

IMPORTANT NOTICE

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED BELOW) OR IN OR INTO THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS), ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (the United States) OR TO ANY PERSON LOCATED OR RESIDENT IN OR IN OR INTO THE REPUBLIC OF ITALY.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Exchange Offer Memorandum and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the Exchange Offer Memorandum. By accessing the Exchange Offer Memorandum, you agree (in addition to giving the representation below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Morgan Stanley & Co. International plc (the **Lead Dealer Manager**), Banco Bilbao Vizcaya Argentaria, S.A. (in its capacity as Co-Dealer Manager, the **Co-Dealer Manager** and, together with the Lead Dealer Manager, the **Dealer Managers**) and/or Acupay System LLC (the **Tax Certification and Exchange Agent**) as a result of such access. Capitalised terms used but not otherwise defined in this disclaimer shall have the meaning given to them in the Exchange Offer Memorandum.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, SECURITIES TO OR FROM ANY PERSON IN THE UNITED STATES OR ANY OTHER JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES ABSENT REGISTRATION UNDER, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**). THE SECURITIES AND THE GUARANTEES THEREOF REFERRED TO IN THE ATTACHED EXCHANGE OFFER MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND SUCH SECURITIES AND GUARANTEES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE ATTACHED EXCHANGE OFFER MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE EXCHANGE OFFER MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND TO PERSONS WHO ARE NOT U.S. PERSONS AND TO WHOM IT IS OTHERWISE LAWFUL TO SEND THE EXCHANGE OFFER MEMORANDUM. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached Exchange Offer Memorandum or make an investment decision with respect to the Series E and F Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities denominated in euro (the **New Euro Tier 1 Securities**) and Sterling (the **New Sterling Tier 1 Securities**), respectively (together, the **New Securities**) to be issued by BBVA International Preferred, S.A. Unipersonal (the **Issuer**), and irrevocably and unconditionally guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) to the extent set forth in the guarantee thereof, you must not be a U.S. person and must be outside the United States, you must not be located or resident in the Republic of Italy and you must be otherwise able to participate lawfully in the invitations by BBVA International Preferred, S.A. Unipersonal (in such capacity, referred to as the **Offeror**) to holders of the Series A €50,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (ISIN: XS0229864060) (the **Existing Series A Euro Tier 1 Securities**), Series B Euro €50,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (ISIN: XS0266971745) (the **Existing Series B Euro Tier 1 Securities** and, together with the Existing Series A Euro Tier 1 Securities, the **Existing Euro Tier 1 Securities**) and the Series D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (ISIN: XS0308305803) (the **Existing Sterling Tier 1 Securities** and, together with the Existing Euro Tier 1 Securities, the **Existing Securities**), in each case issued by the Issuer, to offer to exchange their Existing Euro Tier 1 Securities for New Euro Tier 1 Securities and their Existing Sterling Tier 1 Securities for New Sterling Tier 1 Securities (each such invitation, an **Exchange Offer** and, together, the **Exchange Offers**), in each case on the terms and subject to the conditions set out in the Exchange Offer Memorandum including the offer and distribution restrictions set out on pages 6 to 8 (the **Offer and Distribution Restrictions**). The Exchange Offer Memorandum was sent at your request and by accessing the Exchange Offer Memorandum you shall be deemed to have represented to the Issuer, the Guarantor, the Dealer Managers and the Tax Certification and Exchange Agent that:

- (a) you are a holder or a beneficial owner of Existing Securities;
- (b) neither you nor any beneficial owner of Existing Securities or any other person on whose behalf you are acting, either directly or indirectly, is a U.S. person, or located or resident in the Republic of Italy;
- (c) the electronic mail address that you have given to us and to which the Exchange Offer Memorandum has been delivered is not located in the United States;
- (d) you are otherwise a person to whom it is lawful to send the Exchange Offer Memorandum or to make an invitation pursuant to the Exchange Offers in accordance with applicable laws, including the Offer and Distribution Restrictions; and
- (e) you consent to delivery of the Exchange Offer Memorandum by electronic transmission.

The attached Exchange Offer Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Dealer Managers, the Tax Certification and Exchange Agent or any person who controls, or is a director, officer, employee, agent or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Exchange Offer Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Dealer Managers or the Tax Certification and Exchange Agent.

You are also reminded that the attached Exchange Offer Memorandum has been sent to you on the basis that you are a person into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or resident and you may not, nor are you authorised to, deliver the Exchange Offer Memorandum to any other person. Any materials relating to the Exchange Offers do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that an Exchange Offer be made by a licensed broker or dealer and either of the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, that Exchange Offer shall be deemed to be made by such Dealer Manager or affiliate on behalf of the Offeror in such jurisdiction.

The Exchange Offer Memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO ANY U.S. PERSON OR IN OR INTO THE UNITED STATES OR TO ANY PERSON LOCATED OR RESIDENT IN OR IN OR INTO THE REPUBLIC OF ITALY.

EXCHANGE OFFER MEMORANDUM dated 5 October 2009.

THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION.



Invitations by

BBVA International Preferred, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

(in such capacity referred to as the Offeror)

to holders (the **Holders**) of the outstanding

**Series A €550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual
Guaranteed Preferred Securities** (the Existing Series A Euro Tier 1 Securities),

**Series B €500,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual
Guaranteed Preferred Securities** (the Existing Series B Euro Tier 1 Securities and, together with the Existing Series A Euro Tier 1 Securities, the
Existing Euro Tier 1 Securities) and

**Series D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual
Guaranteed Preferred Securities** (the Existing Sterling Tier 1 Securities)
(together, the **Existing Securities**),

each issued by

BBVA International Preferred, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

(the Issuer)

and irrevocably and unconditionally guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability under the laws of Spain)

(the Guarantor)

to the extent set forth in the guarantees thereof,

to offer to exchange their Existing Securities for

**Series E Euro Denominated Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual
Guaranteed Preferred Securities** (the **New Euro Tier 1 Securities**),
in the case of the Existing Euro Tier 1 Securities, or

**Series F Sterling Denominated Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual
Guaranteed Preferred Securities** (the **New Sterling Tier 1 Securities**),
in the case of the Existing Sterling Tier 1 Securities
(together, the **New Securities**)

to be issued by the Issuer and unconditionally and irrevocably guaranteed
by the Guarantor to the same extent as the guarantees in respect of the Existing Securities
(each such invitation, an **Exchange Offer** and, together, the **Exchange Offers**)

	ISIN/ Common code	Existing First Call Date	Amount of Existing Securities subject to relevant Exchange Offer	Exchange Price	Exchange Ratio	Cash Incentive Amount
Existing Series A Euro Tier 1 Securities	XS0229864060/ 022986406	22 September 2015	Any and all	81.5 per cent.	0.815	€80 per €1,000 of liquidation preference
Existing Series B Euro Tier 1 Securities	XS0266971745/ 026697174	20 September 2016	Any and all	81.5 per cent.	0.815	€80 per €1,000 of liquidation preference
Existing Sterling Tier 1 Securities	XS0308305803/ 030830580	19 July 2012	Any and all	69.0 per cent.	0.690	£100 per £1,000 of liquidation preference
	New Issue Price	New First Call Date	New Distribution Rate (Fixed)	New Distribution Rate (Floating) Margin		
New Euro Tier 1 Securities	100 per cent.	21 October 2014	8.5 per cent. per annum from (and including) the Settlement Date up to (but excluding) the New First Call Date	To be calculated on the Business Day following the Exchange Offer Deadline by subtracting the Euro Mid- Swap Rate from 8.5 per cent.		
New Sterling Tier 1 Securities	100 per cent.	21 October 2014	9.1 per cent. per annum from (and including) the Settlement Date up to (but excluding) the New First Call Date	To be calculated on the Business Day following the Exchange Offer Deadline by subtracting the Sterling Mid-Swap Rate from the Semi-Annual Equivalent Rate.		

THE EXCHANGE OFFERS WILL EXPIRE AT 5.00 P.M. (CENTRAL EUROPEAN TIME) ON 14 OCTOBER 2009, UNLESS EXTENDED, RE-OPENED OR TERMINATED AS PROVIDED IN THIS EXCHANGE OFFER MEMORANDUM. THE DEADLINE SET BY ANY INTERMEDIARY OR CLEARING SYSTEM WILL BE EARLIER THAN THIS DEADLINE.

Lead Dealer Manager

MORGAN STANLEY

Co-Dealer Manager

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

This Exchange Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Exchange Offers. If any Holder is in any doubt as to the contents of this document or the action it should take, it is recommended to seek its own financial and legal advice, including in respect of any tax consequences, immediately from its stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser. Any individual or company whose Existing Securities are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to offer Existing Securities for exchange pursuant to the Exchange Offers. None of Morgan Stanley & Co. International plc (the Lead Dealer Manager), Banco Bilbao Vizcaya Argentaria, S.A. (in its capacity as Co-Dealer Manager, the Co-Dealer Manager and, together with the Lead Dealer Manager, the Dealer Managers) Acupay System LLC (the Tax Certification and Exchange Agent), the Issuer, the Guarantor or any other Group (as defined below) company makes any recommendation as to whether Holders should offer Existing Securities for exchange.

This Exchange Offer Memorandum does not constitute an invitation to participate in the Exchange Offers in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws. The Exchange Offers are subject to offer and distribution restrictions in, amongst other countries, the United States of America, Spain, the United Kingdom, France, Italy and Switzerland. The distribution of this Exchange Offer Memorandum in those jurisdictions is restricted by the laws of such jurisdictions. No action has been or will be taken in any jurisdiction in relation to the Exchange Offers that would permit a public offering of securities other than in Switzerland. See "Offer and Distribution Restrictions".

The Exchange Offers are not being made within, and this Exchange Offer Memorandum is not for distribution in or into, the United States of America or to any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the Securities Act)). This Exchange Offer Memorandum is not an offer of securities for sale in the United States or any other jurisdiction. Securities may not be offered, sold or delivered in the United States absent registration under, or an exemption from the registration requirements of, the Securities Act. The New Securities and the guarantees thereof have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons.

EXCHANGE OFFERS

The Offeror invites all Holders (subject to the offer restrictions referred to in "Offer and Distribution Restrictions") to offer to exchange their Existing Securities for (a) New Euro Tier 1 Securities, in the case of the Existing Euro Tier 1 Securities and (b) New Sterling Tier 1 Securities, in the case of the Existing Sterling Tier 1 Securities. Each Exchange Offer shall be treated independently of the other Exchange Offers.

The Exchange Offers are made on the terms and subject to the conditions set out in this Exchange Offer Memorandum. Capitalised terms used in this Exchange Offer Memorandum have the meaning given in "Definitions" and any other definitions of such terms are for ease of reference only and shall not affect their interpretation.

Before making a decision whether to offer Existing Securities for exchange, Holders should carefully consider all of the information in this Exchange Offer Memorandum (including all of the information in, and incorporated by reference in, the Preliminary Prospectus) and, in particular, the risk factors described or referred to in "Risk Factors and Other Considerations" and the Prospectus Risk Factors.

THE EXCHANGE OFFERS WILL EXPIRE AT 5.00 P.M. (CET) ON 14 OCTOBER 2009 (the Exchange Offer Deadline), UNLESS EXTENDED, RE-OPENED OR TERMINATED AS PROVIDED IN THIS EXCHANGE OFFER MEMORANDUM. THE DEADLINE SET BY ANY INTERMEDIARY OR CLEARING SYSTEM WILL BE EARLIER THAN THIS DEADLINE.

Consideration for Existing Securities offered and accepted for exchange

The amount of New Securities each Holder whose Existing Securities are accepted for exchange pursuant to the relevant Exchange Offer will receive on the Settlement Date will be calculated by reference to:

- (a) the Exchange Price for the relevant series of Existing Securities of (i) 81.5 per cent. for the Existing Series A Euro Tier 1 Securities, (ii) 81.5 per cent. for the Existing Series B Euro Tier 1 Securities and (iii) 69.0 per cent. for the Existing Sterling Tier 1 Securities;
- (b) the New Issue Price for each series of New Securities of 100 per cent.; and
- (c) the resulting Exchange Ratio of (i) 0.815 for the Existing Series A Euro Tier 1 Securities, (ii) 0.815 for the Existing Series B Euro Tier 1 Securities and (iii) 0.690 for the Existing Sterling Tier 1 Securities, each of which has been calculated by dividing the relevant Exchange Price by the New Issue Price.

The Offeror will also pay such Holders on the Settlement Date a Cash Incentive Payment, which will be calculated by reference to the Cash Incentive Amount for the relevant series of Existing Securities of (a) €80 per €1,000 of liquidation preference for the Existing Series A Euro Tier 1 Securities, (b) €80 per €1,000 of liquidation preference for the Existing Series B Euro Tier 1 Securities and (c) £100 per £1,000 of liquidation preference for the Existing Sterling Tier 1 Securities, together with an Accrued Distribution Payment and a Cash Rounding Amount.

New Security Distributions

The New Securities will entitle holders to receive (subject to the limitations described under the New Security Conditions) non-cumulative cash distributions (**Distributions**) accruing for the period from (and including) the Settlement Date up to (but excluding) the New First Call Date at the New Distribution Rate (Fixed) for the relevant series of New Securities of (a) 8.5 per cent. per annum for the New Euro Tier 1 Securities and (b) 9.1 per cent. per annum for the New Sterling Tier 1 Securities. From (and including) the New First Call Date, Distributions will accrue at a rate of the relevant New Distribution Rate (Floating) Margin above Three Month EURIBOR and Three Month Sterling LIBOR in the case of the New Euro Tier 1 Securities and New Sterling Tier 1 Securities, respectively.

Pricing - New Distribution Rate (Floating) Margins, Announcement of Results and Settlement

If the Offeror decides to accept valid offers of Existing Securities for exchange pursuant to any Exchange Offer, the relevant New Distribution Rate (Floating) Margin will be calculated on the Business Day following the Exchange Offer Deadline (the time of such calculation, the **Pricing Time**) by subtracting (a) the Euro Mid-Swap Rate from 8.5 per cent., in the case of the New Euro Tier 1 Securities and (b) the Sterling Mid-Swap Rate from the Semi-Annual Equivalent Rate, in the case of the New Sterling Tier 1 Securities. For this purpose, the Lead Dealer Manager will first determine, at the Pricing Time, the relevant Swap Rates and then calculate the relevant Mid-Swap Rate and the relevant New Distribution Rate (Floating) Margin. The Offeror will announce its decision whether to accept valid offers of Existing Securities for exchange pursuant to all or any of the Exchange Offers as soon as reasonably practicable after the Pricing Time. If so accepted, such announcement will include details of the relevant Mid-Swap Rates and New Distribution Rate (Floating) Margins.

Holders of Existing Securities accepted by the Offeror for exchange will receive, on the Settlement Date, which is expected to be 21 October 2009, New Securities with an aggregate liquidation preference (rounded down to the nearest €50,000 or £50,000, as the case may be) equal to the product of (a) the aggregate liquidation preference of the Existing Securities validly offered and accepted for exchange, and (b) the relevant Exchange Ratio.

Announcements

All announcements in connection with the Exchange Offers will be made through RNS and may also be (a) found at www.acupay.com/BBVAexchange and on the relevant Reuters International Insider Screen, (b) made by the delivery of notices to the Clearing Systems for communication to Direct Participants and (c) made by the issue of a press release to a Notifying News Service.

General

To participate in an Exchange Offer, Holders must validly offer for exchange Existing Securities of the relevant series with an aggregate liquidation preference of at least €62,000 (in the case of the Existing Series A Euro Tier 1 Securities), €100,000 (in the case of the Existing Series B Euro Tier 1 Securities) or £100,000 (in the case of the Existing Sterling Tier 1 Securities), as the case may be (the **Minimum Offer Amount**) in order to be eligible to receive, after the application of the relevant Exchange Ratio, New Securities of the relevant series with a liquidation preference of €50,000 or £50,000, respectively.

Without prejudice to the generality of the foregoing and subject to the Offeror's discretion referred to in the next sentence, the Exchange Offer for each series of Existing Securities is contingent on Holders of that series tendering at least 10 per cent. in liquidation preference of the outstanding Existing Securities of that series for exchange (the **Minimum Tender Amount**). The Offeror reserves the right to accept for exchange any Existing Securities of any series for which the Minimum Tender Amount has not been tendered. Acceptance for exchange of the Existing Securities of any series is not contingent upon the Minimum Tender Amount of the Existing Securities of any other series being tendered.

The Offeror may, in its sole discretion, extend, re-open, amend, waive any condition of or terminate any Exchange Offer at any time (subject to applicable law and as provided in this Exchange Offer Memorandum). Details of any such extension, re-opening, amendment, waiver or termination will be announced as provided in this Exchange Offer Memorandum as soon as reasonably practicable after the relevant decision is made. See "*Amendment and Termination*".

In order to participate in, and be eligible to receive New Securities pursuant to, the Exchange Offers, Holders must validly offer their Existing Securities for exchange by delivering, or arranging to have delivered on their behalf, a valid Exchange Instruction that is

received by the Tax Certification and Exchange Agent by the Exchange Offer Deadline. See *"Procedures for Participating in the Exchange Offers"*. **Exchange Instructions will be irrevocable** except in the limited circumstances described in *"Amendment and Termination"*. Pursuant to Spanish law, the Issuer and the Guarantor are required to submit to the Spanish tax authorities certain details relating to the beneficial owners (both Spanish residents and non-Spanish residents) of the Existing Securities who intend to participate in the Exchange Offers. **Beneficial owners of the Existing Securities in respect of whom such information is not provided to the Issuer and the Guarantor in accordance with the applicable identification procedures will not be eligible to participate in the Exchange Offers. Existing Securities held by or through a Clearing System Participant which is a Non-Qualified Institution, as described in this Exchange Offer Memorandum, will not be accepted in the Exchange Offer.**

Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offers. The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will also be earlier than the relevant deadlines specified in this Exchange Offer Memorandum.

For further information on the Exchange Offers and the further terms and conditions on which the Exchange Offers are made, Holders should refer to *"Further Information and Terms and Conditions"*. Questions and requests for assistance in connection with the (a) Exchange Offers, may be directed to the Dealer Managers, and (b) delivery of Exchange Instructions, may be directed to the Tax Certification and Exchange Agent, the contact details for all of which are on the last page of this Exchange Offer Memorandum.

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OFFER AND DISTRIBUTION RESTRICTIONS

This Exchange Offer Memorandum does not constitute an invitation to participate in the Exchange Offers in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or for there to be such participation under applicable securities laws. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by each of the Issuer, the Guarantor, the Dealer Managers and the Tax Certification and Exchange Agent to inform themselves about, and to observe, any such restrictions.

No action has been or will be taken in any jurisdiction (other than Switzerland) by the Issuer, the Guarantor, the Dealer Managers or the Tax Certification and Exchange Agent in relation to the Exchange Offers that would permit a public offering of securities. The Exchange Offers comprise offers of securities to the public for the purposes of the Prospectus Directive. However, no action is required to be taken under the Prospectus Directive in connection with such offers as the liquidation preference of each New Security is €50,000 or £50,000, as the case may be. Consequently, to participate in the Exchange Offers, after application of the relevant Exchange Ratio, Holders must validly offer for exchange Existing Securities with an aggregate liquidation preference at least equal to the Minimum Offer Amount of €100,000 or £100,000, as the case may be.

United States

The Exchange Offers are not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States or to, for the account or benefit of, U.S. persons. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. Accordingly, copies of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offers are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to U.S. persons and the Existing Securities cannot be offered for exchange in the Exchange Offers by any such use, means, instrumentality or facilities or from within the United States or by U.S. persons. Any purported offer of Existing Securities for exchange resulting directly or indirectly from a violation of these restrictions will be invalid and any purported offer of Existing Securities for exchange made by a U.S. person, a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person will be invalid and will not be accepted.

This Exchange Offer Memorandum is not an offer of securities for sale in the United States or to U.S. persons. Securities may not be offered or sold in the United States absent registration under, or an exemption from the registration requirements of, the Securities Act. The New Securities and the guarantees thereof have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons. The purpose of this Exchange Offer Memorandum is limited to the Exchange Offers and this Exchange Offer Memorandum may not be sent or given to a person in the United States or otherwise to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each Holder participating in an Exchange Offer will represent that it is not located in the United States and is not participating in such Exchange Offer from the United States, that it is participating in the Exchange Offer in accordance with Regulation S under the Securities Act and that it is not a U.S. person or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Exchange Offer from the United States and is not a U.S. person. For the purposes of this and the above two paragraphs, **United States** means United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

Spain

Neither this Exchange Offer Memorandum nor any other documents or materials relating to the Exchange Offers have been submitted or will be submitted for approval or recognition to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and, accordingly, the Exchange Offers are not being made in the Kingdom of Spain by way of a public offering, as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Act (as amended by Royal Decree Law 5/2005, of 11 March) and related legislation.

