euro as of 31st December, 2017 compared to 31st December, 2016, negatively affecting the business activity of the Turkey operating segment as of 31st December, 2017 expressed in euro.

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €53,446 million, a 7.8 per cent. decrease compared with the €57,941 million recorded as of 31st December, 2016, mainly as a result of the impact of the depreciation of the Turkish lira. Using constant currency, loans and advances to customers increased by 13.1 per cent. supported by the strong growth shown by the Turkish financial sector mainly as a result of the growth of lending spurred by the government's Credit Guarantee Fund (CGF) programme.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €44,691 million, a 5.4 per cent. decrease compared with the €47,244 million recorded as of 31st December, 2016, mainly as a result of the impact of the depreciation of the Turkish lira. Using constant currency, customer deposits grew by 16.0 per cent., above the average of the sector, with current and savings accounts increasing by 17.8 per cent., reaching 26.3 per cent. of the total customer deposits and lowering the overall funding costs.

Mutual funds of this operating segment as of 31st December, 2017 amounted to €1,265 million, a 6.1 per cent. increase compared with the €1,192 million recorded as of 31st December, 2016. Using constant exchange rates, there was a 30.1 per cent. increase as a result of a greater volume of funds, the increased use of alternative sale channels (including the implementation of a new e-platform), generally higher share prices and higher interest rates.

Pension funds of this operating segment as of 31st December, 2017 amounted to €2,637 million, a 3.0 per cent. increase compared with the €2,561 million recorded as of 31st December, 2016. Using constant exchange rates, there was a 26.3 per cent. increase, mainly as a result of the introduction of a mandatory

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

pension plan by the Turkish government since the beginning of 2017 as well as the implementation of a new e-platform, the positive trend in the economy and higher interest rates.

The non-performing asset ratio of this operating segment as of 31st December, 2017 was 3.9 per cent. compared with 2.7 per cent. as of 31st December, 2016. This operating segment's non-performing assets coverage ratio decreased to 85 per cent. as of 31st December, 2017, from 124 per cent. as of 31st December, 2016. These changes were mainly as a result of increased impairments of wholesale loans.

South America

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

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

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

In November 2017, BBVA reached an agreement for the sale of BBVA's stake in BBVA Chile. For additional information, see "*—History and Development of the Issuer—Capital Divestitures—2017—Agreement for the sale of BBVA's stake in BBVA Chile*".

The following table sets forth information relating to the business activity of this operating segment as of 31st December, 2017, 2016 and 2015:

	2017	As of 31st December, 2016 (in millions of euros)	2015
Total Assets	74,636	77,918	70,657
Loans and advances to customers	49,870	50,333	44,970
<i>Of which:</i>			
Residential mortgages	11,425	11,441	9,810
Consumer finance	10,609	10,527	9,089
Loans	7,970	7,781	6,585
Credit cards	2,640	2,745	2,504
Loans to enterprises	20,655	21,495	20,084
Loans to public sector	867	685	630
Customer deposits	45,492	47,684	41,998
<i>Of which:</i>			
Current and savings accounts	22,822	23,369	21,011
Time deposits	18,717	20,509	16,990
Other customer funds	4,137	4,456	4,229
Assets under management	12,197	11,902	9,729
Mutual funds	5,248	4,859	3,793
Pension funds	6,949	7,043	5,936
Other placements	-	-	-

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

All the currencies of the countries in which BBVA operates in South America depreciated against the euro as of 31st December, 2017, negatively affecting the business activity of the South America operating segment as of 31st December, 2017 expressed in euro.

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €49,870 million, a 0.9 per cent. decrease compared with the €50,333 million recorded as of 31st December, 2016, mainly as a result of the impact of the depreciation of all the currencies of the region. Excluding this impact, loans and advances to customers increased by 11.3 per cent., mainly as a result of a €1,335 million increase in loans to enterprises, and a €1,102 million increase in consumer loans. By country, the main variation was related to Argentina where loans and advances to customers, at constant exchange rates, increased by €2,172 million.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €45,492 million, a 4.6 per cent. decrease compared with the €47,684 million recorded as of 31st December, 2016, mainly as a result of the impact of the depreciation of all the currencies of the region. Excluding this impact, customer deposits increased by 10.2 per cent., mainly as a result of an increase in current and savings accounts. By country, the main variation was related to Argentina where customer deposits, at constant exchange rates, increased by €1,733 million.