Italy

The Exchange Offers are not being made, directly or indirectly, in the Republic of Italy (**Italy**). The Exchange Offers and this Exchange Offer Memorandum have not been submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* (CONSOB) pursuant to Italian laws and regulations. Accordingly, Holders are notified that, to the extent such Holders are located or resident in Italy, the Exchange Offers are not available to them and they may not offer Existing Securities for exchange pursuant to the Exchange Offers nor may the New Securities be offered, sold or delivered in Italy and, as such, any Exchange Instruction received from or on behalf of such persons shall be ineffective and void, and neither this Exchange Offer Memorandum nor any other documents or materials relating to the Exchange Offers, the Existing Securities or the New Securities may be distributed or made available in Italy.

United Kingdom

The communication of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offers is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**)) or persons who are within Article 43 of the Financial Promotion Order or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order.

France

The Exchange Offers are not being made, directly or indirectly, to the public in the Republic of France (**France**). Neither this Exchange Offer Memorandum nor any other document or material relating to the Exchange Offers has been or shall be distributed to the public in France and only (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, in each case acting on their own account and all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code Monétaire et Financier* are eligible to participate in the Exchange Offers. This Exchange Offer Memorandum has not been and will not be submitted for clearance to nor approved by the *Autorité des Marchés Financiers*.

Switzerland

Holders may only be invited to offer to exchange their Existing Securities for New Securities pursuant to the Exchange Offers and the New Securities may only be offered for sale or otherwise in or into Switzerland in compliance with all applicable laws and regulations in force in Switzerland. To ensure compliance with the Swiss Code of Obligations and all other applicable laws and regulations of Switzerland, only this Exchange Offer Memorandum (including the Preliminary Prospectus and all documents incorporated by reference herein or therein) may be used in the context of any invitation to Holders to offer to exchange their Existing Securities for New Securities pursuant to the Exchange Offers or any offer of the New Securities for sale or otherwise in or into Switzerland.

General

This Exchange Offer Memorandum does not constitute an offer to sell or buy or the solicitation of an offer to sell or buy the Existing Securities and/or New Securities, as applicable, and offers of Existing Securities for exchange pursuant to the Exchange Offers will not be accepted from Holders in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require an Exchange Offer to be made by a licensed broker or dealer and either of the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in any such jurisdiction, that Exchange Offer shall be deemed to be made by such Dealer Manager or affiliate (as the case may be) on behalf of the Offeror in such jurisdiction.

In addition to the representations referred to above in respect of the United States, each Holder participating in an Exchange Offer will also be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in "*Procedures for Participating in the Exchange Offers*". Any offer of Existing Securities for exchange pursuant to the Exchange Offers from a Holder that is unable to make these representations will not be accepted. Each of the Issuer, the Guarantor, the Dealer Managers and the Tax Certification and Exchange Agent reserves the right, in its absolute discretion, to investigate, in relation to any offer of Existing Securities for exchange pursuant to an Exchange Offer, whether

any such representation given by a Holder is correct and, if such investigation is undertaken and as a result the Offeror determines (for any reason) that such representation is not correct, such offer shall not be accepted.

SPANISH WITHHOLDING TAX REQUIREMENTS AND BENEFICIAL OWNER DISCLOSURE OBLIGATIONS

Holders participating in the Exchange Offers may obtain Spanish source income. Such income may be subject to withholding tax in Spain, at the currently applicable tax rate of 18 per cent., in the case of individual Holders who are resident for tax purposes in Spain. The Offeror will not pay any additional amounts in respect of any such withholding tax. Legal entities with tax residence in Spain and individuals and legal entities without tax residence in Spain, who comply with certain information requirements as described in Annexes 1 and 2 to this document, will receive such income free of any withholding tax.

Pursuant to the Second Additional Provision of Spanish Law 13/1985 of 25 May 1985 as amended by Law 4/2008 of 23 December 2008, the Issuer and the Guarantor are required to submit to the Spanish tax authorities certain details relating to the beneficial owners (Spanish Personal Income Tax or Corporate Income Tax taxpayers or non-Spanish residents operating in Spain through a permanent establishment) of the Existing Securities.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Exchange Offer Memorandum, such secondary legislation has not yet been adopted. Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate of Taxation dated 20 January 2009, the current procedures relating to the identity of beneficial owners as laid down in Section 44 of Royal Decree 1065/2007 of 27 July 2007 remain applicable and consequently the current obligation to provide information concerning beneficial owners who are not resident in Spain continues to apply. Beneficial owners of the Existing Securities in respect of whom such information is not provided to the Offeror in accordance with the applicable identification procedures will not be eligible to participate in the Exchange Offers.

The Offeror has arranged certain procedures with the Tax Certification and Exchange Agent and the Clearing Systems that will facilitate the collection of the required beneficial owner information (the identity and residence of beneficial owners) who are (a) Direct Participants, (b) hold their interests through securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a Direct Participant (each such entity an **Indirect Participant**) or (c) hold their interests through a Direct Participant. These procedures are described in Annexes 1 and 2 to this Exchange Offer Memorandum. Clearing System Participants which are Non-Qualified Institutions will not be eligible to participate in the Exchange Offer.

The description of these procedures contained in this Exchange Offer Memorandum is only a summary. Beneficial owners of Existing Securities that intend to participate in an Exchange Offer must seek their own tax advice to ensure that they comply with all procedures with respect to providing beneficial owner information to be eligible to participate in an Exchange Offer. None of the Issuer, the Guarantor, the Tax Certification and Exchange Agent, the Dealer Managers or the Clearing Systems assume any responsibility therefor.

The tax regime applicable to the New Securities will be that described in the section headed "*Taxation*" of the Preliminary Prospectus. Similarly, the identification and disclosure procedures to which the beneficial owners of the New Securities will be subject in order to receive distributions in respect of the New Securities free and clear of Spanish withholding tax are those described in such section. Beneficial owners must seek their own tax advice to ensure that they comply with all procedures with respect to providing beneficial owner information.

GENERAL

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

Each Holder is solely responsible for making its own independent appraisal of all matters as such Holder deems appropriate (including those relating to the relevant Exchange Offer, the relevant New Securities, the Issuer and the Guarantor) and each Holder must make its own decision as to whether to offer any or all of its Existing Securities for exchange pursuant to such Exchange Offer. None of the Dealer Managers or the Tax Certification and Exchange Agent (or their respective directors, employees or affiliates) makes any representation or recommendation whatsoever regarding this Exchange Offer Memorandum or the Exchange Offers, and none of the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent (or their respective directors, employees or affiliates) makes any recommendation as to whether holders of Existing Securities should offer any Existing Securities for exchange pursuant to the Exchange Offers. The Tax Certification and Exchange Agent is the agent of the Offeror and does not owe any duty to any Holder.

Neither the delivery of this Exchange Offer Memorandum nor any exchange of Existing Securities pursuant to the Exchange Offers shall, under any circumstances, create any implication that the information contained in this Exchange Offer Memorandum is current as of any time subsequent to the date of such information or that there has been no change in the information set out in it or in the affairs of the Issuer and/or the Guarantor since the date of this Exchange Offer Memorandum.

No person has been authorised to give any information or to make any representation about the Issuer or the Guarantor or about the Exchange Offers other than as contained in this Exchange Offer Memorandum (including the Preliminary Prospectus) and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Dealer Managers or the Tax Certification and Exchange Agent or any of their respective agents.

Holders who do not participate in the Exchange Offers (including any Holder that is not eligible to participate in the Exchange Offers, whether due to the offer restrictions referred to in "*Offer and Distribution Restrictions*", the holding of an insufficient amount of Existing Securities to satisfy the Minimum Offer Amount or lack of compliance with the beneficial owner identification procedures described in this Exchange Offer Memorandum or because its Existing Securities are held by or through a Clearing System Participant which is a Non-Qualified Institution, or otherwise), or whose Existing Securities are not accepted for exchange by the Offeror, will continue to hold their Existing Securities subject to the terms and conditions of such Existing Securities.

The applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the Exchange Offers in, from or otherwise involving the United Kingdom.

For the avoidance of doubt, each invitation by the Offeror to Holders contained in this Exchange Offer Memorandum is an invitation to treat by the Offeror and any references to any offer or invitation being made by the Offeror under or in respect of an Exchange Offer shall be construed accordingly.

Unless the context otherwise requires, all references in this Exchange Offer Memorandum to **Holders** or **holders of Existing Securities** include:

- (a) each person who is shown in the records of Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and, together with Euroclear, the **Clearing Systems** and each a **Clearing System**) as a holder of the Existing Securities (also referred to as **Direct Participants** and each a **Direct Participant**); and
- (b) each beneficial owner of the Existing Securities holding such Existing Securities, directly or indirectly, in an account in the name of a Direct Participant acting on such beneficial owner's behalf.

For the purposes of the exchange of any Existing Securities for New Securities and any payment to a Holder of the Cash Incentive Payment, any Accrued Distribution Payment and the Cash Rounding Amount pursuant to an Exchange Offer, to the extent the beneficial owner of the relevant Existing Securities is not a Direct Participant, the relevant New Securities will only be delivered and such payment will only be made by the relevant Clearing System to the relevant Direct Participant and

the delivery of such New Securities and making of such payment by or on behalf of the Offeror to such Clearing System and by such Clearing System to such Direct Participant will satisfy the respective obligations of the Offeror and such Clearing System in respect of the exchange of such Existing Securities.

All references in this Exchange Offer Memorandum to **euro** or **€** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and to **Sterling** or **£** are to the currency of the United Kingdom.

EXPECTED TIMETABLE OF EVENTS

The times and dates below are indicative only.

Events

Times and Dates

Commencement of the Exchange Offers

Exchange Offers announced. Exchange Offer Memorandum available from the Dealer Managers, and the Tax Certification and Exchange Agent.	3:30 p.m. (CET) Monday, 5 October 2009
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Exchange Offer Deadline

Final deadline for receipt of valid Exchange Instructions by the Tax Certification and Exchange Agent in order for Holders to be able to participate in the Exchange Offers.	5:00 p.m. (CET) on Wednesday, 14 October 2009
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Pricing Time

Determination of the Swap Rates, and calculation of the Mid-Swap Rates and the New Distribution Rate (Floating) Margins.	As soon as possible on the Business Day following the Exchange Offer Deadline
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Announcement of Exchange Offer Results

Announcement of whether the Offeror will accept valid offers of Existing Securities for exchange pursuant to any or all of the Exchange Offers and, if so accepted, of (a) the Mid-Swap Rates and the New Distribution Rate (Floating) Margins, and (b) the final aggregate liquidation preference of each series of (i) Existing Securities accepted for exchange and (ii) New Securities to be issued.	As soon as reasonably practicable after the Pricing Time
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Settlement

Expected settlement date for the Exchange Offers.	Wednesday, 21 October 2009
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*The above times and dates are subject to the right of the Offeror to extend, re-open, amend and/or terminate any Exchange Offer (subject to applicable law and as provided in this Exchange Offer Memorandum). Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Holder before the deadlines set out above in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offers. **The deadlines set by each Clearing System for the submission of Exchange Instructions will also be earlier than the deadlines above. See "Procedures for Participating in the Exchange Offers".***

Unless stated otherwise, announcements in connection with the Exchange Offers will be made through RNS and may also be (a) found at www.acupay.com/BBVAexchange and on the relevant Reuters International Insider Screen, (b) made by the delivery of notices to the Clearing Systems for communication to Direct Participants and (c) made by the issue of a press release to a Notifying News Service. Copies of all such announcements, press releases and notices can also be obtained from the Tax Certification and Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Holders are urged to consult www.acupay.com/BBVAExchange or contact the Tax Certification and Exchange Agent for the relevant announcements during the course of the Exchange Offers. In addition, holders of Existing Securities may contact the Dealer Managers for information using the contact details on the last page of this Exchange Offer Memorandum.

DEFINITIONS

Accrued Distribution Payment	An amount in cash (rounded to the nearest €0.01 or £0.01, as the case may be, with half a cent or half a penny rounded upwards) equal to the accrued and unpaid Distribution on the relevant Existing Securities validly offered for exchange by a Holder and accepted by the Offeror for the period from (and including) the distribution payment date for such Existing Securities immediately preceding the Settlement Date to (but excluding) the Settlement Date.
Business Day	A day other than a Saturday or a Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in London.
Cash Incentive Amount	The cash amount of (a) €80 per €1,000 in liquidation preference of the Existing Series A Euro Tier 1 Securities, (b) €80 per €1,000 in liquidation preference of the Existing Series B Euro Tier 1 Securities and (c) £100 per £1,000 in liquidation preference of the Existing Sterling Tier 1 Securities.
Cash Incentive Payment	An amount in cash equal to the product of (a) the aggregate liquidation preference of the relevant Existing Securities validly offered for exchange by a Holder and accepted by the Offeror divided by 1,000 and (b) the Cash Incentive Amount for such Existing Securities.
Cash Rounding Amount	The amount in cash (rounded to the nearest €0.01 or £0.01, as the case may be, with half a cent or half a penny rounded upwards) to be paid by the Offeror to each relevant Holder on the Settlement Date for any fractional portion of New Securities such Holder would otherwise be entitled to receive as a result of the application of the relevant Exchange Ratio that is not an integral multiple of €50,000 or £50,000, as the case may be, as determined in the manner described in " <i>Further Information and Terms and Conditions - Cash Rounding Amount</i> ".
CET	Central European time.
Clearing System Notice	The " <i>Deadlines and Corporate Events</i> " or similar form of notice to be sent to Direct Participants by each of the Clearing Systems on or about the date of this Exchange Offer Memorandum informing Direct Participants of the procedures to be followed in order to participate in the Exchange Offers.
Clearing System Participant	Either a Direct Participant or an Indirect Participant and each Direct Participant and Indirect Participant together, the Clearing System Participants .
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	Clearstream Banking, <i>société anonyme</i> .
Co-Dealer Manager	Banco Bilbao Vizcaya Argentaria, S.A. in its capacity as Co-Dealer Manager.
Dealer Managers	The Lead Dealer Manager and the Co-Dealer Manager.
Direct Participant	Each entity which is shown in the records of a Clearing System as a holder of Existing Securities.
Distributions	The non-cumulative cash distributions which Holders are entitled to receive in respect of the Existing Securities or the New Securities, as the case may be (subject to the limitations described under the Existing Security Conditions or the New Security Conditions, respectively).
Euro 5 Year Swap Rates	The bid and offered swap rates for euro swap transactions with a maturity of 5 years, which appear on the Reuters Screen ICAPEURO Page.
Euro Mid-Swap Rate	The mid-market arithmetic mean (expressed as a percentage and rounded to the nearest 0.001 per cent., with 0.0005 rounded upwards) of the Euro 5 Year Swap Rates, as calculated by the Lead Dealer Manager at the Pricing Time.
Euroclear	Euroclear Bank S.A./N.V.
Exchange	In relation to each Exchange Offer, the relevant New Securities delivered, and the Cash Incentive

Consideration	Payment and Cash Rounding Amount paid, to the relevant Holder.
Exchange Instruction	The electronic exchange and blocking instruction in the form specified in the Clearing System Notice for submission by Direct Participants to the Tax Certification and Exchange Agent via the relevant Clearing System and in accordance with the requirements of such Clearing System by the Exchange Offer Deadline in order for Holders to be able to participate in an Exchange Offer.
Exchange Offer Deadline	5.00 p.m. (CET) on 14 October 2009 (subject to the right of the Offeror to extend, re-open, amend and/or terminate any Exchange Offer).
Exchange Offers	The invitations by the Offeror to Holders (subject to the offer restrictions referred to in " <i>Offer and Distribution Restrictions</i> ") to offer to exchange their Existing Securities for (a) New Euro Tier 1 Securities, in the case of the Existing Euro Tier 1 Securities and (b) New Sterling Tier 1 Securities, in the case of the Existing Sterling Tier 1 Securities, on the terms and subject to the conditions set out in this Exchange Offer Memorandum.
Exchange Prices	The exchange price of (a) 81.5 per cent. for the Existing Series A Euro Tier 1 Securities, (b) 81.5 per cent. for the Existing Series B Euro Tier 1 Securities and (c) 69.0 per cent. for the Existing Sterling Tier 1 Securities, which are the prices that have been used in the calculation of the Exchange Ratios.
Exchange Ratios	The ratio that will determine the aggregate liquidation preference of New Securities of the relevant series that each Holder whose Existing Securities are accepted for exchange pursuant to the relevant Exchange Offer will receive on the Settlement Date of (a) 0.815, in the case of the Existing Series A Euro Tier 1 Securities, (b) 0.815 in the case of the Existing Series B Euro Tier 1 Securities and (c) 0.690, in the case of the Existing Sterling Tier 1 Securities, which have been calculated by dividing the relevant Exchange Price by the New Issue Price.
Existing Euro Tier 1 Securities	The Existing Series A Euro Tier 1 Securities and the Existing Series B Euro Tier 1 Securities.
Existing Security Conditions	The terms and conditions of the Existing Securities.
Existing Securities	The Existing Euro Tier 1 Securities and the Existing Sterling Tier 1 Securities.
Existing Series A Euro Tier 1 Securities	Series A €50,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of the Issuer (ISIN: XS0229864060).
Existing Series B Euro Tier 1 Securities	Series B €500,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of the Issuer (ISIN: XS0266971745).
Existing Sterling Tier 1 Securities	Series D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of the Issuer (ISIN: XS0308305803).
Financial Promotion Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
Group	The Guarantor and its subsidiaries.
Guarantor	Banco Bilbao Vizcaya Argentaria, S.A.
Holders	Holders of the Existing Securities.
Indirect Participant	A securities broker or dealer, bank, trust company or clearing corporation that clears through or maintains a direct or indirect custodial relationship with a Direct Participant.
Issuer	BBVA International Preferred, S.A. Unipersonal.
Lead Dealer Manager	Morgan Stanley & Co. International plc.
London Stock	The London Stock Exchange plc.

Exchange

Mid-Swap Rates	The Euro Mid-Swap Rate and the Sterling Mid-Swap Rate, as applicable.
Minimum Offer Amount	The amount of Existing Securities that must be validly offered for exchange in order to participate in an Exchange Offer being Existing Securities of the relevant series with an aggregate liquidation preference of at least €62,000 (in the case of the Existing Series A Euro Tier 1 Securities), €100,000 (in the case of the Existing Series B Euro Tier 1 Securities) or £100,000 (in the case of the Existing Sterling Tier 1 Securities).
Minimum Tender Amount	The condition of each Exchange Offer that at least 10 per cent. in liquidation preference of the outstanding Existing Securities of the relevant series of Existing Securities is tendered, subject as set out under " <i>Further Information and Terms and Conditions - Acceptance, no scaling of any series of Existing Securities and Minimum Tender Amount</i> ".
Moody's	Moody's Investor Service, Inc.
New Distribution Rate (Fixed)	The rate at which Distributions are to accrue on the New Securities for the period from (and including) the Settlement Date up to (but excluding) the New First Call Date of (a) 8.5 per cent. per annum for the New Euro Tier 1 Securities and (b) 9.1 per cent. per annum for the New Sterling Tier 1 Securities.
New Distribution Rate (Floating) Margin	The margin (expressed as a percentage) to be used to determine the rate above Three Month EURIBOR or Three Month Sterling LIBOR, as the case may, at which Distributions on the New Securities will accrue from (and including) the New First Call Date, as calculated by the Lead Dealer Manager at the Pricing Time by subtracting (a) the Euro Mid-Swap Rate from 8.5 per cent., in the case of the New Euro Tier 1 Securities and (b) the Sterling Mid-Swap Rate from the Semi-Annual Equivalent Rate, in the case of the New Sterling Tier 1 Securities.
New Euro Tier 1 Securities	Series E Euro Denominated Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities to be issued by the Issuer and guaranteed by the Guarantor in exchange for any Existing Euro Tier 1 Securities accepted for exchange pursuant to the relevant Exchange Offers, as more fully described in the Preliminary Prospectus.
New First Call Date	21 October 2014 in respect of each series of New Securities.
New Issue Price	The price at which each series of New Securities will be issued of 100 per cent.
New Securities	The New Euro Tier 1 Securities and the New Sterling Tier 1 Securities.
New Security Conditions	The terms and conditions of the relevant series of New Securities set out in the Preliminary Prospectus.
New Sterling Tier 1 Securities	Series F Sterling Denominated Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities to be issued by the Issuer and guaranteed by the Guarantor in exchange for any Existing Sterling Tier 1 Securities accepted for exchange pursuant to the relevant Exchange Offer, as more fully described in the Preliminary Prospectus.
Non-Qualified Institution	<p>Any central bank, other public institution or international organisation, bank or credit institution or financial entity, including collective investment institutions, pension funds and insurance entities, which is located in a country that is not an OECD member country or a country with which Spain has entered into a Tax Treaty for the Avoidance of Double Taxation (including any country or territory classified by Spanish law as a tax haven).</p> <p><i>Please refer to www.acupay.com/BBVAexchange for lists of Tax Haven Countries and Territories, OECD Countries and Tax Treaty Countries.</i></p>
Notifying News Service	A recognised financial news service or services (e.g. Reuters/Bloomberg) as selected by the Offeror.
OECD	The Organisation for Economic Co-operation and Development.