Mutual funds of this operating segment as of 31st December, 2017 amounted to €5,248 million, an 8.0 per cent. increase compared with the €4,859 million recorded as of 31st December, 2016, mainly as a result of increased activity in Argentina and Colombia during the first quarter of the year, which more than offset the impact of the depreciation of the currencies of the region.

The non-performing asset ratio of this operating segment as of 31st December, 2017 was 3.4 per cent. compared with 2.9 per cent. as of 31st December, 2016, due to weaker economic conditions in the region during the first part of the year, alleviated slightly in the last quarter when the non-performing asset ratio decreased by 8 basis points. This operating segment's non-performing assets coverage ratio decreased to 89 per cent. as of 31st December, 2017, from 103 per cent. as of 31st December, 2016, mainly as a result of the weaker economic conditions during the first part of the year 2017.

Rest of Eurasia

This operating segment includes the retail and wholesale banking businesses carried out by the Group in Europe (primarily Portugal) and Asia, excluding Spain and Turkey.

The following table sets forth information relating to the business activity of this operating segment as of 31st December, 2017, 2016 and 2015:

	As of 31st December,		
	2017	2016	2015
	(in millions of euros)		
Total Assets	17,265	19,106	19,579
Loans and advances to customers	15,261	15,835	16,165
Of which:			
Residential mortgages	1,968	2,432	2,614
Consumer finance	297	231	322
Loans	282	217	305
Credit cards	15	15	17
Loans to enterprises	11,075	12,340	12,619
Loans to public sector	510	57	216
Customer deposits	6,700	9,396	12,409
Of which:			

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Current and savings accounts	4,176	4,442	5,024
Time deposits	2,254	4,773	6,684
Other customer funds	231	107	609
Assets under management	376	366	331
Mutual funds	-	-	-
Pension funds	376	366	331
Other placements	-	-	-

Loans and advances to customers of this operating segment as of 31st December, 2017 amounted to €15,261 million, a 3.6 per cent. decrease compared with the €15,835 million recorded as of 31st December, 2016, mainly as a result of a €1,266 million decrease in loans to enterprises as a result of the loss of certain customers in the Global Finance Asia area.

Customer deposits of this operating segment as of 31st December, 2017 amounted to €6,700 million, a 28.7 per cent. decrease compared with the €9,396 million recorded as of 31st December, 2016, mainly as a result of a €2,520 million decrease in time deposits, mainly as a result of the reclassification of certain customer deposits between this operating segment and the operating segment of Banking Activity in Spain.

Pension funds of this operating segment as of 31st December, 2017 amounted to €376 million, a 2.7 per cent. increase compared with the €366 million recorded as of 31st December, 2016.

The non-performing asset ratio of this operating segment as of 31st December, 2017 was 2.4 per cent. compared with 2.6 per cent. as of 31st December, 2016. This operating segment's non-performing assets coverage ratio decreased to 74 per cent. as of 31st December, 2017, from 85 per cent. as of 31st December, 2016.

Insurance Activity

See Note 23 to the Consolidated Financial Statements for information on the Group's insurance activity.

Organisational Structure

As of 31st December, 2017, the Group was composed of 331 consolidated entities and 76 entities accounted for using the equity method.

The companies are principally domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Cayman Islands, Chile, Colombia, France, Germany, Ireland, Italy, Luxembourg, Mexico, Netherlands, Peru, Poland, Portugal, Spain, Switzerland, Turkey, 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, 2017.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Ownership	Total Assets ⁽¹⁾
			(in percentages)		(in millions of euros)
BBVA BANCOMER	Mexico	Bank	100.00	100.00	79,732
GARANTI	Turkey	Bank	49.85	49.85	69,738
COMPASS BANK	United States	Bank	100.00	100.00	62,075
BANCO CONTINENTAL, S.A.	Peru	Bank	92.24	46.12	19,320
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	Chile	Bank	68.19	68.19	17,982
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	Spain	Insurance	99.96	99.96	17,890