Offeror	BBVA International Preferred, S.A. Unipersonal
Official List	The official list maintained by the UK Listing Authority.
Preliminary Prospectus	The Preliminary Prospectus relating to the New Securities annexed to this Exchange Offer Memorandum in Annex 3.
Pricing Time	The time on the Business Day following the Exchange Offer Deadline at which the pricing of the Mid-Swap Rates are determined by the Lead Dealer Manager and the New Distribution Rate (Floating) Margins are calculated.
Prospectus Directive	The Prospectus Directive (Directive 2003/71/EC).
Prospectus Risk Factors	The risk factors disclosed in the Preliminary Prospectus.
Qualified Institution	Any central bank, other public institution or international organisation, bank or credit institution or financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country (including the United States) or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme.
Reuters Screen ICAPEURO Page	The display page on the Reuters Money 3000 Service designated as the "ICAPEURO" page (or such other page as may replace it on that information service), or on such other equivalent information service as determined by the Lead Dealer Manager, for the purpose of displaying the bid and offered swap rates for the relevant euro swap transactions.
Reuters Screen ICAPGBP Page	The display page on the Reuters Money 3000 Service designated as the "ICAPGBP" page (or such other page as may replace it on that information service), or on such other equivalent information service as determined by the Lead Dealer Manager, for the purpose of displaying the bid and offered swap rates for the relevant Sterling swap transactions.
RNS	The Regulatory News Service provided by the London Stock Exchange (being a Regulated Information Service that is on the list of Regulated Information Services maintained by the UK Financial Services Authority).
Securities Act	United States Securities Act of 1933, as amended.
Semi-Annual Equivalent Rate	The rate of 8.9 per cent. (which, payable semi-annually, is equivalent to the rate of 9.1 per cent. payable annually).
Settlement Date	21 October 2009 (subject to the right of the Offeror to extend, re-open, amend and/or terminate any Exchange Offer).
Sterling 5 Year Swap Rates	The bid and offered swap rates for sterling swap transactions with a maturity of 5 years, which appear on the Reuters Screen ICAPGBP Page.
Sterling Mid-Swap Rate	The mid-market arithmetic mean (expressed as a percentage and rounded to the nearest 0.001 per cent., with 0.0005 rounded upwards) of the Sterling 5 Year Swap Rates, as calculated by the Lead Dealer Manager at the Pricing Time.
Swap Rates	The Euro 5 Year Swap Rates and the Sterling 5 Year Swap Rates, as applicable.
Tax Certification and Exchange Agent	Acupay System LLC.
Three Month EURIBOR	Has the meaning given to it in the New Security Conditions for the New Euro Tier 1 Securities.
Three Month Sterling LIBOR	Has the meaning given to it in the New Security Conditions for the New Sterling Tier 1 Securities.

**UK Listing
Authority**

The UK Financial Services Authority in its capacity as competent authority under The Financial Services and Markets Act 2000, as amended.

RISK FACTORS AND OTHER CONSIDERATIONS

Before making a decision whether to offer Existing Securities for exchange pursuant to an Exchange Offer, holders of Existing Securities should carefully consider all of the information in this Exchange Offer Memorandum and, in particular, the following factors and the Prospectus Risk Factors.

Uncertainty as to the trading market for Existing Securities not exchanged

Although the Existing Securities that are not validly offered for exchange by Holders or accepted by the Offeror will continue to be admitted to the Official List and to trading on the London Stock Exchange's regulated market, to the extent offers of Existing Securities for exchange in an Exchange Offer are accepted by the Offeror and such Exchange Offer is completed, the trading market for the relevant Existing Securities that remain outstanding following such completion may be significantly more limited. Such remaining Existing Securities may command a lower price than a comparable issue of securities with greater market liquidity. A reduced market value and liquidity may also make the trading price of such remaining Existing Securities more volatile. As a result, the market price for such Existing Securities that remain outstanding after the completion of such Exchange Offer may be adversely affected as a result of such Exchange Offer. None of the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent has any duty to make a market in any such remaining Existing Securities.

Uncertainty as to the trading market for the New Securities

The Issuer does not intend to make any application for admission to trading of the New Securities on any market other than the London Stock Exchange's regulated market. The New Securities are securities for which there is currently no trading market and for which there can be no assurance of future liquidity.

Treatment of the Existing Securities not Exchanged

Existing Securities not exchanged in the Exchange Offer will remain outstanding. The terms and conditions governing the Existing Securities will remain unchanged. No amendments to these terms and conditions are being sought.

From time to time in the future, the Issuer or the Guarantor may acquire Existing Securities that are not exchanged in the Exchange Offer through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as the Issuer or the Guarantor may determine. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) the Issuer or the Guarantor might choose to pursue in the future.

Moody's may publish its new methodology for bank subordinated capital prior to the Exchange Offer Deadline

On 17 June 2009, Moody's Investors Service, Inc. (**Moody's**) published a request for comment (the **Request for Comment**) entitled "Request for Comment: Moody's Proposed Changes to Bank Subordinated Capital". The Request for Comment asked market participants for comments on its global rating methodology for bank subordinated capital, including hybrids. In particular, the Request for Comment noted that Moody's is considering, among other things, wider notching based on the riskiness of the hybrid instrument's particular features. On 28 July 2009, Moody's announced that it expects to release its finalised methodology during September 2009 and that any ratings potentially affected by the changes in methodology would be placed on review shortly thereafter.

Holders should be aware that, upon final publication, Moody's new methodology for rating bank subordinated capital may result in a downgrade of Moody's rating of the Existing Securities. Any such downgrade may be significant and, in particular, may involve a downgrade of more than one of Moody's rating notches. Any such change in rating may have a material adverse effect on the price of the Existing Securities in the secondary market. Based on information currently available to it, neither the Issuer nor the Guarantor has any reason to believe that Moody's will, at any time, apply different ratings to the New Securities from those applied to the Existing Securities.

No obligation to accept offers to exchange

The Offeror is not under any obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of Existing Securities for exchange pursuant to an Exchange Offer. Offers of Existing Securities for exchange may be rejected in the sole discretion of the Offeror for any reason and the Offeror is not under any obligation to Holders to furnish any reason or justification for refusing to accept an offer of Existing Securities for exchange. For example, offers of Existing Securities for exchange may be rejected if the relevant Exchange Offer is terminated, if such Exchange Offer does not comply with the relevant requirements of a particular jurisdiction, if the amount of Existing Securities offered for exchange is not at least equal to the Minimum Offer Amount or for any other reason.

Responsibility for complying with the procedures of the Exchange Offers

Holders of Existing Securities are responsible for complying with all of the procedures for offering Existing Securities for exchange. None of the Issuer, the Guarantor, the Dealer Managers or the Tax Certification and Exchange Agent assumes any

responsibility for informing any holder of Existing Securities of irregularities with respect to such holder's participation in any Exchange Offer.

Differences between the Existing Securities and the New Securities

There are a number of differences between the relevant Existing Security Conditions and New Security Conditions, including those specified in "*Comparison Between Certain Provisions of the Existing Securities and the New Securities*". The New Security Conditions are set out in the Preliminary Prospectus. Holders should review the Preliminary Prospectus and the relevant New Security Conditions in their entirety before making a decision whether to offer Existing Securities for exchange. In particular, attention is also drawn to the Prospectus Risk Factors and Investors should be aware that the distributions under the New Securities will be considered as tax deductible for the Issuer, in accordance with Spanish Law 13/1985.

Completion, termination and amendment

Until the Offeror announces whether it has decided to accept valid offers of Existing Securities for exchange pursuant to an Exchange Offer, no assurance can be given that the Exchange Offer will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offer. In addition, subject to applicable law and as provided in this Exchange Offer Memorandum, the Offeror may, in its sole discretion, extend, re-open, amend or terminate any Exchange Offer (including, but not limited to, amendments to the New Security Conditions) at any time before its announcement of whether it will accept valid offers of Existing Securities for exchange pursuant to such Exchange Offer, which it expects to make as soon as reasonably practicable after the Pricing Time, and may, in its sole discretion, waive any of the conditions to any Exchange Offer either before or after such announcement.

Exchange Instructions irrevocable

Exchange Instructions will be irrevocable except in the limited circumstances described in "*Amendment and Termination*".

Compliance with offer and distribution restrictions

Holders of Existing Securities are referred to the offer and distribution restrictions in "*Offer and Distribution Restrictions*" and the agreements, acknowledgements, representations, warranties and undertakings in "*Procedures for Participating in the Exchange Offers*", which Holders will be deemed to make on submission of an Exchange Instruction. Non-compliance with these could result in, among other things, the unwinding of trades and/or heavy penalties.

Responsibility to consult advisers

Holders should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating in an Exchange Offer and an investment in any New Securities.

Market value and prices of the New Securities

The relevant Exchange Ratio may not reflect the market value of the corresponding New Securities.

Applications will be made for the New Securities to be admitted to trading on the London Stock Exchange's regulated market. To the extent that the New Securities are traded, prices of the New Securities may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Holders are urged to contact their brokers to obtain the best available information as to the potential market price of the New Securities and for advice concerning the effect of the relevant Exchange Ratio.

Restrictions on transfer of Existing Securities

When considering whether to participate in an Exchange Offer, Holders should take into account that restrictions on the transfer of Existing Securities by Holders will apply from the time of submission of Exchange Instructions. A Holder will, on submitting an Exchange Instruction, agree that its Existing Securities will be blocked in the relevant account in the relevant Clearing System from the date the relevant Exchange Instruction is submitted until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the relevant Exchange Offer (including where such Existing Securities are not accepted by the Offeror for exchange) or on which the Exchange Instruction is revoked, in the limited circumstances in which such revocation is permitted.

The Issuer and the Guarantor are required to provide certain information relating to the beneficial owners of the Existing Securities to the Spanish tax authorities. Should the beneficial owner information not be provided to the Issuer or the Guarantor, the holders of such Existing Securities will be considered not eligible to participate in the Exchange Offers. Clearing System Participants which are Non-Qualified Institutions will not be eligible to participate in the Exchange Offer.

Under the Second Additional Provision of Spanish Law 13/1985 of 25 May 1985 (as amended by Law 4/2008 of 23 December 2008), the Issuer and the Guarantor are required to provide certain information relating to the beneficial owners of the Existing Securities to the Spanish tax authorities. This information includes the identity of such beneficial owners.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Exchange Offer Memorandum, such secondary legislation has not yet been adopted. Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate of Taxation dated 20 January 2009, the current procedures relating to the identity of beneficial owners as laid down in Section 44 of Royal Decree 1065/2007 of 27 July 2007 remain applicable and consequently the current obligation to provide information concerning beneficial owners who are not resident in Spain continues to apply.

The Offeror has arranged certain procedures with the Tax Certification and Exchange Agent and the Clearing Systems that will facilitate the collection of the required beneficial owner information. Each Clearing System Participant (which is also a Qualified Institution) must provide the required information in respect of all the beneficial owners holding interests in the Existing Securities through such participant as of the Exchange Offer Deadline, beneficial owners of the Existing Securities in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with the applicable identification procedures will not be eligible to participate in the Exchange Offers. These procedures are described in Annexes 1 and 2 to this Exchange Offer Memorandum. **Clearing System Participants which are Non-Qualified Institutions will not be eligible to participate in the Exchange Offer.**

The exchange of the Existing Securities for the New Securities may result in Spanish source income for holders of Existing Securities.

In the case of individual Holders resident for tax purposes in Spain, income calculated as the positive difference between the New Issue Price and the acquisition price of the relevant Existing Securities may be subject to withholding tax in Spain, at the applicable rate of 18 per cent. The acquisition price will be provided by the relevant Clearing System Participant in accordance with Exhibit IV to Annex 2 to this document. If the information mentioned in Exhibit IV, including such an acquisition price, is not provided by the end of the Exchange Offer Deadline, individual Holders resident for tax purposes in Spain will not be eligible to participate in the Exchange Offers.

In any case, Accrued Distribution Payments, Cash Incentive Payments and Cash Rounding Amounts will be subject to withholding tax in Spain, at the applicable rate of 18 per cent. In the event that the amount of withholding to be collected in connection with the exchange of the Existing Securities for the New Securities exceeds the net cash element of the Exchange Consideration, the New Securities issued in exchange may be withheld from delivery by the Offeror or an agent on its behalf and, to the extent necessary, sold in order to generate proceeds sufficient to satisfy such withholding tax. The proceeds realised from such a sale may be less than the proceeds that the relevant Holder would realise were it to sell the New Securities itself or were such New Securities to be sold at another time. The Offeror will not pay any additional amounts in respect of any such withholding tax.

The tax regime applicable to the New Securities will be that described in the section entitled "*Taxation*" in the Preliminary Prospectus. Similarly, the identification and disclosure procedures to which beneficial owners of the New Securities will be subject in order to receive distributions in respect of the New Securities free and clear of Spanish withholding tax are those described in such section of Preliminary Prospectus. Beneficial owners must seek their own tax advice to ensure that they comply with all procedures with respect to providing beneficial owner information.

FURTHER INFORMATION AND TERMS AND CONDITIONS

Rationale for the Exchange Offers

The rationale of the Exchange Offers is to improve the efficiency of the Group's capital structure.

Any Existing Securities acquired by the Issuer (acting in its capacity as the Offeror) pursuant to the Exchange Offers will be cancelled by the Issuer and will not be reissued or resold.

Fulfilment of the terms and conditions of the Existing Securities

Pursuant to Condition 5 of each of the Existing Security Conditions, the Issuer and the Guarantor have obtained the prior consent of the Bank of Spain to execute the Exchange Offers, in accordance with Spanish Royal Decree 216/2008 of 15 February and Bank of Spain Circular 3/2008 of 22 May. Such Spanish rules have changed the law (*ordenamiento jurídico*) existing on the date of issuance of the Existing Securities, and purchases before the first call date are now permitted.

In accordance with such Condition 5, any Existing Securities purchased by the Issuer (acting in its capacity as the Offeror) shall be cancelled by the Issuer immediately on the Settlement Date.

Cash Rounding Amount

If, as a result of the application of the relevant Exchange Ratio, a Holder would be entitled to receive New Securities with an aggregate liquidation preference that is not an integral multiple of €50,000 or £50,000, as the case may be, the Offeror will pay or procure that there is paid to such Holder on the Settlement Date an amount in cash (the **Cash Rounding Amount**) equal to the fractional portion of such aggregate liquidation preference that is not such an integral multiple (rounded to the nearest €0.01 or £0.01, with half a cent or penny rounded upwards).

Minimum Offer Amount

Each New Security will be issued with a liquidation preference of €50,000 or £50,000 only. Accordingly, to participate in an Exchange Offer, Holders must validly offer for exchange Existing Securities of the relevant series with an aggregate liquidation preference of at least the Minimum Offer Amount. In order to be able to participate in an Exchange Offer, a Holder that holds fewer Existing Securities of a series than the Minimum Offer Amount must first acquire such further number of Existing Securities of such series as is necessary for that Holder to be able to offer for exchange the Minimum Offer Amount.

Acceptance, no scaling of any series of Existing Securities and Minimum Tender Amount

If the Offeror decides to accept valid offers of Existing Securities for exchange pursuant to one or more Exchange Offer(s), the Offeror will accept for exchange all of the Existing Securities of each series that are the subject of such Exchange Offer(s) that are validly offered for exchange and there will be no scaling of any offers of Existing Securities of such series for exchange. The Offeror may decide to accept offers of Existing Securities of any one or more series for exchange but not any other series and may make any such decision for any reason.

Existing Securities that are not successfully offered for exchange pursuant to the Exchange Offers will remain outstanding. Each Exchange Offer is conditional on the Minimum Tender Amount of Existing Securities being tendered, subject to the Offeror's right to accept for exchange any Existing Securities of any series for which the Minimum Tender Amount has not been tendered.

Delivery of New Securities and payment

If Existing Securities validly offered for exchange pursuant to an Exchange Offer are accepted for exchange by the Offeror, the relevant New Securities will be delivered, and the aggregate amounts of the Cash Incentive Payments, Accrued Distribution Payments and Cash Rounding Amounts will be paid by the Offeror to the relevant Clearing System, in immediately available funds, on the Settlement Date. The New Securities will be delivered and cash payments made to the Clearing System accounts in which the relevant Existing Securities are held. The delivery of such New Securities and payment of such aggregate amounts to the relevant Clearing Systems will discharge the obligation of the Offeror to all such Holders in respect of the delivery of the New Securities and payment of the Cash Incentive Payments, Accrued Distribution Payments and Cash Rounding Amounts.

All Cash Incentive Payments, Accrued Distribution Payments and Cash Rounding Amounts will be paid without deduction for or on account of any withholding taxes imposed by Spain save as disclosed in the section "*Tax Consequences - Spanish Tax Consequences*" of this Exchange Offer Memorandum.

Provided the Offeror delivers, or has delivered on its behalf, the New Securities, and makes, or has made on its behalf, full payment of the Cash Incentive Payments, the Accrued Distribution Payments and Cash Rounding Amounts for all Existing Securities accepted for exchange pursuant to the Exchange Offers to the relevant Clearing Systems on or before the Settlement Date, under no circumstances will any additional distribution or interest be payable to a Holder because of any delay in the delivery of the New Securities by, or transmission of funds from, the relevant Clearing System or any other intermediary with respect to such Existing Securities of that Holder.

General conditions of the Exchange Offers

The Offeror expressly reserves the right, in its sole discretion, to delay acceptance of Existing Securities offered for exchange pursuant to an Exchange Offer in order to comply with applicable laws. In all cases, the Offeror will only exchange Existing Securities for New Securities pursuant to an Exchange Offer after the submission of a valid Exchange Instruction in accordance with the procedures described in "*Procedures for Participating in the Exchange Offers*" and acceptance of such Exchange Offer as announced by the Offeror.

See also "*Risk Factors and Other Considerations*".

The Offeror will at all times have the discretion to accept any Existing Securities offered for exchange the offer of which would otherwise be invalid or, in the sole opinion of the Offeror, may otherwise be invalid.

The Offeror is not under any obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of Existing Securities for exchange pursuant to an Exchange Offer. Offers of Existing Securities for exchange may be rejected in the sole discretion of the Offeror for any reason and the Offeror is not under any obligation to Holders to furnish any reason or justification for refusing to accept an offer of Existing Securities for exchange. For example, offers of Existing Securities for exchange may be rejected if the relevant Exchange Offer is terminated, if such Exchange Offer does not comply with the relevant requirements of a particular jurisdiction, if the amount of Existing Securities offered for exchange is not at least equal to the Minimum Offer Amount or for any other reason.

Holders are advised that the Offeror may, in its sole discretion, accept offers of Existing Securities for exchange pursuant to the relevant Exchange Offer on more than one date if such Exchange Offer is extended or re-opened.

The failure of any person to receive a copy of this Exchange Offer Memorandum or any announcement made or notice issued in connection with the Exchange Offers shall not invalidate any aspect of the Exchange Offers. No acknowledgement of receipt of any Exchange Instructions and/or other documents will be given by the Offeror or the Tax Certification and Exchange Agent.

Announcements

Unless stated otherwise, announcements in connection with the Exchange Offers will be made through RNS and may also be (a) found at www.acupay.com/BBVAexchange and on the relevant Reuters International Insider Screen, (b) made by the delivery of notices to the Clearing Systems for communication to Direct Participants and (c) made by the issue of a press release to a Notifying News Service. Copies of all such announcements, press releases and notices can also be obtained from the Tax Certification and Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Holders are urged to consult www.acupay.com/BBVAexchange or to contact the Tax Certification and Exchange Agent for the relevant announcements during the course of the Exchange Offers. In addition, holders of Existing Securities may contact the Dealer Manager for information using the contact details on the last page of this Exchange Offer Memorandum.

Governing law

The Exchange Offers, each Exchange Instruction, any exchange of Existing Securities pursuant to the Exchange Offers and any non-contractual obligations arising out of or in connection with the Exchange Offers shall be governed by and construed in accordance with English law. By submitting an Exchange Instruction, the relevant Holder irrevocably and unconditionally agrees for the benefit of the Issuer, the Guarantor, the Dealer Managers and the Tax Certification and Exchange Agent that the courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the relevant Exchange Offer, such Exchange Instruction, any exchange of Existing Securities pursuant to such Exchange Offer or any

non-contractual obligations arising out of or in connection with such Exchange Offer and that, accordingly, any suit, action or proceedings arising out of or in connection with any such dispute may be brought in such courts.

The New Securities and any non-contractual obligations arising out of or in connection with the New Securities shall be governed by and construed in accordance with Spanish law.

COMPARISON BETWEEN CERTAIN PROVISIONS OF THE EXISTING SECURITIES AND THE NEW SECURITIES

There are a number of differences between the Existing Securities and the New Securities. Holders should review the Preliminary Prospectus and the New Security Conditions in their entirety before making a decision whether to offer Existing Securities for exchange and consider carefully all such differences. The New Security Conditions are set out in the Preliminary Prospectus.

For Holders' convenience, certain key differences between the Existing Securities and the New Securities are set out in the table below. The information contained in this table is a summary only and should not be considered a complete description of the particular provision summarised. The summaries below are qualified by reference to (i) the Existing Security Conditions, (ii) the New Security Conditions and (iii) the Preliminary Prospectus.

	Existing Euro Tier 1 Securities		New Euro Tier 1 Securities
	<i>Existing Series A Euro Tier 1 Securities</i>	<i>Existing Series B Euro Tier 1 Securities</i>	
Issue Date	22 September 2005	20 September 2006	21 October 2009
Condition 2.1 <i>(Distributions)</i>	The Existing Series A Euro Tier 1 Securities pay annual Distributions on 22 September in each year up to 22 September 2015 (their First call Date) at a fixed rate of 3.798 per cent.	The Existing Series B Euro Tier 1 Securities pay annual Distributions on 20 September in each year up to 20 September 2016 (their First call Date) at a fixed rate of 4.952 per cent.	The New Euro Tier 1 Securities pay annual Distributions on 21 October in each year up 21 October 2014 (their First Call Date) at a fixed rate of 8.5 per cent.
Condition 2.2 <i>(Distributions)</i>	From the First Call Date, the rate of Distribution for the Existing Series A Euro Tier 1 Securities in relation to each Distribution Period (Floating) will be Three Month EURIBOR plus 0.65 per cent. and a step-up of 1.00 per cent., payable quarterly on 22 March, 22 June, 22 September and 22 December in each year.	From the First Call Date, the rate of Distribution for the Existing Series B Euro Tier 1 Securities in relation to each Distribution Period (Floating) will be Three Month EURIBOR plus 1.00 per cent. and a step-up of 0.95 per cent., payable quarterly on 20 March, 20 June, 20 September and 20 December in each year.	From the First Call Date, the rate of Distribution for the New Euro Tier 1 Securities in relation to each Distribution Period (Floating) will be Three Month EURIBOR plus a margin t be calculated on the Business Day following the Exchange Offer Deadline by subtracting the Euro Mid-Swap Rate from 8.5 per cent., payable quarterly on 21 January, 21 April, 21 July and 21 October in each year. There is no step-up feature in the New Euro Tier 1 Securities.
Condition 4 <i>(Optional Redemption)</i>	Subject to the following paragraph, the Existing Series A Euro Tier 1 Securities may not be redeemed prior to their First Call Date. In the case of a partial redemption of the Existing Series A Euro Tier 1 Securities, redemption is to be effected on a pro rata basis in relation to the Liquidation Preference. The Existing Series A Euro Tier 1 Securities may be redeemed prior to the First Call Date, subject to the prior consent of the Bank of Spain, in the case of certain changes of law affecting the capital or tax treatment of the Existing Series A Euro Tier 1 Securities at a redemption price at the higher of their Liquidation Preference and a Make Whole Amount. For the purpose of calculating the Make	Subject to the following paragraph, the Existing Series B Euro Tier 1 Securities may not be redeemed prior to their First Call Date. In the case of a partial redemption of the Existing Series B Euro Tier 1 Securities, redemption is to be effected on a pro rata basis in relation to the Liquidation Preference. The Existing Series B Euro Tier 1 Securities may be redeemed prior to the First Call Date, subject to the prior consent of the Bank of Spain, in the case of certain changes of law affecting the capital or tax treatment of the Existing Series B Euro Tier 1 Securities at a redemption price at the higher of their Liquidation Preference and a Make Whole Amount. For the purpose of calculating the Make	Subject to the following paragraph, the New Euro Tier 1 Securities may not be redeemed prior to their First Call Date. In the case of a partial redemption of the New Euro Tier 1 Securities, redemption is to be effected by drawings (or, so long as the New Euro Tier 1 Securities are held through Euroclear and Clearstream, Luxembourg, by way of reduction in their nominal amount). The New Euro Tier 1 Securities may be redeemed prior to the First Call Date, subject to the prior consent of the Bank of Spain, in the case of certain changes of law affecting the capital or tax treatment of the New Euro Tier 1 Securities at a redemption price at the higher of their Liquidation Preference and a Make Whole Amount. For the purpose of calculating the Make Whole

	Existing Euro Tier 1 Securities		New Euro Tier 1 Securities
	Whole Amount, the Adjusted Yield is the Bond Yield plus 0.50 per cent.	Whole Amount, the Adjusted Yield is the Bond Yield plus 0.50 per cent.	Amount, the Adjusted Yield is the Bond Yield plus a margin to be determined at the Pricing Time.
Condition 5 (Purchases)	The Existing Series A Euro Tier 1 Securities may not be purchased by the Issuer, the Guarantor or any other subsidiary of the Guarantor without the consent of the Bank of Spain prior to their First Call Date unless there has been a change in Spanish law to permit such purchases.	The Existing Series B Euro Tier 1 Securities may not be purchased by the Issuer, the Guarantor or any other subsidiary of the Guarantor without the consent of the Bank of Spain prior to their First Call Date unless there has been a change in Spanish law to permit such purchases.	The New Euro Tier 1 Securities may be purchased by the Issuer, the Guarantor or any other subsidiary of the Guarantor at any time subject to compliance with Spanish capital adequacy regulations and obtaining the consent of the Bank of Spain when required.
	Existing Sterling Tier 1 Securities		New Sterling Tier 1 Securities
Issue Date	19 July 2007		21 October 2009
Condition 2.1 (Distributions)	The Existing Sterling Tier 1 Securities pay semi-annual Distributions on 19 July and 19 January in each year up to 19 January 2012 (their First Call Date) at a fixed rate of 7.093 per cent.		The New Sterling Tier 1 Securities pay annual Distributions on 21 October in each year up to 21 October 2014 (their First Call Date) at a fixed rate of 9.1 per cent.
Condition 2.2 (Distributions)	From the First Call Date, the rate of Distribution for the Existing Sterling Tier 1 Securities in relation to each Distribution Period (Floating) will be Three Month Sterling LIBOR plus 0.875 per cent., payable quarterly on 19 January, 19 April, 19 July and 19 October in each year.		The rate of Distribution for the New Sterling Tier 1 Securities in relation to each Distribution Period (Floating) will be Three Month Sterling LIBOR plus a margin to be calculated on the Business Day following the Exchange Offer Deadline by subtracting the Sterling Mid-Swap Rate from the Semi-Annual Equivalent Rate, payable quarterly on 21 January, 21 April, 21 July and 21 October in each year.
Condition 4 (Optional Redemption)	Subject to the following paragraph, the Existing Sterling Tier 1 Securities may not be redeemed prior to their First Call Date. In the case of a partial redemption of the Existing Sterling Tier 1 Securities, redemption is to be effected on a pro rata basis in relation to the Liquidation Preference.		Subject to the following paragraph, the New Sterling Tier 1 Securities may not be redeemed prior to their First Call Date. In the case of a partial redemption of the New Sterling Tier 1 Securities, redemption is to be effected by drawings (or, so long as the New Sterling Tier 1 Securities are held through Euroclear and Clearstream, Luxembourg, by way of reduction in their nominal amount).
	The Existing Sterling Tier 1 Securities may be redeemed prior to the First Call Date, subject to the prior consent of the Bank of Spain, in the case of certain changes of law affecting the capital or tax treatment of the Existing Sterling Tier 1 Securities at a redemption price at the higher of their Liquidation Preference and a Make Whole Amount. For the purpose of calculating the Make Whole Amount, the Adjusted Yield is the Bond Yield plus 0.50 per cent.		The New Sterling Tier 1 Securities may be redeemed prior to the First Call Date, subject to the prior consent of the Bank of Spain, in the case of certain changes of law affecting the capital or tax treatment of the New Sterling Tier 1 Securities at a redemption price at the higher of their Liquidation Preference and a Make Whole Amount. For the purpose of calculating the Make Whole Amount, the Adjusted Yield is the Bond Yield plus a margin to be determined at the Pricing Time.
Condition 5 (Purchases)	The Existing Sterling Tier 1 Securities may not be purchased by the Issuer, the Guarantor or any other subsidiary of the Guarantor without the consent of the Bank of Spain prior to their First Call Date unless there has been a change in Spanish law to permit such purchases.		The New Sterling Tier 1 Securities may be purchased by the Issuer, the Guarantor or any other subsidiary of the Guarantor at any time subject to compliance with Spanish capital adequacy regulations and obtaining the consent of the Bank of Spain when required.

TAX CONSEQUENCES

General

In view of the number of different jurisdictions where tax laws may apply to a Holder, this Exchange Offer Memorandum does not discuss the tax consequences for Holders arising from the exchange of Existing Securities pursuant to the Exchange Offers for New Securities, or in relation to the New Securities save for certain Spanish tax consequences. Holders are urged to consult their own professional advisers regarding these possible tax consequences under the laws of the jurisdictions that apply to them or to the exchange of their Existing Securities and the receipt pursuant to the Exchange Offers of New Securities, Cash Incentive Payments, Accrued Distribution Payments and Cash Rounding Amounts. Holders are liable for their own taxes and have no recourse to the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent with respect to taxes arising in connection with the Exchange Offers.

Spanish Tax Consequences – Exchange Consideration

According to Spanish legislation the exchange of the Existing Securities for the New Securities may result in Spanish source income, in the case of individual Holders who are resident for tax purposes in Spain. Such income, calculated as the positive difference between the New Issue Price and the acquisition price of the relevant Existing Securities, may be subject to withholding tax in Spain, at the applicable rate of 18 per cent. The acquisition price will be provided by the relevant Clearing System Participant which is a Qualified Institution in accordance with Exhibit IV to Annex 2 to this document. If the information mentioned in Annex IV, including such an acquisition price, is not provided in accordance with the procedure described in Annexes 1 and 2 by the Exchange Offer Deadline, individual Holders resident for tax purposes in Spain will not be eligible to participate in the Exchange Offers.

In any case, Accrued Distribution Payments, Cash Incentive Payments and Cash Rounding Amounts will be subject to withholding tax in Spain, at the applicable rate of 18 per cent. The Offeror will not pay any additional amounts in respect of any such withholding tax.

Legal entities with tax residence in Spain and individuals and legal entities without tax residence in Spain who comply with certain information requirements described in Annexes 1 and 2 below, will receive such income as well as Cash Incentive Payments and Cash Rounding Amounts free of any withholding.

In the event that the amount of Spanish withholding tax to be collected from a Holder pursuant to the exchange of Existing Securities, as calculated in accordance with paragraph B.3(b) of Annex 1, does not exceed the net cash element of the Exchange Consideration payable to such holder on the Settlement Date, the amount of cash necessary to satisfy such Spanish withholding tax liability will be deducted from the net cash element of the Exchange Consideration before it is paid to the relevant holder. Any amounts so deducted to satisfy the relevant holder's withholding tax liability will be promptly transmitted to the Offeror, and the Tax Certification and Exchange Agent will promptly confirm any such deduction to the relevant Clearing System and to the relevant Direct Participant.

In the event that the amount of Spanish withholding tax to be collected from a Holder pursuant to the exchange of Existing Securities, as calculated in accordance with paragraph B.3(b) of Annex 1, exceeds the amount of the net cash element of the Exchange Consideration payable to such Holder on the Settlement Date, the Offeror will (a) withhold from delivery on the Settlement Date and (b) sell or arrange for the sale in the secondary market of an appropriate quantity of New Securities, based on the valuations received by the Offeror (or the Tax Certification and Exchange Agent on its behalf) on the Exchange Offer Deadline, as may be necessary to provide cash in sufficient amounts to meet such Holder's withholding tax liability with respect to the exchange of Existing Securities for New Securities (the **Exchange Withholding Tax Sale**). The Offeror's determination of the number of New Securities that may be withheld from delivery and offered for sale to satisfy the relevant holder's withholding tax liability (including the withholding from delivery of such number of New Securities as may be deemed necessary, in the sole opinion of the Offeror, to provide a suitable margin to secure the results of the Exchange Withholding Tax Sale) will be binding on all parties. Any amounts received from the Exchange Withholding Tax Sale necessary to satisfy the relevant Holder's withholding tax liability will be promptly transmitted to the Offeror.

Upon the completion of the Exchange Withholding Tax Sale, the Offeror will promptly deliver to the relevant Direct Participant through the relevant Clearing System (a) any excess cash proceeds, net of selling agent's fees and expenses, from

the Exchange Withholding Tax Sale, (b) any New Securities that were previously withheld but remain unsold as part of the Exchange Withholding Tax Sale (via free delivery through the Clearing System) and (c) a letter confirming the details of the Exchange Withholding Tax Sale and the related calculation of the amounts so remitted.

It is expected that the foregoing procedures in relation to Exchange Withholding Tax Sale will be completed by the tenth Business Day following the Settlement Date.

Pursuant to the Second Additional Provision of Spanish law 13/1985 of 25 May 1985 as amended by law 4/2008 of 23 December 2008, the Issuer and the Guarantor are required to submit to the Spanish tax authorities certain details relating to the beneficial owners (Spanish Personal Income Tax or Corporate Income Tax taxpayers or non-Spanish residents operating in Spain through a permanent establishment) of the Existing Securities who intend to participate in the Exchange Offers.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Exchange Offer Memorandum, such secondary legislation has not yet been adopted. Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate of Taxation dated 20 January 2009, the current procedures relating to the identity of beneficial owners as laid down in Section 44 of Royal Decree 1065/2007 of 27 July 2007 remain applicable and consequently the current obligation to provide information concerning beneficial owners who are not resident in Spain continues to apply. Beneficial owners of the Existing Securities in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with the applicable identification procedures will not be eligible to participate in the Exchange Offers.

The delivery of the required beneficial owner identity and country of residence information must be made through the relevant Clearing System Participant in accordance with the procedures set forth under Annexes 1 and 2 below. Clearing System Participants which are Non-Qualified Institutions will not be eligible to participate in the Exchange Offer.

Spanish Tax Consequences – Accrued Distribution Payment

The Accrued Distribution Payment paid to an individual Holder who is resident for tax purposes in Spain will be subject to withholding tax in Spain at the applicable rate of 18 per cent.

Legal entities with tax residence in Spain and individuals and legal entities without tax residence in Spain who comply with certain information requirements described in Annexes 1 and 2 to this document, will receive such Accrued Distribution Payment free of any withholding.

Amendment to Spanish withholding tax legislation

According to the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, as of 1 January 2010, the withholding tax rate on income derived from, amongst other things, financial assets will be increased from the current rate of 18 per cent. to 19 per cent.

PROCEDURES FOR PARTICIPATING IN THE EXCHANGE OFFERS

Holders who need assistance with respect to the procedures for participating in the Exchange Offers should contact the bank, securities broker or other intermediary through which they hold the Existing Securities. Alternatively, Holders may contact the Tax Certification and Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum.

Summary of action to be taken

The Offeror will only accept offers of Existing Securities for exchange pursuant to the Exchange Offers which are made by way of the submission of valid Exchange Instructions in accordance with the procedures set out in this section "*Procedures for Participating in the Exchange Offers*".

A beneficial owner wishing to offer Existing Securities for exchange may offer Existing Securities of one or more series but may not submit more than one offer per series.

To offer Existing Securities for exchange pursuant to an Exchange Offer, a Holder should deliver, or arrange to have delivered on its behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Exchange Instruction that is received by the Tax Certification and Exchange Agent by the Exchange Offer Deadline.

Exchange Instructions must be submitted in respect of an aggregate amount of the Existing Securities of the relevant series of at least the Minimum Offer Amount.

*Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offers. **The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will be earlier than the relevant deadlines specified in this Exchange Offer Memorandum.***

Holders should read the sections of this Exchange Offer Memorandum headed "*Spanish Withholding Tax Requirements and Beneficial Owner Disclosure Obligations*" and "*Tax Consequences – Spanish Tax Consequences*", in particular, in relation to the Exchange Withholding Tax Sale (as defined therein).

Exchange Instructions

The offering of Existing Securities for exchange by a Holder will be deemed to have occurred upon receipt by the Tax Certification and Exchange Agent through the relevant Clearing System of a valid Exchange Instruction submitted in accordance with the requirements of such Clearing System and for which Beneficial Owner Information has been submitted in accordance with Annexes 1 and 2. The transmission or entry of such Exchange Instruction by or through the relevant Clearing System will be acknowledged by, or visible on the internal systems of, such Clearing System in accordance with the standard practices of such Clearing System and will result in the "blocking" (as such term is generally employed in the securities custody industry) of the relevant Existing Securities in the Holder's account with the relevant Clearing System so that no transfers may be effected in relation to such Existing Securities.

Holders must take the appropriate steps through the relevant Clearing System so that no transfers may be effected in relation to such blocked Existing Securities at any time after the date of submission of such Exchange Instruction, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such Existing Securities in the relevant Clearing System, each Direct Participant will be deemed to direct the relevant Clearing System to provide details concerning such Direct Participant's identity and account information to the Tax Certification and Exchange Agent (and for the Tax Certification and Exchange Agent to provide such details to the Issuer, the Guarantor and the Dealer Managers, and their legal advisers).

Only Direct Participants may submit Exchange Instructions. Each Holder that is not a Direct Participant must arrange for the Direct Participant through which such Holder holds its Existing Securities to submit a valid Exchange Instruction on its behalf to the relevant Clearing System before the deadlines specified by the relevant Clearing System.

It is a term of the Exchange Offers that Exchange Instructions are irrevocable except in the limited circumstances described in "*Amendment and Termination*". In such circumstances, Exchange Instructions may be revoked by a Holder, or the relevant

Direct Participant on its behalf, by submitting a withdrawal instruction to the Tax Certification and Exchange Agent (that is received by the relevant deadline) through the facilities of the relevant Clearing System. To be valid, such instruction must reference the original Exchange Instruction, the amount of Existing Securities to which the original Exchange Instruction related, the amount of Existing Securities for which the Exchange Instruction is requested to be withdrawn or revoked, the securities account to which such Existing Securities are credited and any other information required by the Tax Certification and Exchange Agent or the relevant Clearing System.

By submitting a valid Exchange Instruction through the relevant Clearing System in accordance with the standard procedures of such Clearing System, a Holder and any Direct Participant submitting such Exchange Instruction on such Holder's behalf shall be deemed to agree, and acknowledge, represent, warrant and undertake, to the Issuer, the Guarantor and any other relevant Group companies, the Tax Certification and Exchange Agent and the Dealer Managers the following at the Exchange Offer Deadline and the time of settlement on the Settlement Date (if a Holder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Holder or Direct Participant should contact the Tax Certification and Exchange Agent immediately):

- (a) it has received the Exchange Offer Memorandum, and has reviewed and accepts the offer and distribution restrictions, terms, conditions, risk factors (including the Prospectus Risk Factors), New Security Conditions and other considerations of the relevant Exchange Offer, all as described in this Exchange Offer Memorandum (including the Preliminary Prospectus and the information incorporated in the Preliminary Prospectus by reference), and has undertaken an appropriate analysis of the implications of such Exchange Offer without reliance on the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent;
- (b) by blocking the relevant Existing Securities in the relevant Clearing System, it will be deemed to consent, in the case of a Direct Participant, to have such Clearing System provide details concerning its identity and account information to the Tax Certification and Exchange Agent (and for the Tax Certification and Exchange Agent to provide such details to the Issuer, the Guarantor and the Dealer Managers, and their respective legal advisers);
- (c) upon the terms and subject to the conditions of the relevant Exchange Offer, it offers for exchange in such Exchange Offer the Existing Securities of the aggregate liquidation preference blocked in its account in the relevant Clearing System (such aggregate liquidation preference being at least equal to the Minimum Offer Amount) and, subject to and effective upon such exchange by the Offeror, it renounces all right, title and interest in and to all such Existing Securities exchanged by or at the direction of the Offeror and waives and releases any rights or claims it may have against the Issuer or the Guarantor with respect to any such Existing Securities and such Exchange Offer;
- (d) it agrees to ratify and confirm each and every act or thing that may be done or effected by the Issuer, the Guarantor, any of their respective directors or any person nominated by the Issuer and/or the Guarantor in the proper exercise of his or her powers and/or authority hereunder;
- (e) it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the Offeror to be desirable, in each case to complete the transfer of the relevant Existing Securities to the Offeror or its nominee in exchange for the relevant New Securities and/or to perfect any of the authorities expressed to be given hereunder;
- (f) it has observed the laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the relevant Exchange Offer or which will or may result in the Issuer, the Guarantor, the Dealer Managers, the Tax Certification and Exchange Agent, or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offers;
- (g) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity;
- (h) no information has been provided to it by the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent, or any of their respective directors or employees, with regard to the tax

consequences for Holders arising from the exchange of Existing Securities pursuant to the Exchange Offers for New Securities, or in relation to the New Securities, other than the limited information set out in this Exchange Offer Memorandum (including the Preliminary Prospectus) in respect of certain Spanish tax consequences, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in an Exchange Offer (including the exchange of its Existing Securities and the receipt pursuant to an Exchange Offer of the relevant New Securities, the Cash Incentive Payment, any Accrued Distribution Payment and the Cash Rounding Amount) or in relation to the New Securities, and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Issuer, the Guarantor, any other Group company, the Dealer Managers or the Tax Certification and Exchange Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments;

- (i) each beneficial owner is not submitting more than one offer in relation to each series of Existing Securities;
- (j) it is not a person to whom it is unlawful to make an invitation pursuant to the Exchange Offers under applicable securities laws and it has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Exchange Instruction in respect of the Existing Securities it is offering for exchange) complied with all laws and regulations applicable to it for the purposes of its participation in the relevant Exchange Offer;
- (k) the New Securities are being offered and sold in transactions not involving a public offering in the United States within the meaning of the Securities Act, and neither the New Securities nor the guarantees in respect thereof have been or will 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 (terms used in this and the following paragraph that are defined in Regulation S under the Securities Act are used as defined in Regulation S);
- (l) either (a) (i) it is the beneficial owner of the Existing Securities being offered for exchange and (ii) it is located outside the United States and is participating in the relevant Exchange Offer from outside the United States and it is not a U.S. person or (b) (i) it is acting on behalf of the beneficial owner of the Existing Securities being offered for exchange on a non-discretionary basis and has been duly authorised to so act and (ii) such beneficial owner has confirmed to it that it is located outside the United States and is participating in the relevant Exchange Offer from outside the United States and it is not a U.S. person;
- (m) it is not located or resident in Italy, it did not receive the Exchange Offer Memorandum or any invitation to participate in the Exchange Offers in Italy and it is not acting on behalf of investors located or resident in Italy;
- (n) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43 of the Financial Promotion Order, or to whom this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offers may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (o) it is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investor (*investisseur qualifié*) other than an individual (as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code Monétaire et Financier*), acting on its own account;
- (p) it has full power and authority to offer for exchange and transfer the Existing Securities offered for exchange and, if such Existing Securities are accepted for exchange by the Offeror, such Existing Securities will be transferred to, or to the order of, the Offeror with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached to such Existing Securities, and it will, upon request, execute and deliver any additional documents and/or do such other things deemed by the Issuer and/or the Guarantor to be necessary or desirable to complete the transfer and cancellation of such Existing Securities or to evidence such power and authority;
- (q) it holds and will hold, until the time of settlement on the Settlement Date, the Existing Securities blocked in the relevant Clearing System and, in accordance with the requirements of, and by the deadline required by, such Clearing System, it has submitted, or has caused to be submitted, a Exchange Instruction to such Clearing System to authorise

the blocking of the Existing Securities offered for exchange with effect on and from the date of such submission so that, at any time pending the transfer of such Existing Securities on the Settlement Date to the Offeror, or to its agent on its behalf, no transfers of such Existing Securities may be effected unless such blocking instructions are properly withdrawn in accordance with the terms of the relevant Exchange Offer;

- (r) the terms and conditions of the relevant Exchange Offer shall be deemed to be incorporated in, and form a part of, the Exchange Instruction which shall be read and construed accordingly, and that the information given by or on behalf of such Holder in the Exchange Instruction is true and will be true in all respects at the time of the exchange on the Settlement Date; and
- (s) it accepts the Offeror is under no obligation to accept offers of Existing Securities for exchange pursuant to the relevant Exchange Offer, and accordingly such offers may be accepted or rejected by the Offeror in its sole discretion and for any reason.