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

BBVA COLOMBIA, S.A.	Colombia	Bank	95.47	95.47	15,718
BBVA BANCO FRANCES, S.A.	Argentina	Bank	66.55	66.55	8,957
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	Portugal	Bank	100.00	100.00	4,687
GARANTIBANK INTERNATIONAL NV	Netherlands	Bank	100.00	100.00	4,101
PENSIONES BBVA BANCOMER, S.A. DE C.V.,	Mexico	Insurance	100.00	100.00	3,924
GRUPO FINANCIERO BBVA BANCOMER					
SEGUROS BBVA BANCOMER, S.A. DE C.V.,	Mexico	Insurance	100.00	100.00	2,980
GRUPO FINANCIERO BBVA BANCOMER					

(1) Information for non-EU subsidiaries has been calculated using the prevailing exchange rates on 31st December, 2017.

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,		
	2017	2016	2015
	<i>(in millions of euros)</i>		
Net interest income.....	17,758	17,059	16,022
Profit.....	4,762	4,693	3,328
Profit attributable to parent company	3,519	3,475	2,642

Consolidated balance sheet data

	As at 31st December,		
	2017	2016	2015
	<i>(in millions of euros)</i>		
Total assets	690,059	731,856	749,855
Loans and receivables (net)	431,521	465,977	471,828
Customers' deposits.....	376,379	401,465	403,362
Debt certificates and subordinated liabilities.....	63,915	76,375	81,980
Non-controlling interests	6,979	8,064	7,992
Total equity.....	53,323	55,428	55,282

DIRECTORS AND SENIOR MANAGEMENT

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

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

Board of Directors

The Board of Directors of BBVA currently comprises 15 members.

The business address of the Directors of BBVA is Calle Azul, 4, 28050 Madrid.

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 of Directors 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.

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

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History ^(*)
Francisco González Rodríguez ⁽¹⁾	1944	Group Executive Chairman	28th January, 2000	11th March, 2016	Chairman of the Board of Directors and Group Executive Chairman of BBVA since January 2000; Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
Carlos Torres Vila ⁽¹⁾⁽⁶⁾	1966	Chief Executive Officer	4th May, 2015	11th March, 2016	Chief Executive Officer of BBVA since May 2015. Chairman of the Technology and Cybersecurity Committee. Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
Tomás Alfaro Drake ⁽⁴⁾⁽⁶⁾	1951	External Director	18th March, 2006	17th March, 2017	Múltiple, Grupo Financiero BBVA Bancomer. He started at BBVA in September 2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and BBVA Strategy & Corporate Development Director from January 2009 to March 2014. Director of Internal Development and Professor in the Finance department of Universidad Francisco de Vitoria.
José Miguel Andrés Torrecillas ⁽²⁾⁽³⁾⁽⁵⁾⁽⁷⁾	1955	Independent Director	13th March, 2015	16th March, 2018	Chairman of the Audit and Compliance Committee and of the Appointments Committee. Chairman of Ernst & Young Spain from 2004 to 2014, where he was a partner since 1987 and also held a series of senior offices, including Director of the Banking Group from 1989 to 2004 and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013.
Jaime Félix Caruana Lacorte ⁽¹⁾⁽⁵⁾⁽⁶⁾	1952	Independent Director	16th March, 2018	Not applicable	General Director of the Bank of International Settlements (BIS) between 2009 and 2017. Between 2006 and 2009 he was Head of the Monetary, Capital Markets Department and Financial Counselor and General Manager at the International Monetary Fund (IMF), between 2003 and 2006 he was Chair of the Basel's Banking Supervision Committee, between 2000 and 2006 he was Governor of the Bank of Spain, and between 1999 and 2000 he was General Manager of Banking Supervision at the Bank of Spain.
Belén Garijo López ⁽²⁾⁽³⁾⁽⁴⁾	1960	Independent Director	16th March, 2012	16th March, 2018	Chair of the Remuneration Committee. Member of the Executive Board of Merck Group and CEO of Merck Healthcare, member of the Board of Directors of L'Oréal