The receipt of a Exchange Instruction by the relevant Clearing System will constitute instructions to debit the securities account of the relevant Direct Participant on the Settlement Date in respect of all of the Existing Securities that the relevant Holder has offered for exchange, upon receipt by such Clearing System of an instruction from the Tax Certification and Exchange Agent for such Existing Securities to be transferred to the specified account of the Offeror or its agent on its behalf and against credit of the relevant New Securities and payment by the Offeror of the Cash Incentive Payment, any Accrued Distribution Payment and the Cash Rounding Amount, subject to the automatic withdrawal of those instructions on the date of any termination of the relevant Exchange Offer (including where such Existing Securities are not accepted for exchange by the Offeror) or on the valid revocation of such Exchange Instruction, in the limited circumstances in which such revocation is permitted as described in "*Amendment and Termination*", and subject to acceptance of the relevant Exchange Offer by the Offeror and all other conditions of such Exchange Offer.

General

Exchange Instructions

A separate Exchange Instruction must be completed on behalf of each beneficial owner and must relate to an aggregate amount of Existing Securities of the relevant series of at least the Minimum Offer Amount applicable to such series of Existing Securities.

Irrevocability

The submission of a valid Exchange Instruction in accordance with the procedures set out in this section "*Procedures for Participating in the Exchange Offer*" will be irrevocable (except in the limited circumstances described in "*Amendment and Termination*").

Irregularities

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Exchange Instruction will be determined by the Offeror in its sole discretion, which determination shall be final and binding.

The Offeror reserves the absolute right to reject any and all Exchange Instructions or revocation instructions not in proper form or for which any corresponding agreement by the Offeror to accept would, in the opinion of the Offeror and its legal advisers, be unlawful. The Offeror also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Exchange Instructions or revocation instructions. The Offeror also reserves the absolute right to waive any such defect, irregularity or delay in respect of particular offers of Existing Securities for exchange, whether or not the Offeror elects to waive similar defects, irregularities or any delay in respect of any other offers of Existing Securities for exchange. Any defect, irregularity or delay must be cured within such time as the Offeror determines, unless waived by it. Exchange Instructions will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of the Issuer, the Guarantor, the Dealer Managers, the Tax Certification and Exchange Agent shall be under any duty to give notice to a Holder of any defects, irregularities or delays in any Exchange Instruction or revocation instruction, nor shall any of them incur any liability for failure to give such notice.

AMENDMENT AND TERMINATION

Amendment and Termination

Notwithstanding any other provision of the Exchange Offers, the Offeror may, subject to applicable laws, at its option and in its sole discretion, at any time before any acceptance by it of the relevant Exchange Offer:

- (a) extend the Exchange Offer Deadline for, or re-open, such Exchange Offer (in which case all references in this Exchange Offer Memorandum to "Exchange Offer Deadline", shall for the purposes of such Exchange Offer unless the context otherwise requires, be to the latest time and date to which the Exchange Offer Deadline has been so extended or such Exchange Offer re-opened);
- (b) otherwise extend, re-open or amend such Exchange Offer in any respect (including, but not limited to, any increase, decrease, extension, re-opening or amendment, as applicable, in relation to the Exchange Offer Deadline, Settlement Date, any Exchange Price, Exchange Ratio and/or any term of the relevant New Securities);
- (c) delay the acceptance of Exchange Instructions or exchange of Existing Securities validly submitted for exchange in such Exchange Offer until satisfaction or waiver of the conditions to such Exchange Offer, even if such Exchange Offer has expired; or
- (d) terminate such Exchange Offer, including with respect to Exchange Instructions submitted before the time of such termination.

The Offeror also reserves the right at any time to waive any or all of the conditions of any Exchange Offer as set out in this Exchange Offer Memorandum.

The Offeror will make an announcement in respect of any such extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made as described under "*Further Information and Terms and Conditions - Announcements*" above. To the extent a decision is made to waive any condition of an Exchange Offer generally as opposed to in respect of certain offers of Existing Securities for exchange only, the Offeror will make a similar announcement in respect of such decision as soon as is reasonably practicable after it is made.

Revocation Rights

If the Offeror amends an Exchange Offer in any way (including by way of the issue of any supplement or other form of update to this Exchange Offer Memorandum or the making of any other announcement, in which any other material development is disclosed) that, in the opinion of the Offeror (in consultation with the Lead Dealer Manager) is materially prejudicial to Holders that have already submitted Exchange Instructions for such Exchange Offer before the announcement of such amendment (which announcement shall include a statement that in the opinion of the Offeror such amendment is materially prejudicial to such Holders), then such Exchange Instructions may be revoked at any time from the date and time of the announcement of such decrease or amendment until 5.00 p.m. (CET) on the second Business Day following such announcement (subject to the earlier deadlines required by the Clearing Systems and any intermediary through which Holders hold their Existing Securities).

Any extension or re-opening of an Exchange Offer (including any amendment in relation to the Exchange Offer Deadline, Pricing Time and/or Settlement Date) in accordance with the terms of that Exchange Offer as described in this section "*Amendment and Termination*" shall not be considered materially prejudicial to Holders that have already submitted Exchange Instructions before the announcement of such amendment provided the settlement of such extended or re-opened Exchange Offer will be completed by the Offeror by no later than 31 December 2009.

Holders wishing to exercise any right of revocation as set out above should do so in accordance with the procedures set out in "*Procedures for Participating in the Exchange Offers - Exchange Instructions*". Beneficial owners of Existing Securities that are held through an intermediary are advised to check with such entity when it needs to receive instructions to revoke an Exchange Instruction in order to meet the above deadline. For the avoidance of doubt, any Holder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Exchange Instruction will remain effective.

DEALER MANAGERS AND TAX CERTIFICATION AND EXCHANGE AGENT

The Offeror has retained Morgan Stanley & Co. International plc as Lead Dealer Manager for the Exchange Offers with Acupay System LLC to act as Tax Certification and Exchange Agent. The Issuer, the Guarantor and the Lead Dealer Manager have entered into a Dealer Manager Agreement which contains certain provisions regarding payment of fees, expense reimbursement and indemnity arrangements relating to the Exchange Offers. The Tax Certification and Exchange Agent will receive a customary fee for its services, as well as reimbursement for reasonable out-of-pocket expenses.

For the purposes of calculating the New Distribution Rate (Floating) Margins for the New Securities at the Pricing Time, the Lead Dealer Manager will determine the relevant Mid-Swap Rates and calculate such margins. For the purposes of the settlement of the Exchange Offers on the Settlement Date, the Offeror will procure that relevant principal paying agent for each series of Existing Securities will calculate the Accrued Distribution Payment for each Holder in respect of the Existing Securities validly offered for exchange by such Holder and accepted by the Offeror, and each Cash Rounding Amount. All such determinations and calculations will, absent manifest error, be conclusive and binding on the Issuer, the Guarantor and the Holders.

The Dealer Managers and their respective affiliates may contact Holders regarding the Exchange Offers and may request brokerage houses, custodians, nominees, fiduciaries and others to forward this Exchange Offer Memorandum and related materials to Holders.

The Dealer Managers and their respective affiliates have provided and continue to provide certain investment banking services to the Issuer, the Guarantor and other Group companies for which they have received and will receive compensation that is customary for services of such nature.

None of the Dealer Managers or the Tax Certification and Exchange Agent or any of their respective directors, employees or affiliates assume any responsibility for the accuracy or completeness of the information concerning the Exchange Offers, the Issuer, the Guarantor, any other Group company, the Existing Securities or the New Securities contained in this Exchange Offer Memorandum (including the Preliminary Prospectus) or for any failure by the Issuer and/or the Guarantor to disclose events that may have occurred and may affect the significance or accuracy of such information.

The Dealer Managers may (i) submit Exchange Instructions for their own account and (ii) submit Exchange Instructions (subject to the offer restrictions set out in "*Offer and Distribution Restrictions*") on behalf of Holders.

None of the Dealer Managers, the Tax Certification and Exchange Agent, the Issuer, the Guarantor, any other Group company or any of their respective directors, employees or affiliates make any representation or recommendation whatsoever regarding the Exchange Offers, or any recommendation as to whether Holders should offer Existing Securities for exchange.

The Tax Certification and Exchange Agent is the agent of the Offeror and does not owe any duty to any Holder.

ANNEX 1 – IMMEDIATE IDENTIFICATION PROCEDURE (PROCEDURE THAT COMPLIES WITH SPANISH LAW 13/1985 AS AMENDED BY LAWS 19/2003, 23/2005 AND 4/2008, ROYAL DECREE 1065/2007 AND ARTICLE 59.Q) OR 59.S) OF THE CORPORATE INCOME TAX REGULATION APPROVED BY ROYAL DECREE 1777/2004 OF 30 JULY 2004) FOR EXCHANGES OF EXISTING SECURITIES

A. Clearing System Participant Submission and Maintenance of Beneficial Owner Information

1. In advance of the commencement of the period during which Holders may exchange Existing Securities for New Securities (the **Exchange Offer Period**), the Offeror shall instruct the Tax Certification and Exchange Agent to, and the Tax Certification and Exchange Agent shall, (i) provide each Clearing System with a notice that will form the basis for participant notification (each, a **Corporate Actions Notice** or **Exchange Period Notice**) regarding the Exchange Offer Period and tax relief entitlement information for exchanges of Existing Securities for New Securities, (ii) request each Clearing System to post such notices on its website as a means of notifying Clearing System Participants of the requirements described in this Annex 1, and (iii) distribute the contents of such notices via one or more recognised financial information services.

2. Beginning at 8:00 a.m. CET on the first day of the Exchange Offer Period and continuing until the Exchange Offer Deadline (being 5:00 p.m. CET on the final day of the Exchange Offer Period), the Tax Certification and Exchange Agent, on behalf of the Offeror, will receive from Clearing System Participants acceptances of offers for New Securities by and on behalf of beneficial owners of Existing Securities (each such acceptance, a **Blocking Instruction**). Confirmations of the receipt of such Blocking Instructions, in the form of SWIFT Messages, or other electronic messages will be transmitted by or through the relevant Clearing System to the Tax Certification and Exchange Agent.

3. In relation to each Blocking Instruction transmitted in accordance with paragraph A.2 of this Annex 1, each Clearing System Participant which is a Qualified Institution must, to the extent it has not previously done so, enter directly into the system established and maintained for that purpose by the Tax Certification and Exchange Agent (the **Acupay System**) the beneficial owner identity and residence information required by the Spanish tax law and set forth in Annex 2 (the **Beneficial Owner Exchange Information**) in connection with the exchange of Existing Securities for the Exchange Consideration.

4. Each Clearing System Participant which is a Qualified Institution must ensure the continuing accuracy of any previously-submitted Beneficial Owner Exchange Information, irrespective of any changes in, or in beneficial ownership of, such Clearing System Participant's position in the Existing Securities, or the identity of the beneficial owner of Existing Securities on whose behalf a Blocking Instruction is delivered, as of the Exchange Offer Deadline. The Acupay System will remain available for making adjustments until the Exchange Offer Deadline. All changes in beneficial ownership of Existing Securities must be reflected, including changes that do not impact the Clearing System Participant's overall position at the relevant Clearing System as to which the relevant Clearing System Participant Blocking Instructions have been submitted, or the portion of such Clearing System Participant's positions at the relevant Clearing System as to which no Spanish withholding tax is required.

5. The failure to submit timely Beneficial Owner Exchange Information will affect the delivery of New Securities to the relevant beneficial owner, as the relevant beneficial owner will not be eligible to participate in the relevant Exchange Offer and the related Blocking Instructions will be invalidated. Clearing System Participants which are Non-Qualified Institutions will not be eligible to participate in the Exchange Offer.

B. Exchange Offer Tax Calculation and Tax Certificates

1. If any portion of the Existing Securities held through a Clearing System Participant has been offered for exchange for Exchange Consideration through the submission of Blocking Instructions via a Clearing System by the Exchange Offer Deadline, a set of tax certificates (the **Exchange Tax Certificates**) must be delivered through the Acupay System. If the exchange of Existing Securities for Exchange Consideration is calculated by the Tax Certification and Exchange Agent in accordance with paragraph B.3 of this Annex 1 to result in the imputation of taxable income (for Spanish tax law purposes) for the relevant beneficial owners who are individuals resident in Spain for tax purposes, the Exchange Tax Certificates will report such income arising from the exchange of Existing Securities for Exchange Consideration. Such income, if any, must be imputed to the relevant beneficial owner(s) of the Existing Securities as of the Exchange Offer Deadline.

Exchange Tax Certificates will be dated as of the last day of the Exchange Offer Period and must refer to beneficial ownership positions as of the Exchange Offer Deadline. Each Clearing System Participant will be required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Exchange Tax Certificates directly to the Tax Certification and Exchange Agent. The original of each Exchange Tax Certificate must be sent to the Tax Certification and Exchange Agent for receipt no later than the 15th calendar day of the month immediately following the Exchange Offer Deadline.

2. In the event that the exchange of Existing Securities for Exchange Consideration is not calculated by the Tax Certification and Exchange Agent in accordance with paragraph B.3 of this Annex 1 to result in the imputation of taxable income (for Spanish tax law purposes) to the relevant beneficial owners, no income will be reported on the Exchange Tax

Certificates. However, each Clearing System Participant is still required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Exchange Tax Certificates.

3. As the exchange of Existing Securities for Exchange Consideration is a taxable event under Spanish tax law and for the purposes of Spanish Law 13/1985 (as amended by Laws 19/2003, 23/2005 and 4/2008, Royal Decree 1065/2007 and article 59.q) or 59.s) of the Corporate Income Tax Regulation approved by Royal Decree 1777/2004 of 30 July 2004), the income attributable to any such exchange will be calculated by the Tax Certification and Exchange Agent using the following methodology:

a. Prior to 10:15 a.m. CET on the first Business Day of the Exchange Offer Period (the **Initial Calculation Date**), the Tax Certification and Exchange Agent will request the Lead Dealer Manager (the **Reference Dealer**) to provide a bid-side quotation (expressed to the nearest 0.125%) as of 10:00 a.m. CET on the Initial Calculation Date, for a trade involving 1,000 securities of a hypothetical issuance of New Securities. If the Reference Dealer is unable to provide such a quotation, then the Tax Certification and Exchange Agent shall request a price evaluation for such New Securities from a globally recognised securities price evaluation service.

b. The quotation obtained with respect to the New Securities will be posted on the Acupay System no later than 11:00 a.m. CET on the Initial Calculation Date. The (i) positive difference, if any, between the quotation for the hypothetical 1,000 securities of the lot of New Securities and the issue price of 1,000 shares of Existing Securities and (ii) cash element of the Exchange Consideration will be employed by the Acupay System to calculate the income, if any, to be imputed to investors who exchange their Existing Securities for Exchange Consideration. In the event that such difference results in a negative number, it shall be deemed to be "0" (zero) for the purpose of this paragraph. In the case of individual Holders who are resident for tax purposes in Spain, the amount of income arising out of any exchange of Existing Securities for Exchange Consideration, calculated as (i) the positive difference, if any, between the New Issue Price and the acquisition price of Existing Securities and (ii) the cash element of the Exchange Consideration, will be printed on each of the Exchange Tax Certificates produced by the Acupay System for use by the relevant Clearing System Participants, as described below. If the amount of such income is "0" (zero), however, no tax will be attributable to the relevant exchange and no income will be reported on the Exchange Tax Certificates required to be submitted by the relevant Clearing System Participant with respect to such exchange.

c. On the date of the Exchange Offer Deadline, the Tax Certification and Exchange Agent will repeat the price quotation and income computation procedures described within paragraphs B.3(a) and B.3(b) of this Annex 1 in order to determine whether such price and income amounts are materially different from the price and income amounts computed on the Initial Calculation Date. The price quotations or evaluations employed on such day will be obtained at the times-of-day and using the methods described above. If there is a positive or negative difference in the price quotation as computed on the date of the Exchange Offer Deadline as compared with that computed on the Initial Calculation Date equal to or less than 0.05% of the income as computed on the date of the Exchange Offer Deadline, such difference (if any, and whether positive or negative) will be deemed "non-material" and will be ignored for the purpose of these procedures. However, if such difference (whether positive or negative) is (1) greater than 0.05% of the quotation obtained on the date of the Exchange Offer Deadline and (2) the income computation procedures described in paragraph B.3(b) of this Annex 1 result in a positive number, then:

i. At 1:00 p.m. CET on the date of the Exchange Offer Deadline, (A) all Exchange Tax Certificates previously received by the Tax Certification and Exchange Agent will be cancelled in the Acupay System and (B) the Acupay System will produce replacement Exchange Tax Certificates for individual holders who are resident for tax purposes in Spain to replace the relevant cancelled Exchange Tax Certificates.

ii. the Tax Certification and Exchange Agent will transmit a request to all affected Clearing System Participants that they (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of each duly signed replacement Exchange Tax Certificate directly to the Tax Certification and Exchange Agent for receipt by the Exchange Offer Deadline.

iii. The Acupay System will use the amount of exchange income computed on the date of the Exchange Offer Deadline in place of the amount of such income computed on the Initial Calculation Date, for the replacement Exchange Income Tax Certificates described in paragraph B.3(c)(i) of this Annex 1.

C. Additional Acupay System Procedures

1. In addition to its other duties and obligations set forth herein, the Tax Certification and Exchange Agent will be responsible for the following tasks with respect to the exchange of Existing Securities for Exchange Consideration (collectively, the **Exchange Verification Procedures**):

a. reviewing Exchange Tax Certificates using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Exchange Information have been supplied and that such fields of information are responsive to the requirements of such certificates and the circumstances related to the exchange of Existing Securities for Exchange Consideration;

b. liaising with the relevant Clearing System Participants in order to request that such Clearing System Participants:

i. complete any missing or correct any erroneous Beneficial Owner Exchange Information, make any necessary revisions to the Exchange Tax Certificates identified pursuant to the procedures set forth above;

ii. confirm any non-exchange of Existing Securities; and

c. determine based on the procedures established for that purpose in paragraph B.3 of this Annex 1 whether or not the exchange of Existing Securities for Exchange Consideration would result in income attributable to such exchange. If the exchange of Existing Securities for Exchange Consideration would result in income attributable to such exchange, the Offeror together with the Tax Certification and Exchange Agent shall determine through a review of Clearing System Participant Blocking Instructions whether any position in the Existing Securities will be exchanged for Exchange Consideration, and:

i. if no such exchange of Existing Securities for Exchange Consideration is to be undertaken, no further Exchange Verification Procedures will be required;

ii. the Tax Certification and Exchange Agent shall determine for each Clearing System Participant submitting a Clearing System Participant Blocking Instruction whether the number of Existing Securities to be exchanged for New Securities through such Clearing System Participant's account as set forth in such Clearing System Participant Blocking Instruction is consistent with the total number of Existing Securities to be exchanged for New Securities as set forth in the related Beneficial Owner Exchange Information (and reported on Exchange Tax Certificates) supplied by such Clearing System Participant via the Acupay System. If any data in the Exchange Tax Certificates described above is not consistent at the Exchange Offer Deadline, then Exchange Tax Certificates will be disregarded by the Tax Certification and Exchange Agent for all purposes. Existing Securities in respect of which beneficial owners have not provided such information to the Issuer or the Guarantor in accordance with the procedures described herein will not be accepted for exchange, and such beneficial owners will continue to hold their Existing Securities subject to the terms and conditions of such Existing Securities and related Blocking Instructions will be invalidated.