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
José Manuel González-Páramo Martínez-Murillo	1958	Executive Director	29th May, 2013	17th March, 2017	and Chair of the International Executive Committee of PhRMA, ISEC (Pharmaceutical Research and Manufacturers of America). Executive Director of BBVA since May 2013. Member of the European Central Bank (ECB) Governing Council and Executive Committee from 2004 to 2012. Chairman of European DataWarehouse GmbH. Head of BBVA's Global Economics, Regulation and Public Affairs Area.
Sunir Kumar Kapoor ⁽⁶⁾	1963	Independent Director	11th March, 2016	Not applicable	President and CEO of UBmatrix Inc from 2005 to 2011. Executive Vice President and CMO of Cassatt Corporation from 2004 to 2005. Oracle Corporation, Vice President Collaboration Suite from 2002 to 2004. Founder and CEO of Tsola Inc from 1999 to 2001. President and CEO of E-Stamp Corporation from 1996 to 1999. Vice President of Strategy, Marketing and Planning of Oracle Corporation from 1994 to 1996. Currently, he is an independent consultant to various leading companies in the technology sector, such as cloud infrastructures or data analysis.
Carlos Loring Martínez de Irujo ⁽¹⁾⁽⁴⁾⁽⁵⁾	1947	External Director	28th February, 2004	17th March, 2017	Partner of J&A Garrigues from 1977 to 2004, where he has also held a series of senior offices, including Director of M&A Department, Director of Banking and Capital Markets Department and member of its Management Committee.
Lourdes Máiz Carro ⁽²⁾⁽³⁾⁽⁴⁾	1959	Independent Director	14th March, 2014	17th March, 2017	Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España from 2001 until 2016. Joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado) and from 1992 until 1993 she was Deputy to the

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
José Maldonado Ramos ⁽¹⁾⁽³⁾	1952	External Director	28th January, 2000	16th March, 2018	Director in the Ministry of Public Administration. From 1993 to 2001 held various senior positions in the Public Administration. Appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009.
Ana Cristina Peralta Moreno ⁽²⁾⁽⁴⁾	1961	Independent Director	16th March, 2018	Not applicable	General Director of Risks and Member of the Management Committee of Banco Pastor, between 2008 and 2011. Before that, she held several positions at Bankinter, including Chief Risk Officer and Member of the Management Committee between 2004 and 2008. She has also held the position of independent director in Deutsche Bank SAE (2014-2018) and Banco Etcheverría (2013-2014).
Juan Pi Llorens ⁽²⁾⁽⁵⁾⁽⁶⁾	1950	Independent Director	27th July, 2011	16th March, 2018	Chairman of the Risk Committee. Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe, Vice President of Technology & Systems Group at IBM Europe and Vice President of the Finance Services Sector at GMU (Growth Markets Units) in China. He was executive President of IBM Spain.
Susana Rodríguez Vidarte ⁽¹⁾⁽³⁾⁽⁵⁾	1955	External Director	28th May, 2002	17th March, 2017	Professor of Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. Doctor in Economic and Business Sciences from Universidad de Deusto.
Jan Paul Marie Francis Verplancke ⁽⁶⁾	1963	Independent Director	16th March, 2018	Not applicable	Director, Chief Information Officer, Group Head of Technology and Banking Operations, of Standard Chartered Bank, between 2004 and 2015. Before that, he held several positions in multinational companies, such

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History ^(*)
					as Vice President of Technology and Chief Information Officer, in the EMEA region of Dell (1999-2004) and Vice President of Information of the Youth Category (USA) of Levi Strauss (1998-1999).

(*) Where no date is provided, the position is 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 Remuneration Committee.
- (5) Member of the Risk Committee.
- (6) Member of the Technology and Cybersecurity Committee.
- (7) Lead Director.

Major Shareholders and Share Capital

As of 18th October, 2017, Blackrock, Inc. communicated that it held an indirect interest of 5.939 per cent. in BBVA's share capital. As of 30th June, 2018, no other person, corporation or government beneficially owned, directly or indirectly, five per cent. or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person.

As of 30th June, 2018, there were 890,821 registered holders of BBVA's shares, with an aggregate of 6,667,886,580 shares, of which 591 shareholders with registered addresses in the United States held a total of 1,347,181,698 shares (including shares represented by American Depositary Shares evidenced 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 operates in legal and regulatory environments that expose it to potentially significant legal and regulatory actions and proceedings, including legal claims and proceedings, civil and criminal regulatory proceedings, governmental investigations and proceedings, tax proceedings and other proceedings. Legal and regulatory actions and proceedings are subject to many uncertainties, and their outcomes, including the timing thereof, the amount of fines or settlements or the form of any settlements, which may be material, arising therefrom, or changes in business practices the Group may need to introduce as a result thereof, are often difficult to predict, particularly in the early stages of a particular legal or regulatory matter.