2. The Tax Certification and Exchange Agent will forward original paper Exchange Tax Certificates it receives for receipt by the Offeror no later than the 18th calendar day of the month immediately following the Exchange Offer Deadline. The Tax Certification and Exchange Agent shall maintain records of all Exchange Tax Certificates (and other information received through the Acupay System) for five years from the date of the Exchange Offer Deadline, and shall, during such period, make copies of such records available to the Offeror at all reasonable times upon request. In the event that the Offeror notifies the Tax Certification and Exchange Agent in writing that it is the subject of a tax audit, the Tax Certification and Exchange Agent shall maintain such duplicate back-up copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

3. By 6:00 pm CET on the date of the Exchange Offer Deadline, the relevant Clearing Systems and the Tax Certification and Exchange Agent will confirm to each other the number of Existing Securities for which exchange instructions have been received (the **Clearing System Reconciliation Report**).

D. Exchange Settlement

1. On or about the first Business Day following the Exchange Offer Deadline, the Offeror will announce the number of Existing Securities accepted for exchange by the Exchange Offer Deadline in the manner described in the Exchange Offer Memorandum.

2. On the Settlement Date, the Tax Certification and Exchange Agent will release through a secure data upload facility to the Offeror and each relevant Clearing System a copy of the Clearing System Reconciliation Report, as well as a detailed report of the final exchanges (the **Final Exchange Report**). Such report will indicate for each Clearing System Participant (i) the number of Existing Securities which should be exchanged for New Securities, (ii) the amount of the cash element of the Exchange Consideration which should be delivered with respect to the exchange of Existing Securities for New Securities, (iii) the accrued income from the previous income payment date up to but not including the Settlement Date, (iv) of such Existing Securities referred to in (i) and (ii), (a) the number or the liquidation preference, as the case may be, for which no withholding taxes will need to be assessed in relation to the exchange, (b) the number and the liquidation preference, as the case may be, for which withholding taxes will need to be assessed in relation to the exchange and (c) the amount of such withholding taxes, if any. The Final Exchange Report will also state the tax liability attributable to each such exchange operation and the valuations employed in the computation of such tax liabilities.

3. On or before the Settlement Date, the Offeror shall (i) transmit (or arrange to have transmitted) to or through the relevant Clearing System the aggregate cash element of the Exchange Consideration referred to in paragraph D. 2 (ii); (ii) send a notice (via secure means) to the relevant Clearing System (a **Share Issuance and Exchange Instruction**) instructing (a) the relevant Clearing System to deliver to each relevant Clearing System Participant the relevant number of New Securities in accordance with the Final Exchange Report, (b) the relevant Clearing System to deliver to each relevant Clearing System Participant the relevant cash element of the Exchange Consideration and the accrued income from the previous income payment date up to but not including the Settlement Date in accordance with the Final Exchange Report, (c) the Principal Paying Agent (of the New Securities) to provide the common depository (on the behalf of the relevant Clearing System) with a global New Security evidencing the issuance of the relevant amount of New Securities, and (d) the relevant

Clearing System to deliver such Clearing System's position in the Existing Securities with respect to the aggregate number of Existing Securities exchanged for New Securities to or for the account of the Offeror. The Offeror has authorised the relevant Clearing Systems to rely on the Final Exchange Report to serve as its Security Issuance and Exchange Instruction.

4. Notwithstanding anything herein to the contrary, the Offeror may direct the relevant Clearing Systems to ignore the Final Exchange Report and to undertake exchanges of Existing Securities for Exchange Consideration in a manner different from that set forth in the Final Exchange Report if the Offeror (i) determines that there are any inconsistencies with the exchange elections therein represented or any information set forth in the Final Exchange Report is, to the Offeror's knowledge, inaccurate, and (ii) provides notice of such determination in writing to the relevant Clearing Systems and the Tax Certification and Exchange Agent prior to 11:30 a.m. CET on the Settlement Date along with a list of the affected Clearing System Participants showing the number of Existing Securities to be exchanged for Exchange Consideration by each such Clearing System Participant.

5. On or prior to the Settlement Date, the Offeror will transmit (or procure the transmission) to the Principal Paying Agent (of the New Securities) a global New Security and request that the Principal Paying Agent (of the New Securities) delivers such global New Security to the relevant Clearing System (or the common depository or specialised depository acting as custodian for the relevant Clearing System) for delivery in book-entry only form to the relevant beneficial owners of the Existing Securities. The exchange of Existing Securities for Exchange Consideration (including New Securities) shall be irrevocable and the New Securities may not be converted to Existing Securities. The terms of the New Securities shall be binding upon any subsequent holder of such New Securities.

6. By 6:00 p.m. CET on the Settlement Date, the relevant Clearing System shall confirm to the Tax Certification and Exchange Agent the delivery to each relevant Clearing System Participant of the relevant quantity of Exchange Consideration, as adjusted for any Exchange Withholding Tax Sale (as defined below) procedures necessary in accordance with paragraph E.2 of this Annex 1, in exchange for a relevant quantity of Existing Securities. Notice of the consummation of such exchange operations shall be promptly communicated to the Offeror via the Acupay System.

E. Exchange Withholding Tax

1. In the event that the amount of Spanish withholding tax to be collected from a Clearing System Participant pursuant to an exchange of Existing Securities for Exchange Consideration, as calculated in accordance with paragraph B.3 of this Annex 1, should not exceed the amount of the net cash element of the Exchange Consideration and accrued income payable with respect to an exchange of such Existing Securities, the Offeror's Share Issuance and Exchange Instruction will include an instruction to the Offeror, the Tax Certification and Exchange Agent and the relevant Clearing Systems to deduct on the Settlement Date the amount of cash otherwise payable to such Clearing System Participant as is necessary to satisfy such Spanish withholding tax liability. Any amounts so deducted to satisfy the relevant Clearing System Participant's withholding tax liability shall be promptly transmitted to the Offeror, and the Tax Certification and Exchange Agent shall promptly confirm any such deduction to the relevant Clearing System Participant.

2. In the event that the amount of Spanish withholding tax to be collected from a Clearing System Participant pursuant to an exchange of Existing Securities for Exchange Consideration as calculated in accordance with paragraph B.3 of this Annex 1, should exceed the net cash element of the Exchange Consideration payable to such Clearing System Participant on the Settlement Date, the Offeror will (i) withhold from delivery on the Settlement Date and (ii) sell or arrange for the sale in the secondary market of an appropriate quantity of New Securities, based on the valuations received by the Offeror (or the Tax Certification and Exchange Agent on its behalf) on the date of the Exchange Offer Deadline, as may be necessary to provide cash in sufficient amounts to meet such Clearing System Participant's withholding tax liability with respect to the exchange of Existing Securities for Exchange Consideration (the **Exchange Withholding Tax Sale**). The Offeror's determination of the number of New Securities that may be withheld from delivery and offered for sale to satisfy the relevant Clearing System Participant's withholding tax liability (including the withholding from delivery of such number of New Securities as may be deemed necessary, in the sole opinion of the Offeror, to provide a suitable margin to secure the results of the Exchange Withholding Tax Sale) shall be binding on all parties. Any amounts received from the Exchange Withholding Tax Sale necessary to satisfy the relevant Clearing System Participant's withholding tax liability shall be promptly transmitted to the Offeror.

3. Upon the completion of the Exchange Withholding Tax Sale, the Offeror shall promptly remit to the relevant Clearing System Participant, (i) any excess cash proceeds, net of selling agent's fees and expenses, from the Exchange Withholding Tax Sale (via the relevant Clearing System, (ii) any New Securities that were previously withheld but remain unsold as part of the Exchange Withholding Tax Sale (via free delivery through the relevant Clearing System) and (iii) a letter confirming the details of the Exchange Withholding Tax Sale and the related calculation of such amounts to be so remitted.

It is expected that the foregoing procedures in relation to Exchange Withholding Tax Sales will be completed by the tenth Business Day following the Settlement Date.

ANNEX 2 – FORMS AND DOCUMENTATION REQUIRED FOR THE IMMEDIATE IDENTIFICATION PROCEDURE

1. If the holder of an Existing Security or New Security is not resident in Spain for tax purposes and acts for its own account and is a Qualified Institution, the entity in question must certify its name, tax residency and amount of Existing Securities offered for exchange substantially in the manner provided in Exhibit I to this Annex.

2. In the case of transactions in which a Qualified Institution which is a holder of Existing Securities or New Securities acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name, tax residency and amount of Existing Securities offered for exchange of each beneficial owner not resident in Spain for tax purposes as at the Exchange Offer Deadline, substantially in the manner provided in Exhibit II to this Annex.

3. In the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by the law of another OECD member country, the entity in question (i.e., the Clearing System Participant) must, in accordance with the information contained in its own records, certify the name and tax residency of each beneficial owner not resident in Spain for tax purposes as at the Exchange Offer Deadline substantially in the manner provided in Exhibit II to this Annex.

4. If the beneficial owner is resident in Spain for tax purposes and is subject to Spanish Corporation Tax, the entities listed in paragraphs (2) or (3) above (such as Clearing System Participants which are Qualified Institutions) must submit a certification specifying the name, address, Tax Identification Number, the ISIN code of the Existing Securities, the beneficial interest in the Existing Securities at the Exchange Offer Deadline and the number of Existing Securities offered for exchange, substantially in the form set out in Exhibit III to this Annex.

5. If the beneficial owner is an individual resident in Spain for tax purposes, the entities listed in paragraphs (2) or (3) above (such as Clearing System Participants which are Qualified Institutions) must submit a certification specifying the name, address, Tax Identification Number, the ISIN code of the Existing Securities, the beneficial interest in the Existing Securities at the Exchange Offer Deadline and the number of Existing Securities offered for exchange, substantially in the form set out in Exhibit IV to this Annex.

6. Beneficial owners who hold their interests in the Existing Securities through Non-Qualified Institutions, will not be eligible to participate in the Exchange Offer.

Set out below are Exhibits I, II, III and IV. Sections in English have been accurately and completely translated from the original Spanish. In the event of any discrepancy, the Spanish versions shall prevail.

EXHIBIT I

Modelo de certificación en inversiones por cuenta propia

Form of Certificate for Own Account Investments

(nombre) (name)

(domicilio) (address)

(NIF) (tax identification number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007.

CERTIFICO:

I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is:

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registro de

that the institution I represent is recorded in the Register of

(país, estado, ciudad), con el número

(country, state, city), under number

4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)

that the institution I represent is supervised by (Supervision body)

en virtud de (*normativa que lo regula*)

under (governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseídos por cuenta propia (Isin / Cusip)

Identification of securities held on own account: (Isin / Cusip)

Número de Valores Entregados en el Canje

Number of Securities Offered for Exchange

Lo que certifico en _____ a _____ de _____ de 20_____

I certify the above in [location] on the [day] of [month] of [year]

EXHIBIT II

Modelo de certificación en inversiones por cuenta ajena *Form of Certificate for Third Party Investments*

(nombre) (name)

(domicilio) (address)

(NIF) (tax identification number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.b) y c) del Real Decreto 1065/2007,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.b) and c) of Royal Decree 1065/2007,

CERTIFICO:

I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is:

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registro de

that the institution I represent is recorded in the Register of

(país, estado, ciudad), con el número

(country, state, city), under number

4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)

that the institution I represent is supervised by (Supervision body)

en virtud de (normativa que lo regula)

under (governing rules).

5. Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia, es exacta, y no incluye personas o Entidades residentes en España o en los países o territorios que tienen en España la consideración de paraíso fiscal de acuerdo con las normas reglamentarias en vigor¹.

That, according to the records of the Entity I represent, the list of beneficial owners attached hereto, including the names of all the non-resident holders, their country of residence is accurate, and does not include person(s) or institution(s) resident either in Spain or in tax haven¹ countries or territories as defined under Spanish applicable regulations.

¹ Derogado en virtud de lo previsto en el artículo 4 y la Disposición Derogatoria Única del Real Decreto-Ley 2/2008, de 21 de abril, de medidas de impulso a la actividad económica.

¹ Abolished by virtue of article 4 and Repealing Disposition of Royal Decree-Law 2/2008, of 21 April, on measures to promote the economic activity.

Lo que certifico ena de de 20

I certify the above in [location] on the [day] of [month] of [year]

RELACION ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores: (Isin / Cusip)

Identification of the securities: (Isin / Cusip)

Listado de titulares:

List of beneficial owners:

Nombre/País de residencia/Número de Valores Entregados en el Canje

Name/Country of residence/Number of Securities Offered for Exchange

EXHIBIT III

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de no Residentes
Form of Certificate for application of the exemption from withholding to Spanish corporate income taxpayers and to permanent establishments of non-resident income taxpayers

(nombre) (name)

(domicilio) (address)

(NIF) (tax identification number)

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

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

CERTIFICO:

I CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is:

2. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

3. Que la Entidad que represento está inscrita en el Registro de

that the institution I represent is recorded in the Register of

(país, provincia, ciudad), con el número

(country, province, city), under number

4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)

that the institution I represent is supervised by (Supervision body)

en virtud de (normativa que lo regula)

under (governing rules).

5. Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta son, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes y son titulares de los Valores que se identifican.

That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax payers and permanent establishments in Spain of Non-Resident Income Tax taxpayers, and are the beneficial owners of the Securities identified.

6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.

That the Entity I represent keeps, at the disposal of the Issuer and the Guarantor, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

I certify the above in [location] on the [day] of [month] of [year]

TO BE ATTACHED:

Identification of the securities: (Isin/Cusip)

Name/Domicile/Fiscal Identification Number/Number of Securities Offered for Exchange

EXHIBIT IV

Modelo de certificación en inversiones de sujetos pasivos del Impuesto sobre la Renta de Personas Físicas Residentes en Territorio Español

Form of Certificate for Investments of Individual Income Taxpayers Residents in Spain

(nombre) (name)

(domicilio) (address)

(NIF) (tax identification number)

(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.b) y c) del Real Decreto 1065/2007,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.b) and c) of Royal Decree 1065/2007,

CERTIFICO:

I CERTIFY:

2. Que el nombre o razón social de la Entidad que represento es:

that the name of the Entity I represent is:

3. Que su residencia fiscal es la siguiente:

that its residence for tax purposes is:

4. Que la Entidad que represento está inscrita en el Registro de

that the institution I represent is recorded in the Register of

(país, provincia, ciudad), con el número

(country, province, city), under number

5. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)

that the institution I represent is supervised by (Supervision body)

en virtud de (normativa que lo regula)

under (governing rules).

6. Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares personas físicas residentes en España el importe de los correspondientes rendimientos, así como en el precio de adquisición de las participaciones preferentes, es exacta.

That, according to the records of the Entity I represent, the list of beneficial owners attached hereto, including the names of all individuals resident in Spain holders, the relevant income and the acquisition price of the Preferred Securities is accurate.

Lo que certifico ena de de 20

I certify the above in [location] on the [day] of [month] of [year]

RELACION ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores: (Isin / Cusip)

Identification of the securities: (Isin / Cusip)

Listado de titulares:

List of beneficial owners:

Nombre/País de residencia/ Precio de adquisición y número de Valores Entregados en el Canje/Número de los Valores Adquiridos/Importe de la prima satisfecha².

Name/Country of residence/Acquisition price and number of Securities Offered for Exchange/Number of Securities Acquired/Cash payment received³.

² Importe de la prima satisfecha incluye el importe del incentivo dinerario y el importe dinerario satisfecho en contraprestación de los valores fraccionados.

³ Cash payment includes the amount of cash incentive payment and the cash rounding amount.

ANNEX 3 – PRELIMINARY PROSPECTUS

Preliminary Offering Circular dated 5 October 2009



BBVA International Preferred, S.A. Unipersonal

(incorporated with limited liability under the laws of Spain)

Series E € Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities

Series F £ Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities

irrevocably and unconditionally guaranteed to the extent set forth herein by

Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability under the laws of Spain)

Issue price: 100 per cent.

Each of the Series E € Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of €50,000 liquidation preference each (the **Euro Preferred Securities**) and the Series F £ Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of £50,000 liquidation preference each (the **Sterling Preferred Securities**) and together with the Euro Preferred Securities, the **Preferred Securities**, and each a **Series**) are being issued by BBVA International Preferred, S.A. Unipersonal (the **Issuer**) on 5 October 2009 (the **Closing Date**).

The Preferred Securities will entitle holders to receive (subject to the limitations described under “*Conditions of the Preferred Securities*”) non-cumulative cash distributions (**Distributions**) accruing at a rate of 8.5 per cent. per annum (in the case of the Euro Preferred Securities) and 9.1 per cent. per annum (in the case of the Sterling Preferred Securities) for the period from (and including) the Closing Date up to (but excluding) 5 October 2014 (the **First Call Date**) payable on each 5 October (in the case of the Euro Preferred Securities) and each 5 October (in the case of the Sterling Preferred Securities) up to and including First Call Date. The first Distribution is payable on 5 October 2010 (in the case of the Euro Preferred Securities) and 5 October 2010 (in the case of the Sterling Preferred Securities). From (and including) the First Call Date, Distributions will accrue at a rate of 8 per cent. per annum above Three Month EURIBOR (as defined in “*Conditions of the Preferred Securities*”) (in the case of the Euro Preferred Securities) and 8 per cent. per annum above Three Month Sterling LIBOR (as defined in “*Conditions of the Preferred Securities*”) (in the case of the Sterling Preferred Securities) payable, in each case, on 5 January, 5 April, 5 July and 5 October in each year. In each case Distributions accrue on the liquidation preference of €50,000 per Preferred Security (in the case of the Euro Preferred Securities) and £50,000 per Preferred Security (in the case of the Sterling Preferred Securities).

The Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole or in part, on any Distribution Payment Date (as defined in “*Conditions of the Preferred Securities*”) falling on or after the First Call Date, at the liquidation preference of €50,000 per Preferred Security (in the case of the Euro Preferred Securities) or £50,000 per Preferred Security (in the case of the Sterling Preferred Securities) plus, in each case, any accrued and unpaid Distributions for the then current Distribution Period (as defined in “*Conditions of the Preferred Securities*”) to the date fixed for redemption. Prior to the First Call Date, the Preferred Securities are redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole but not in part, on any Distribution Payment Date if, *inter alia*, they cease to qualify as Tier 1 capital of the Group (as defined below) pursuant to Spanish banking regulations, as a result of a change in Spanish law, applicable Spanish banking regulations or any change in the official application or interpretation thereof becoming effective on or after the Closing Date. If the Preferred Securities are redeemed as a result of the Preferred Securities ceasing to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations prior to the First Call Date, the redemption price shall be the higher of (a) the liquidation preference of €50,000 per Preferred Security (in the case of the Euro Preferred Securities) or £50,000 per Preferred Security (in the case of the Sterling Preferred Securities) plus, in each case, any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption and (b) the Make Whole Amount (as defined in “*Conditions of the Preferred Securities*”).

The Preferred Securities are also redeemable, at the option of the Issuer (subject to the prior consent of the Bank of Spain), in whole but not in part, on any Distribution Payment Date, at the liquidation preference of €50,000 per Preferred Security (in the case of the Euro Preferred Securities) or £50,000 per Preferred Security (in the case of the Sterling Preferred Securities) plus, in each case, any accrued and unpaid Distributions for the then current Distribution Period to the date fixed for redemption if, as a result of a tax law change on or after the Closing Date, the Issuer or Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**, the **Bank** or the **Guarantor**), as the case may be, would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Issuer or the Bank, as the case may be, would be materially reduced.

In the event of the liquidation of the Issuer or the Bank, holders of Preferred Securities will be entitled to receive (subject to the limitations described under “*Conditions of the Preferred Securities*”), in respect of each Preferred Security, their respective liquidation preference of €50,000 (in the case of the Euro Preferred Securities) or £50,000 (in the case of the Sterling Preferred Securities), plus, in each case, any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the liquidation distribution.

The payment of Distributions and payments upon liquidation or redemption with respect to each Series of Preferred Securities are jointly and severally (in Spanish *solidariamente*), irrevocably and unconditionally guaranteed by the Bank on a subordinated basis to the extent described under “*The Guarantees*”. The Bank and its consolidated subsidiaries are referred to herein as the **Group**.

The Preferred Securities are expected, upon issue, to be assigned an A2 rating by Moody’s Investors Services, Inc. (**Moody’s**), an A rating by Fitch Ratings España SAU (Fitch Ratings) (**Fitch**) and an A- rating by Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies Inc. (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Potential holders are alerted to the statements on page 62 regarding the tax treatment in Spain of income in respect of Preferred Securities and to the disclosure requirements imposed on the Guarantor relating to the identity of holders of Preferred Securities. In particular, income in respect of the Preferred Securities will be subject to withholding tax if certain information regarding holders is not received by the Guarantor on time as described herein.