As of the date hereof, the Issuer and its subsidiaries are involved in a number of legal and regulatory actions and proceedings in various jurisdictions around the world (including, among others, Spain, Mexico and the United States). The legal proceedings referred to below are, in the Issuer's view, the most significant actions or proceedings to which the Group is or has recently been subject. However, the Group is also subject to a number of additional legal and regulatory actions and proceedings the adverse resolution of which may also adversely impact the Group. See "*Risk Factors—Business and Industry Risks—The Group is party to a number of legal and regulatory actions and proceedings*".

“Floor” clauses

The Group has been, and still is, party to various legal proceedings brought by clients before Spanish and European courts in relation to “floor” clauses limiting the interest rates in mortgages loans with consumers (commonly referred to as “*cláusulas suelo*”). As noted in the Issuer’s Consolidated Financial Statements for the year ended 31st December, 2016, such legal proceedings were considered by the Issuer to be material. In such year, in light of the decision of the Court of Justice of the European Union of December 2016 and after analysing the portfolio of mortgage loans to consumers in which there were “floor” clauses, the Issuer made a provision of €577 million (with an impact on “Profit attributable to parent company” of approximately €404 million) that was recorded in the income statement of 2016, to cover possible contingencies and claims. This provision was used for such purpose during 2017. The Issuer made additional provisions during 2017 to cover possible contingencies and claims that may arise in connection with this matter in amounts that the Issuer does not consider significant.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. The Issuer takes responsibility for the correct extraction and reproduction of the information in this section concerning the Clearing Systems, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

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

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

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

BOOK-ENTRY CLEARANCE SYSTEMS

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

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

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

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

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

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

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

Euroclear and Clearstream, Luxembourg

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

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

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

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

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

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

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

Transfers of Notes Represented by Registered Global Notes

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

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

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

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

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

TAXATION

SPAIN

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

Acquisition of the Notes

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

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 5/2004 of 5th March approving the consolidated text of the Non-Resident Income Tax Law (*Impuesto sobre la Renta de los no Residentes*), as amended (the **Non-Resident Income Tax Law**), Law 27/2014 of 27th November on Corporate Income Tax (*Impuesto sobre Sociedades*) (the **Corporate Income Tax Law**), Law 35/2006 of 28th November on Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*), as amended, 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*). The summary below also considers the rules for the implementation of such regulations (Royal Decree 1776/2004 of 30th July approving the Non-Resident Income Tax Regulations as amended, Royal Decree 439/2007 of 30th March, approving the Individuals Income Tax Regulations as amended and Royal Decree 634/2015 of 10th July approving the Corporate Income Tax Regulations).

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

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 subject to the reporting obligations as set out in RD 1065/2007 (see “Taxation – Tax Reporting Obligations of the Issuer”).

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

TAXATION

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 generally at the current rate of 25 per cent.

According to section 44 of RD 1065/2007, the Issuer is not obliged to withhold any tax amount on income derived from payment of interest, redemption or repayment of the Notes obtained by a permanent establishment in Spain in respect of the Notes or Corporate Income Tax payers provided that the information procedures are complied with as it is described in section “*Taxation – Tax Reporting Obligations of the Issuer*”.

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 61(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 traded outside Spain and 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 payers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of 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 19 per cent. to 23 per cent.).

The above mentioned income will be subject to the corresponding personal income tax withholding at the applicable tax rate of 19 per cent. Article 44 of the RD 1065/2007 establishes information procedures for debt instruments issued under the Law 10/2014 and has provided that the interest will be paid by the Issuer to the Paying Agent for the whole amount, provided that such information procedures are complied with.

Nevertheless, withholding tax at the applicable rate of 19 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 1065/2007, the Issuer is not obliged to withhold any tax amount provided that the information procedures (which do not require identification of the Noteholders) are complied with by the Paying Agent as it is described in section “*Taxation – Tax Reporting Obligations of the Issuer*”.