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

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see *Risk Factors* beginning on page 6.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for each Series of Preferred Securities to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for each Series of Preferred Securities to be admitted to trading on the London Stock Exchange’s regulated market.

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

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

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

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

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

The Dealer Managers (as defined under "The Exchange Offers" below) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealer Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Preferred Securities or their distribution.

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

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

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

The distribution of this Offering Circular and the offering and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Dealer Managers to inform themselves about and to observe any such restrictions.

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

*In this Offering Circular, unless otherwise specified, references to €, **EUR** or **Euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to \$, **dollars** or **U.S.\$** are to the currency of the United States; and references to £ or **Sterling** are to the currency of the United Kingdom.*

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

SPANISH TAX TREATMENT

Under Spanish law, income in respect of the Preferred Securities will be subject to withholding tax in Spain, currently at the rate of 18 per cent. but, according to the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, due to increase to 19 per cent. as of 1 January 2010, in the case of individual holders who are resident in Spain. Under the Second Additional Provision of Law 13/1985, each of the Issuer and the Guarantor is required to submit to the Spanish tax authorities certain details relating to holders of the Preferred Securities. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Issuer or the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 18 per cent. (subject to increase as described above). Neither the Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases, see “Conditions of the Preferred Securities – Taxation” and “Taxation and Disclosure of Holder Information in Connection with Payments of Distributions”.

Law 4/2008 of 23 December 2008, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008) amends, among other things, the Second Additional Provision of Law 13/1985 which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities.

Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders who are not resident in Spain. The amended wording of the Second Additional Provision of Law 13/1985 continues to apply the obligation on the Issuer or Guarantor to disclose to the Spanish tax authorities the identity of certain holders of the Preferred Securities who are Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted. Until such time as the relevant secondary legislation is adopted there will be uncertainty as to what, if any, reporting obligations will apply to non-resident holders as a result of Law 4/2008, or whether additional procedures will be developed in respect of resident holders and non-resident holders operating through a permanent establishment in Spain.

Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate for Taxation dated 20 January 2009, the current procedures relating to the identity of the holders of the Preferred Securities remains applicable, irrespective of whether or not the holders of the Preferred Securities are resident in Spain.

The European Clearing Systems and Acupay System LLC with respect to that portion of the the Preferred Securities which are held through Euroclear UK and Ireland (CREST) are expected to follow certain procedures to facilitate the Issuer, the Guarantor and the Principal Paying Agent (as defined in “Conditions of the Preferred Securities”) in the collection of the details referred to above from holders of the Preferred Securities. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities, see “Conditions of the Preferred Securities – Form and Status”. The procedures agreed and fully described in each Agency Agreement (as defined in “Conditions of the Preferred Securities”) may be amended to comply with Spanish laws and regulations and operational procedures of the European Clearing Systems. The Issuer and the Guarantor may from time to time, at their discretion, appoint an agent to intermediate with the

European Clearing Systems in the provision of such information. Notice of any such appointment will be given to the Holders in accordance with Condition 8 of the Preferred Securities. The Issuer and the Guarantor have appointed Acupay System LLC as their agent with respect to that portion of the Preferred Securities which are held through Euroclear UK and Ireland (CREST).

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

The Issuer and the Guarantor, as applicable, may, in the future, make a withholding on payments to holders of Preferred Securities who are subject to Corporate Income Tax in Spain if currently held opinions of the Spanish tax authorities change. If this were to occur, neither the Issuer nor the Guarantor will pay additional amounts in respect of such withholding, see “Taxation and Disclosure of Holder Information in Connection with Payments of Distributions – 2. Legal Entities with Tax Residence in Spain”.

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RISK FACTORS

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

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

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Preferred Securities, but the inability of the Issuer or the Guarantor to pay distributions, liquidation preferences or other amounts on or in connection with the Preferred Securities may occur for other reasons and neither the Issuer nor the Guarantor represent that the statements below regarding the risks of holding the Preferred Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in, 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 under the Preferred Securities

Dependence on other Group members

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

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

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

The Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantees are set out in the Programme Offering Circular (as defined below) under the heading "Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee", which section is incorporated by reference into this Offering Circular (see "*Documents Incorporated by Reference*" below).

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

Spanish Tax Rules

Under Spanish law, Distributions in respect of the Preferred Securities will be subject to withholding tax in Spain (at the date of this Offering Circular, 18 per cent. but, according to the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, due to increase to 19 per cent. as of 1 January 2010) in the case of:

- (a) individual holders who are resident in Spain; and
- (b) holders who fail to provide information regarding their identity and tax residence. The Bank is required pursuant to Spanish law to submit to the Spanish tax authorities certain details

relating to holders of the Preferred Securities. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Bank will receive payments subject to Spanish withholding (at the date of this Offering Circular, 18 per cent., subject to increase as described above).

The Bank will not gross up payments in respect of any such withholding tax in any of the above cases (see "*Conditions of the Preferred Securities – Taxation*" and "*Taxation and Disclosure of Holder Information in connection with Payments of Distributions - Taxation in the Kingdom of Spain - Disclosure of Holder Information in Connection with Payments of Distributions*").

Law 4/2008 of 23 December 2008, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008) amends, among other things, Second Additional Provision of Law 13/1985 (as defined below) which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities.

Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders who are not resident in Spain. The amended wording of Second Additional Provision of Law 13/1985 (as defined below) continues to apply the obligation on the Issuer or Guarantor to disclose to the Spanish tax authorities the identity of certain holders of the Preferred Securities who are Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted. Until such time as the relevant secondary legislation is adopted there will be uncertainty as to what, if any, reporting obligations will apply to non-resident holders as a result of Law 4/2008, or whether additional procedures will be developed in respect of resident holders and non-resident holders operating through a permanent establishment in Spain.

Pending the enactment of such secondary legislation, and in accordance with the consultations from the General Directorate for Taxation dated 20 January 2009, the current procedures relating to the identity of the holders of the Preferred Securities remains applicable, irrespective of whether or not the holders of the Preferred Securities are resident in Spain.

The European Clearing Systems and Acupay System LLC are expected to follow certain procedures to facilitate to the Bank and the Paying Agent the collection of the details referred to above from holders of the Preferred Securities. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all of the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of such Preferred Securities.

The procedures agreed and described in each Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the Clearing Systems. The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Preferred Securities must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Preferred Securities.** None of the Issuer, the Bank, the Paying Agent or the European Clearing Systems assume any responsibility therefor.

The Issuer and the Guarantor, as applicable, may, in the future, withhold amounts from payments for the benefit of beneficial owners who are subject to Corporate Income Tax in Spain if the Spanish tax

authorities determine that the preferred securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 or otherwise require such withholding to be made. If this were to occur, neither the Issuer nor the Guarantor will pay additional amounts in respect of such withholding. See “*Taxation and Disclosure of Holder Information in connection with Payments of Distributions—Taxation in the Kingdom of Spain—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*.”

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Securities, the merits and risks of investing in the Preferred Securities and the information contained or incorporated by reference in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Securities and the impact the Preferred Securities will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Securities, including where the relevant currency for distributions is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Preferred Securities and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The optional redemption feature of the Preferred Securities is likely to limit their market value. During any period when the Issuer may elect to redeem either Series of Preferred Securities, the market value of those Preferred Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

The Issuer’s obligations under the Preferred Securities are subordinated

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

in the Preferred Securities will lose all or some of his investment should the Issuer and the Guarantor become insolvent.

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

After payment in full of unsubordinated claims, but before distributions to shareholders, under articles 92 and 158 of Law 22/2003, of 9 July 2003, on Insolvency as amended (**Law 22/2003**), the Issuer and the Guarantor will meet subordinated claims in the following order and *pro rata* within each class: (i) late or incorrectly notified claims; (ii) contractually subordinated claims; (iii) interest, except where guaranteed; (iv) penalty (fines); (v) claims of creditors which are related to the Issuer or the Guarantor; (vi) detrimental claims against the Issuer or the Guarantor where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*) and (vii) claims arising from contracts with reciprocal obligations as referred to in articles 61, 62 and 69 of Law 22/2003 wherever the court rules, prior to the administrator's report of insolvency (*administración concursal*) that the creditor has repeatedly impeded the fulfilment of the contract against the interest of the insolvency.

Distributions on the Preferred Securities are not cumulative

Distributions on the Preferred Securities are not cumulative. Distributions may not be paid in full, or at all, if the Bank does not have sufficient Distributable Profits or if the Bank is limited in making payments on its ordinary shares or on other Preferred Securities issued by the Bank in accordance with limitations contemplated in the Spanish banking capital adequacy regulations. If Distributions for any distribution period are not paid by reason of the above limitations, investors will not be entitled to receive such Distributions (or any payment under the relevant Guarantee in respect of such Distributions) whether or not funds are or subsequently become available.

The Preferred Securities have no fixed redemption date and investors have no rights to call for redemption of the Preferred Securities

The Preferred Securities have no fixed final redemption date and holders have no rights to call for the redemption of the Preferred Securities. Although the Preferred Securities may be redeemed at the option of the Issuer on or after the First Call Date, there are limitations on redemption of the Preferred Securities, including Bank of Spain consent and the availability of sufficient funds to effect redemption.

The Conditions of the Preferred Securities do not include any events of default.

The Bank's obligations under the Guarantees are limited to the amounts of the payments due under the Preferred Securities

The Bank's obligation to make payments under the relevant Guarantee is limited to the extent of the amounts due under the relevant Series of Preferred Securities. A distribution will not be paid under either Series of Preferred Securities if the aggregate of such distribution, together with any other distributions previously paid during the then-current fiscal year and proposed to be paid during the then-current distribution period, in each case on or in respect of the relevant Series of Preferred

Securities, any Parity Securities of the Bank, or any other Parity Securities issued by the Issuer or by any other subsidiary of the Bank with the benefit of a guarantee of the Bank, in each case ranking equally as to participation in profits with the Bank's obligations under the Guarantee of the relevant Series of Preferred Securities, would exceed the Bank's Distributable Profits of the immediately preceding fiscal year. Even if Distributable Profits are sufficient, the Bank will not be obligated to make any payment under the relevant Guarantee to the extent that under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios, the Bank would be prevented at such time from making payments on its ordinary shares or on Parity Securities issued by the Bank. In the event of the liquidation, dissolution or winding-up of the Bank or a reduction in the shareholder's equity of the Bank pursuant to article 169 of the Spanish Corporations Law, the Issuer shall be liquidated by the Guarantor, and investors will have no right to seek payment of amounts under the relevant Guarantee that would exceed the amount investors would have been able to receive had investors been investors in directly issued Parity Securities of the Bank and had all other Parity Securities of the Issuer or of any other subsidiary of the Bank been issued by the Bank. Under no circumstances does either Guarantee provide for acceleration of any payments on, or repayment of, the relevant Series of Preferred Securities.

Risks related to the Preferred Securities generally

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

Change of law

The Conditions of the Preferred Securities are based on Spanish law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Spanish law or administrative practice after the date of this Offering Circular.

Meetings of holders of Preferred Securities

The Conditions of the Preferred Securities contain provisions for calling meetings of holders of Preferred Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the relevant Series of Preferred Securities including those holders who did not attend and vote at the relevant meeting and such holders who voted in a manner contrary to the majority.

EU Savings Directive

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

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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

Risks related to the market generally

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

The secondary market generally

The Preferred Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Preferred Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Preferred Securities.

Exchange rate risks and exchange controls

Payments made by the Issuer and the Guarantor will be in Euro (in the case of the Euro Preferred Securities) or Sterling (in the case of the Sterling Preferred Securities). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Euro or Sterling, as the case may be. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or Sterling, as the case may be, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro or Sterling, as the case may be would decrease (i) the Investor's Currency-equivalent yield on the Preferred Securities, (ii) the Investor's Currency-equivalent value of the redemption monies payable on the Preferred Securities and (iii) the Investor's Currency-equivalent market value of the Preferred Securities.

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

Interest rate risk

Investment in the Preferred Securities involves the risk that changes in market interest rates (prior to the First Call Date) may adversely affect the value of the Preferred Securities.

Credit ratings may not reflect all risks

The Preferred Securities are expected, upon issue, to be assigned an A2 rating by Moody's, an A rating by Fitch and an A- rating by S&P. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Preferred Securities.

Any change in the credit ratings assigned to the Preferred Securities may affect the market value of the Preferred Securities. 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 Preferred Securities, as opposed to any revaluation of the Guarantor's financial strength or other factors such as

conditions affecting the financial services industry generally. In this connection, on 17 June 2009, Moody's Investors Service, Inc. (**Moody's**) published a request for comment (the **Request for Comment**) entitled "Request for Comment: Moody's Proposed Changes to Bank Subordinated Capital". The Request for Comment asked market participants for comments on its global rating methodology for bank subordinated capital, including hybrid instruments. In particular, the Request for Comment noted that Moody's is considering, among other things, wider notching based on the riskiness of the hybrid instrument's particular features. On 28 July 2009, Moody's announced that it expects to release its finalised methodology during September 2009 and that any ratings potentially affected by the changes in methodology would be placed on review shortly thereafter.

Prospective investors should be aware that such change in Moody's methodology may result in the Preferred Securities being downgraded, potentially to non-investment grade (if the Preferred Securities are issued before the new methodology is applied by Moody's to the Preferred Securities) or receiving a lower rating than the A2 rating currently expected from Moody's (if the Preferred Securities are issued after the new methodology is applied by Moody's to the Preferred Securities).

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the audited annual financial statements of the Issuer for the financial periods ended 31 December 2007 and 31 December 2008 (including the audit report issued in respect thereof);
- (2) the Guarantor's annual report on Form 20-F for the fiscal year ended 31 December 2008 filed with the U.S. Securities and Exchange Commission (the **SEC**) on 2 April 2009 (which includes, on pages F-1 to F-184 thereof, the auditors' report, the published annual audited consolidated financial statements of the Guarantor as at and for each of the years ending 31 December 2008, 31 December 2007 and 31 December 2006 provided that Exhibits 1.1, 4.1, 4.2 and 4.3 to the Form 20-F, which are incorporated by reference therein, shall not be incorporated in, or form part of, this Offering Circular);
- (3) the published audited interim financial statements of the Guarantor (on a consolidated basis) for the six month period ending 30 June 2009; and
- (4) the sections of the Offering Circular (the **Programme Offering Circular**) dated 9 June 2009 (as supplemented by the Supplement thereto dated 30 July 2009) relating to the €40,000,000,000 Global Medium Term Note Programme established by BBVA Senior Finance, S.A. Unipersonal, BBVA Subordinated Capital, S.A. Unipersonal and BBVA U.S. Senior, S.A. Unipersonal and guaranteed by the Guarantor:
 - (i) "Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee";
 - (ii) "Description of Banco Bilbao Vizcaya Argentaria, S.A."; and
 - (iii) "Directors and Senior Management".

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

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

Copies of documents incorporated by reference in this Offering Circular can be obtained from the Bank at Paseo de la Castellana, 81, 28046 Madrid and from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

THE EXCHANGE OFFERS

On 5 October 2009, BBVA International Preferred, S.A. Unipersonal announced invitations (the **Exchange Offers**) to holders of the following securities issued by it:

- (1) Series A €50,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (the **Existing Series A Euro Tier 1 Securities**);
- (2) Series B €500,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (the **Existing Series B Euro Tier 1 Securities** and, together with the Existing Series A Euro Tier 1 Securities, the **Existing Euro Tier 1 Securities**); and
- (3) Series D £400,000,000 Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities (the **Existing Sterling Tier 1 Securities**),

to offer to exchange any or all of such securities for the Euro Preferred Securities (in the case of the Existing Euro Tier 1 Securities) or the Sterling Preferred Securities (in the case of the Existing Sterling Tier 1 Securities), subject to the terms and conditions set out in the Exchange Offers.

In connection with the Exchange Offers, the Issuer and the Guarantor entered into a dealer manager agreement (the **Dealer Manager Agreement**) dated 5 October 2009 with Morgan Stanley & Co. International plc and BBVA (acting in its capacity as co-dealer manager) (the **Dealer Managers**).

CONDITIONS OF THE PREFERRED SECURITIES

Conditions of the Euro Preferred Securities

The following is the text of the Conditions of the Euro Preferred Securities.

The Preferred Securities (as defined below) are issued by virtue of (i) the shareholders meeting of BBVA International Preferred, S.A. Unipersonal (the **Issuer**), held on 29 September 2009 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 29 September 2009 and the giving of the Guarantee (as defined below) has been authorised by the meetings of the Board of Directors (*Consejo de Administración*) of Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank**), held on 22 May 2007, 24 July 2008 and 29 September 2009 (together, the **Corporate Resolutions**) and in accordance with the Second Additional Provision of Law 13/1985, of 25 May 1985, on investment ratios, capital adequacy and information requirements for financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros*), as amended (**Law 13/1985**).

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

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

1. Definitions

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

Adjusted Yield means the Bond Yield plus ● per cent.;

Agency Agreement means the agency agreement dated ● October 2009 relating to the Preferred Securities;

Agent Bank means Deutsche Bank AG, London Branch and includes any successor agent bank appointed in accordance with the Agency Agreement;

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

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

Calculation Date means the third TARGET2 Settlement Day prior to the Early Redemption Date;

Closing Date means ● October 2009;

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

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

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

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

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

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

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

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

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

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

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

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

Group means the Bank together with its consolidated Subsidiaries;

Guarantee means the guarantee dated ● October 2009 and given by the Bank in respect of the Issuer's obligations under the Preferred Securities for the benefit of holders of Preferred Securities;

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

Liquidation Preference means Euro 50,000 per Preferred Security;

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

Offering Circular means the offering circular dated ● October 2009 relating to the Preferred Securities;

Parity Securities means (as the case may be) any preferred securities (*participaciones preferentes*) issued under Law 13/1985 from time to time by the Bank, the Issuer, or by any other Subsidiary which is guaranteed by the Bank or any preferential participations, preferential shares or preference shares (*acciones preferentes*) issued prior to the Closing Date by any other Subsidiary incorporated outside the Kingdom of Spain and which are guaranteed by the Bank;

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

Payment Business Day means a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for foreign exchange dealings and on which TARGET2 is operating;

Preferred Securities means the Series E ● Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Securities issued by the Issuer on the Closing Date;

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

Principal Paying Agent means Deutsche Bank AG, London Branch (or any successor Principal Paying Agent appointed by the Issuer from time to time and notice of whose appointment is published in the manner specified in paragraph 8 below);

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

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

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

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

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

Relevant Screen Page means Reuters EURIBOR01 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month EURIBOR;

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

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

TARGET2 means the Trans European Real-Time Gross Settlement Express Transfer (TARGET2) System; and

TARGET2 Settlement Day means any day on which TARGET2, or any successor thereto, is operating.

2. Distributions

- 2.1 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) the Closing Date to (but excluding) ● October 2014 at the rate of 8.5 per cent. per annum (the **Distribution Rate (Fixed)**) payable in arrear on ● October in each year falling on or before ● October 2014 (each, a **Distribution Payment Date (Fixed)**).

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

- 2.2 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) ● October 2014, payable on ● January, ● April, ● July and ● October in each year falling after ● October 2014 (each, a **Distribution Payment Date (Floating)**); provided, however, that if any Distribution Payment Date (Floating) would otherwise fall on a date which is not a TARGET2 Settlement Day, it will be postponed to the next TARGET2 Settlement Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding TARGET2 Settlement Day. Each period beginning on (and including) a Distribution Payment Date (Floating) (or, in the case of the first period, ●

October 2014) to (but excluding) the next Distribution Payment Date (Floating) is a **Distribution Period (Floating)**.

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

- 2.3 For the purpose of calculating the Distribution Rate (Floating), **Three Month EURIBOR** means the rate for three month deposits in Euro which appears on the Relevant Screen Page as at 11:00 am (Brussels time) (or such other time as may be customary for the daily reset of such rate) on the day that is two TARGET2 Settlement Days preceding the first day of the relevant Distribution Period (Floating) (the **Determination Date**).

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

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

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

The Agent Bank shall cause the Distribution Rate (Floating) and the Distribution payable, subject as provided in paragraphs 2.5 and 2.8 below, for each Distribution Period (Floating) and the relative Distribution Payment Date (Floating) to be notified to the Issuer, the Bank, the Principal Paying Agent and, for so long as any Preferred Security is admitted to the official list (the **Official List**) maintained by the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) and is admitted to trading on the London Stock Exchange plc's regulated market (the **Market**), the London Stock Exchange plc as soon as possible after their determination but in no event later than the first day of the relevant period. The Distribution Rate (Floating)

and Distribution Payment Date (Floating) may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Distribution Period (Floating).