However, regarding the interpretation of the “*Taxation – Tax Reporting Obligations of the Issuer*” please refer to “*Risk Factors – Spanish tax rules*”.

Wealth Tax

According to Royal Decree-law 13/2011 dated 16th September, 2011, as amended by Law 6/2018, dated 3rd July, 2018, individuals with tax residency in Spain are subject to Wealth Tax in the tax year 2018 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, 2018.

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

As a consequence of the European Court of Justice judgment (Case C-127/12), the Net Wealth Tax Law has been amended by Law 26/2014, of 27th November. As a result, Non-Spanish tax resident individuals who are residents in the EU or in the European Economic Area can apply the legislation of the region in which the highest value of the assets and rights of the individuals are located.

In accordance with article 73 of Law 6/2018, a full exemption (*bonificación del 100%*) from Net Wealth Tax will apply in 2019 unless such exemption is revoked. Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

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

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

However, a judgment from the European Court of Justice dated 3rd September, 2014 declared that the Spanish Inheritance Tax Act is against the principle of free movement of capital within the EU as Spanish residents are granted tax benefits that, in practice, allow them to pay much lower taxes than non-residents. According to Law 26/2014, of 27th November, it will be possible to apply tax benefits approved in some Spanish regions to residents either in the EU or in the EEA by following certain specific rules.

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

Tax Reporting Obligations of the Issuer

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from preference shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period of 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, that are recognised by Spanish law or by the law of another OECD country (such as DTC, Euroclear or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the Issuer submits a statement to the Issuer, the form of which is included in the Agency Agreement, with the following information:

- (i) identification of the securities;
- (ii) payment date;
- (iii) total amount of income paid on the relevant date; and
- (iv) total amount of the income corresponding to each clearing house located outside Spain.

In accordance with Article 44.5 of RD 1065/2007, the 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 entity obliged to provide the statement fail to do so, the Issuer or the Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. on the total amount of the return on the relevant Notes.

If, before the tenth day of the month following the month in which interest is paid, the obliged entity provides the statement, the Issuer will reimburse the amounts withheld.

TAXATION

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

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 Noteholders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on interest payments in respect of the Notes if the Noteholders do not comply with such information procedures.

Regarding the interpretation of Article 44 RD 1065/2007 and the simplified information procedures please refer to “*Risk Factors – Spanish tax rules*”.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1st January, 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as

TAXATION

described under “Terms and Conditions—Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement 18th December, 2015 as supplemented by a supplemental programme agreement dated 25th November, 2016, a second supplemental programme agreement dated 17 July, 2017 [and a third supplemental programme agreement dated 2 August, 2018] (such amended and restated programme agreement as further amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase or procure subscribers for Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of its expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilisation activities may only be carried on by the Stabilisation Manager named in the applicable Final Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

- (c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (RULE 144A)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN **INSTITUTIONAL ACCREDITED INVESTOR**); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) to non-U.S. persons outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A or (C) to an Institutional Accredited Investor that provides a duly executed investment letter in the form set out in the Agency Agreement and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION, AS DETERMINED AND CERTIFIED BY THE RELEVANT DEALER OR, IN THE CASE OF AN ISSUE OF NOTES ON A SYNDICATED BASIS, THE RELEVANT LEAD MANAGER, OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART, SALES MAY NOT BE MADE UNLESS MADE (I) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT OR (III) TO INSTITUTIONAL “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT PROVIDE A DULY EXECUTED INVESTMENT LETTER SUBSTANTIALLY IN THE FORM SET OUT IN THE AGENCY AGREEMENT.”; and

- (h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the U.S. Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (d) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States

The Notes have not been or will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Regulation S (**Regulation S Notes**), it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Senior Preferred Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable” and in the case of all other Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area (the **EEA**). For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive, and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Senior Preferred Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable,” in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the **Relevant Implementation Date**, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision,

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

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

- (a) 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 would not, if the Issuer was not an authorised person, apply to the Issuer; 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 any Notes in, from or otherwise involving the United Kingdom.

Japan

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

Spain

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge that the Notes must not be offered, distributed or sold in Spain in the primary market. However, the Notes may be sold to Spanish resident investors in circumstances that satisfy the requirements set forth in the ruling of the Directorate General for Taxation (*Dirección General de Tributos*) of 27th July, 2004.

Notwithstanding this, the Notes may not be offered, sold or otherwise made available at any time to any retail investor in Spain. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive.

No publicity of any kind shall be made in Spain.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time (**Regulation No. 11971**); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular (including the applicable Final Terms) or any other document relating to the Notes in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Act**);
- (ii) in compliance with Article 129 of the Banking Act, as amended, (including the applicable reporting requirements) and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the securities in Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the *Code monétaire et financier*.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Hong Kong

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The PRC

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**), and the Notes will be offered pursuant to exemptions under the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA), (b) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Unless otherwise stated in the applicable Final Terms, all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

Neither the Issuer nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 31st January, 2018.

Details of each issue under the Programme will be evidenced in a public deed of issue (*Escritura de Emisión*) and will be registered in the *Registro Mercantil*.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List for such Notes to be admitted to trading on the Main Securities Market. The renewed listing of the Programme in respect of the Notes is expected to be granted on or around 2 August, 2018.

Documents Available

For the period of 12 months following the date of this Offering Circular, electronic copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the bylaws (with an accurately reproduced English translation thereof) of the Issuer;
- (b) the consolidated and non-consolidated financial statements of the Issuer in respect of the financial years ended 31st December, 2017 and 2016 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published condensed interim consolidated financial statements (if any) of the Issuer (with an accurately reproduced English translation thereof), together with any audit or review reports prepared in connection therewith. The Issuer currently prepares condensed interim consolidated financial statements on a quarterly basis and audited (under auditing standards generally accepted in Spain) consolidated interim reports on a semi-annual basis;
- (d) the Agency Agreement, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda, supplements to this Offering Circular and Final Terms and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN and, if applicable, the FISN and/or CFI for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the

GENERAL INFORMATION

applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer or the Group since 31st December, 2017.

There has been no significant change in the financial position of the Issuer or the Group since 30th June, 2018.

Litigation

Except as disclosed in the section entitled “*Description of Banco Bilbao Vizcaya Argentaria, S.A. – Legal Proceedings*” on page 150, 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 is 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 the Issuer or the Group.

Independent Auditors

The current auditors of the Issuer, KPMG Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), audited the Issuer’s Consolidated Financial Statements for the financial year ended 31st December, 2017 which have been prepared in accordance with IFRS-IASB.

Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*) audited the Issuer’s Consolidated Financial Statements for each of the two financial years ended 31st December, 2016 and 31st December, 2015 which have been prepared in accordance with IFRS-IASB.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business.

ISSUER

Banco Bilbao Vizcaya Argentaria, S.A.
Calle Azul, 4
28050, Madrid
Spain

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

U.S. REGISTRAR, PAYING AGENT, EXCHANGE AGENT AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
60 Wall Street
New York
New York 10005
United States of America

EURO REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A
2 Boulevard Konrad Adenauer
L-1115, Luxembourg
Luxembourg

LEGAL ADVISERS

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

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

*To the Issuer
as to the laws of Spain*

J&A GARRIGUES, S.L.P.
Hermosilla, 3
28001 Madrid
Spain

To the Dealers as to the laws of England and Wales and as to the laws of Spain

Clifford Chance, S.L.P.
Paseo de la Castellana 110
28046 Madrid
Spain

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
C/Sauceda, 28,
28050, Madrid
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

NATIXIS

30 Avenue Pierre Mendès France
75013 Paris
France

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale

29, boulevard Haussmann
75009 Paris
France

UBS Limited

5 Broadgate
London EC2M 2QS
United Kingdom

Wells Fargo Securities International Limited

One Plantation Place
30 Fenchurch Street
London EC3M 3BD
United Kingdom

Wells Fargo Securities, LLC

550 South Tryon Street
Charlotte, NC 28202
United States of America

INDEPENDENT AUDITORS

To the Issuer

Deloitte, S.L.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

KPMG Auditores, S.L.

Paseo de la Castellana, 259C
28046 Madrid
Spain

IRISH LISTING AGENT**A&L Goodbody Listing Limited**

International Financial Services Centre
North Wall Quay
Dublin 1, D01H104
Ireland

ICM:27971390.28