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

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

In order to facilitate the collection of the information required by Spanish laws, the Issuer, the Guarantor, the Principal Paying Agent, Acupay System LLC, Euroclear, Clearstream, Luxembourg and their respective participants have initially established certain procedures to ensure that each payment (where applicable subject to withholding in accordance with paragraph 7) shall be received by the Principal Paying Agent for the account of such person as Euroclear, Clearstream, Luxembourg or their respective participants, as the case may be, have certified to be the beneficial owner (titular) of the relevant Preferred Security in their "certificate for own account investments" or "certificate for third party investments" as of the Distribution Payment Date in accordance with the procedures described in the Agency Agreement. Tax certificates must be accurately completed, delivered to and received by Acupay System LLC with respect to that portion of the Preferred Securities which are held through Euroclear UK and Ireland (CREST). Neither the Issuer nor the Guarantor can ensure that these procedures will enable the Issuer or the Guarantor to collect all the information concerning the beneficial owner of Preferred Securities as required by the Spanish Tax Authorities on a timely basis. In the event that these procedures prove ineffective, the Issuer and the Guarantor will be required to withhold at the then applicable tax rate from any payment. Affected beneficial owners would either have to follow the quick refund procedure or apply directly to the Spanish Tax Authorities for any refund to which they may be entitled, and neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

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

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

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

- 2.5.1 the aggregate of such Distributions, together with any other distributions previously paid during the then-current Fiscal Year and any distributions proposed to be paid during the then-current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; or
- 2.5.2 even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations relating to capital adequacy requirements affecting financial institutions which fail to meet their required capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or on Parity Securities (including the Preferred Securities).

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

- 2.6 If the Issuer does not pay a Distribution with respect to a Distribution Period (as contemplated herein) other than as a result of the limitations set out in paragraph 2.5 above, the Issuer's payment obligation in respect thereof will be satisfied if and to the extent that the Bank pays such Distribution pursuant to the Guarantee.
- 2.7 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if Distributions are not paid on a Distribution Payment Date in respect of the Preferred Securities as a result of the limitations set out in paragraph 2.5 above or are paid partially then the right of the holders of the Preferred Securities to receive a Distribution or an unpaid part thereof in respect of the relevant Distribution Period will be extinguished and neither the Issuer nor the Bank will have any obligation to pay the Distribution accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 2.8 If, as a result of the limitations described in paragraph 2.5 above, a Distribution is not paid in full on the Preferred Securities, all distributions paid upon the Preferred Securities and any Parity Securities will be paid *pro rata* in relation to the liquidation preference of such securities. Therefore, the Distribution amount to be received by the holders of Preferred Securities on such Distribution Payment Date will depend on the total liquidation preference amount of the outstanding Preferred Securities and Parity Securities, and on the distributions scheduled to be paid on such securities, each as of the time of such payment.
- 2.9 If Distributions are not paid in full on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the limitations set out above, then neither the Issuer nor the Bank shall pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Bank's obligations under the Guarantee, as the case may be, until such time as the Issuer or the Bank shall have resumed the payment in full of Distributions on the Preferred Securities on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating) thereafter.
- 2.10 Save as described in this paragraph 2, the Preferred Securities will confer no right to participate in the profits of the Issuer.

3. Liquidation Distribution

- 3.1 Subject as provided below, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, the Preferred Securities will confer an entitlement to receive out of the assets of the Issuer available for distribution to holders of Preferred

Securities, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares or any other class of shares of the Issuer ranking junior to the Preferred Securities.

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

- 3.2 Notwithstanding the availability of sufficient assets of the Issuer to pay a full liquidation distribution in respect of the Preferred Securities or any Parity Securities of the Issuer if, at the time such liquidation distribution is to be paid, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), the liquidation distribution relating to all Parity Securities (including the Preferred Securities), shall not exceed the amount which would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, of all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to the Guarantee) had Parity Securities (including the Preferred Securities) been issued by the Bank and ranked (A) junior to all creditors of the Bank, (B) *pari passu* with the Parity Securities, if any, of the Bank, and (C) senior to the Bank's ordinary shares. The Issuer shall be released from its obligation to pay such Liquidation Distributions by payment to the bearer of the relevant Preferred Securities.
- 3.3 If, upon any Liquidation Distribution described in paragraph 3.1 being made, the amounts payable are limited by reason of paragraph 3.2, such amounts will be payable *pro rata* among holders of Parity Securities in proportion to the amounts that would have been payable but for such limitation, taking into account that the liquidation preference for each series of preferred securities of the Issuer may be different, the payment of such liquidation preference amounts will be made *pro rata* to the aggregate of the liquidation preference of the preferred securities held by each holder, and not by reference to the number of preferred securities held by each holder. After payment of the full or limited Liquidation Distribution in respect of a Preferred Security as described in paragraphs 3.1 and 3.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Issuer.

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

4. Optional Redemption

- 4.1 Subject to paragraphs 4.2 and 4.3 below, the Preferred Securities shall not be redeemable prior to the Distribution Payment Date falling on ● October 2014 (the **First Call Date**). All, or some only, of the Preferred Securities may be redeemed at the option of the Issuer, subject to the prior consent of the Bank and the Bank of Spain, on any Distribution Payment Date falling on or after the First Call Date, at the Redemption Price per Preferred Security.

In the case of a partial redemption of the Preferred Securities, Preferred Securities to be redeemed will be selected individually by lot in such place and in such manner as the Principal Paying Agent may decide not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate Liquidation Preference of the Preferred Securities to be redeemed, the serial numbers of the Preferred Securities called for redemption, the serial numbers of Preferred Securities previously called for redemption and not presented for payment and the aggregate Liquidation Preference of the Preferred Securities which will be outstanding after the partial redemption.

It should be noted that, for so long as the Preferred Securities are represented by a global Preferred Security held by a common depositary for the European Clearing Systems, partial redemptions of Preferred Securities will apply the reduction in nominal amount methodology to give effect to the partial redemption. Under this methodology, the number of securities held by each Holder is reduced pro rata as nearly as may be practicable.

- 4.2 If, prior to the First Call Date, the Preferred Securities cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations, as a result of a change in Spanish law, applicable Spanish banking regulations or any change in the official application or interpretation thereof becoming effective on or after the Closing Date, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date (the **Early Redemption Date**), at the Early Redemption Amount per Preferred Security.
- 4.3 If, as a result of a tax law change on or after the Closing Date, the Issuer or the Bank, as the case may be, would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Issuer or the Bank, as the case may be, would be materially reduced, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date, at the Redemption Price per Preferred Security.
- 4.4 The decision to redeem the Preferred Securities must be irrevocably notified by the Issuer upon not less than 30 nor more than 60 days' notice prior to the relevant redemption date in accordance with paragraph 8 below.
- 4.5 If the Issuer gives notice of redemption of the Preferred Securities, then by 12:00 (London time) on the relevant redemption date, the Issuer will:
 - 4.5.1 irrevocably deposit with the Principal Paying Agent funds sufficient to pay the Redemption Price or the Early Redemption Amount, as the case may be; and
 - 4.5.2 give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price or the Early Redemption Amount, as the case may be, to the holders of the Preferred Securities.
- 4.6 If the notice of redemption has been given, and the funds deposited as required, then on the date of such deposit:
 - 4.6.1 distributions on the Preferred Securities called for redemption shall cease;
 - 4.6.2 such Preferred Securities will no longer be considered outstanding; and
 - 4.6.3 the holders will no longer have any rights as holders except the right to receive the Redemption Price or the Early Redemption Amount, as the case may be.
- 4.7 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Issuer or the Bank improperly withholds or refuses to pay the Redemption Price or the Early Redemption Amount, as the case may be, of the Preferred Securities, Distributions will continue to accrue at the rate specified from the redemption date to the date of actual payment of the Redemption Price or the Early Redemption Amount, as the case may be.

5. Purchases of Preferred Securities

Subject to the Spanish capital adequacy regulations in force at any time, and with the prior consent of the Bank of Spain when required, the Issuer, the Bank or any other Subsidiary may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

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

- 6.1 The Syndicate was constituted by virtue of the registration of the Public Deed of Issuance relating to the Issuer's Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each issued on 22 September 2005 in the Mercantile Registry of Vizcaya, dated 16 September 2005. The rules governing the functioning of the Syndicate and the rules governing its relationship with the Issuer are contained in the regulations of the Syndicate (the **Regulations**) attached to the Public Deed of Issuance entered into in respect of each issue of preferred securities.

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

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

- 6.2 The holders of the Preferred Securities will have no voting rights at any extraordinary or ordinary meetings of Shareholders of the Issuer or the Guarantor. Notwithstanding the foregoing, the holders of the Preferred Securities will, in the circumstances set out in paragraphs 6.2.1, 6.2.2 and 6.2.3 below, have the right to participate in the adoption of certain decisions in the General Meeting.

6.2.1 Failure to pay Distributions

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

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

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

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

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

- (c) The Commissioner will convene a General Meeting of holders of Preferred Securities within thirty days following the non-payment of Distributions as set out in paragraph (a) above. If the Commissioner does not convene the General Meeting within thirty days, the holders of the preferred securities representing at least 10 per cent. of the aggregate liquidation preference of the preferred securities may convene such meeting.
- (d) The rules governing the convening and holding of General Meetings are set out in Chapter II of the Regulations.
- (e) Immediately following a resolution for the appointment or the removal of additional members to or from the board of directors of the Issuer, the Commissioner shall give notice of such appointment or removal to:
 - (i) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and
 - (ii) the shareholders of the Issuer, so that they may hold a universal meeting of shareholders.

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

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

- (f) The foregoing shall apply, in respect of the Preferred Securities, provided that, where the Issuer has failed to fulfil its obligation to make Distributions in respect of the Preferred Securities, the Bank has not discharged such obligations pursuant to the Guarantee.
- (g) Any member of the board of directors of the Issuer named pursuant to the foregoing shall vacate his position if, subsequent to the circumstances giving rise to his appointment, the Issuer or the Bank makes Distributions in respect of the Preferred Securities on any Distribution Payment Date (Fixed) or on four consecutive Distribution Payment Dates (Floating) thereafter.
- (h) Both the appointment and the dismissal of directors shall be notified by the Issuer in accordance with paragraph 8 below.

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

- (a) Any amendment to the terms and conditions of the Preferred Securities shall be approved by the holders of the Preferred Securities. Such amendments will be approved with the written consent of holders of at least two-thirds of all outstanding Preferred Securities or by a resolution of at least two-thirds of the holders of all outstanding Preferred Securities adopted in a General Meeting.
- (b) If the Issuer, or the Bank under any guarantee, has paid in full the most recent distribution payable on each series of the Issuer's preferred securities, the Issuer may without the consent or sanction of the holders of its preferred securities: (i) take any action required to issue additional preferred securities or authorise, create and issue one or more other series of preferred securities of the Issuer ranking equally with the Preferred Securities, as to the participation in the profits and assets of the Issuer, without limit as to the amount; or (ii) take any action required to authorise, create and issue one or more other classes or series of shares of the Issuer ranking junior to the Preferred Securities, as to the participation in the profits or assets of the Issuer.
- (c) By acquiring this Preferred Security, the holder hereof agrees to renounce any rights of seniority or preference that may be conferred upon it (if any) under applicable Spanish law over any holder of such other preferred securities issued by the Issuer from time to time and which are created by virtue of a public deed registered in accordance with applicable Spanish law.

6.2.3 Liquidation, Dissolution or Winding-up of the Issuer

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

- (a) will be entitled to receive notice, through the Commissioner, of the general meeting of shareholders called to adopt this resolution provided that only the Commissioner shall be entitled to attend, but without any right to vote at, such general meeting of shareholders; and
- (b) will be entitled to hold a separate and previous General Meeting and vote together as a single class without regard to series on such resolution, but not on any other resolution.

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

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

The Issuer shall notify the Commissioner in writing of any meeting at which the holders of the Preferred Securities are entitled to vote. This notice will include a statement regarding: (i) the date, time and place of the meeting; (ii) a description of

any resolution to be proposed for adoption at the meeting at which the holders are entitled to vote; and (iii) instructions for the delivery of proxies. The Commissioner will convene a General Meeting accordingly.

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

- 6.3 The Preferred Securities do not grant their holders pre-emption rights in respect of any possible future issues of preferred securities by the Issuer, the Bank or any other Subsidiary.
- 6.4 Neither the Issuer nor any other Subsidiary nor the Bank may issue, or guarantee the issue of, any preferred securities or securities or other instruments equivalent to preferred securities ranking, either directly or through a guarantee, senior to the Preferred Securities, unless the Guarantee is amended so as to rank *pari passu* with any such issue of senior securities.
- 6.5 No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.
- 6.6 Notwithstanding that the Preferred Securities confer an entitlement to vote under any of the circumstances described above, neither the Bank nor any Subsidiary of the Bank, to the extent that it is a holder of preferred securities of the Issuer, shall be so entitled to vote.

7. Taxation

- 7.1 All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Bank (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Bank shall pay such additional amounts as would have been received had no such withholding or deduction been required.
- 7.2 Neither the Issuer nor the Bank shall be required to pay any additional amounts as referred to in paragraph 7.1 in relation to any payment in respect of Preferred Securities:
 - (i) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with the Kingdom of Spain other than the mere holding of Preferred Securities; or
 - (ii) to, or to a third party on behalf of, a holder in respect of whom the Issuer or the Bank, or the Paying Agent on its behalf, does not receive such details concerning such holder's identity and country of residence as it requires in order to comply with the Second Additional Provision of Spanish Law 13/1985, of 25 May 1985, Spanish Royal Decree 1065/2007 and Spanish Royal Legislative Decree 4/2004 of 5 March 2004 and Spanish Order of 22 December 1999, no later than 10.00 a.m. (Central European Time) on the second business day prior to the 10th calendar day of the month following the relevant date upon which the payment was due (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
 - (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

- (iv) where the withholding or deduction referred to in paragraph 7.1 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law or treaty implementing or complying with, or introduced in order to conform to, such Directive (including the agreement between the European Community and Switzerland providing for measures equivalent to those laid down in European Council Directive 2003/48/EC); or
- (v) presented for payment by or on behalf of a holder of Preferred Securities who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to a paying agent in another Member State of the European Union; or
- (vi) to, or to a third party on behalf of, a Spanish resident corporate entity if the Spanish tax authorities determine that the Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

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

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

8. Notices

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

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

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

9. Form and Status

The Preferred Securities will be issued in bearer form.

It is intended that a global Preferred Security representing the Preferred Securities will be delivered by the Issuer to a common depositary for the European Clearing Systems. As a result, accountholders should note that they will not themselves receive definitive Preferred Securities but

instead Preferred Securities will be credited to their securities account with the relevant European Clearing System. It is anticipated that only in exceptional circumstances (such as the closure of Euroclear and Clearstream, Luxembourg, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from Euroclear and Clearstream, Luxembourg or failure to comply with the terms and conditions of the Preferred Securities by either the Issuer or the Bank) will definitive Preferred Securities be issued directly to such accountholders.

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

10. Deposit to comply with Law 13/1985

In accordance with Law 13/1985, the Issuer will deposit an amount equal to the nominal value of the Preferred Securities on a permanent basis with the Bank or with another member of the Group and the proceeds of that deposit will be used for the Group's general corporate purposes (including profit making).

The deposit will be available to absorb losses of the Bank if and when they occur once there is a reduction in the shareholder's equity to zero and the Bank's reserves have been exhausted.

11. Agents

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

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

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

12. Prescription

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

13. Governing Law and Jurisdiction

13.1 The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

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

Conditions of the Sterling Preferred Securities

The following is the text of the Conditions of the Sterling Preferred Securities.

The Preferred Securities (as defined below) are issued by virtue of (i) the shareholders meeting of BBVA International Preferred, S.A. Unipersonal (the **Issuer**), held on 29 September 2009 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 29 September 2009 and the giving of the Guarantee (as defined below) has been authorised by the meeting of the Board of Directors (*Consejo de Administración*) of Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank**), held on 22 May 2007, 24 July 2008 and 29 September 2009 (together, the **Corporate Resolutions**) and in accordance with the Second Additional Provision of Law 13/1985, of 25 May 1985, on investment ratios, capital adequacy and information requirements for financial intermediaries (*Ley 13/1985, de 25 de mayo, de coeficientes de inversión, recursos propios y obligaciones de información de los intermediarios financieros*), as amended (**Law 13/1985**).

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

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

1. Definitions

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

Adjusted Yield means the Bond Yield plus ● per cent.;

Agency Agreement means the agency agreement dated ● October 2009 relating to the Preferred Securities;

Agent Bank means Deutsche Bank AG, London Branch and includes any successor agent bank appointed in accordance with the Agency Agreement;

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

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

Business Day means a day on which banks in London are open for presentation and payment of bearer securities and for foreign exchange dealings and on which TARGET2 is operating;

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

Closing Date means ● October 2009;

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

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

Distributions means the non-cumulative cash distributions determined in accordance with paragraph 2 above;

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

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

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

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

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

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

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

Group means the Bank together with its consolidated Subsidiaries;

Guarantee means the guarantee dated ● October 2009 and given by the Bank in respect of the Issuer's obligations under the Preferred Securities for the benefit of holders of Preferred Securities;

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

Liquidation Preference means £50,000 per Preferred Security;

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

Offering Circular means the offering circular dated ● October 2009 relating to the Preferred Securities;

Parity Securities means (as the case may be) any preferred securities (*participaciones preferentes*) issued under Law 13/1985 from time to time by the Bank, the Issuer, or by any other Subsidiary which is guaranteed by the Bank or any preferential participations, preferential shares or preference shares (*acciones preferentes*) issued prior to the Closing Date by any other Subsidiary incorporated outside the Kingdom of Spain and which are guaranteed by the Bank;

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

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

Preferred Securities means the Series F £● Non-Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Securities issued by the Issuer on the Closing Date;

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

Principal Paying Agent means Deutsche Bank AG, London Branch (or any successor Principal Paying Agent appointed by the Issuer from time to time and notice of whose appointment is published in the manner specified in paragraph 8 above);

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

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

Reference Banks means any four major banks in the London interbank market selected by the Agent Bank, with the agreement of the Bank;

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

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

Relevant Screen Page means Reuters LIBOR01 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month Sterling LIBOR;

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

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

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

TARGET2 means the Trans European Real-Time Gross Settlement Express Transfer (TARGET2) System.

2. Distributions

- 2.1 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) the Closing Date to (but excluding) ● October 2014 at the rate of 9.1 per cent. per annum (the **Distribution Rate (Fixed)**) payable in arrear on ● October in each year falling on or before ● October 2014 (each, a **Distribution Payment Date (Fixed)**).

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

- 2.2 Subject to paragraphs 2.5 and 2.8, the Preferred Securities bear Distributions from (and including) ● October 2014, payable on ● January, ● April, ● July and ● October in each year falling after ● October 2014 (each, a **Distribution Payment Date (Floating)**); provided, however, that if any Distribution Payment Date (Floating) would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) a Distribution Payment Date (Floating) (or, in the case of the first period, ● October 2014) to (but excluding) the next Distribution Payment Date (Floating) is a **Distribution Period (Floating)**.

The rate of Distributions applicable to the Preferred Securities (the **Distribution Rate (Floating)**) for each Distribution Period (Floating) will be determined by the Agent Bank by applying the rate equal to Three Month Sterling LIBOR plus ● per cent. per annum to the Liquidation Preference in respect of each Preferred Security multiplying the product by Actual/365 (Sterling) and rounding the resulting figure to the nearest penny (half a penny

being rounded upwards). For this purpose, **Actual/365 (Sterling)** means the number of days in the period from and including the date from which the relevant Distribution begins to accrue for the relevant period of calculation to be excluding the date on which it falls due, divided by 365 or (in the case of a Distribution Period ending in a leap year) 366.

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

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

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

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

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

- 2.4 The Issuer will be discharged from its obligations to pay Distributions declared on the Preferred Securities by payment to the Agent Bank for the account of the holder of the

relevant Preferred Securities on or after the relevant Distribution Payment Date. Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in Sterling by transfer to an account in London, as directed by the Agent Bank.

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

In order to facilitate the collection of the information required by Spanish laws, the Issuer, the Guarantor, the Principal Paying Agent, Acupay System LLC, Euroclear, Clearstream, Luxembourg and their respective participants have initially established certain procedures to ensure that each payment (where applicable subject to withholding in accordance with paragraph 7) shall be received by the Principal Paying Agent for the account of such person as Euroclear, Clearstream, Luxembourg or their respective participants, as the case may be, have certified to be the beneficial owner (titular) of the relevant Preferred Security in their “certificate for own account investments” or “certificate for third party investments” as of the Distribution Payment Date in accordance with the procedures described in the Agency Agreement. Tax certificates must be accurately completed, delivered to and received by Acupay System LLC with respect to that portion of the Preferred Securities which are held through Euroclear UK and Ireland (CREST). Neither the Issuer nor the Guarantor can ensure that these procedures will enable the Issuer or the Guarantor to collect all the information concerning the beneficial owner of Preferred Securities as required by the Spanish Tax Authorities on a timely basis. In the event that these procedures prove ineffective, the Issuer and the Guarantor will be required to withhold at the then applicable tax rate from any payment. Affected beneficial owners would either have to follow the quick refund procedure or apply directly to the Spanish Tax Authorities for any refund to which they may be entitled, and neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

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

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

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

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

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

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

- 2.6 If the Issuer does not pay a Distribution with respect to a Distribution Period (as contemplated herein) other than as a result of the limitations set out in paragraph 2.5 above, the Issuer's payment obligation in respect thereof will be satisfied if and to the extent that the Bank pays such Distribution pursuant to the Guarantee.
- 2.7 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if Distributions are not paid on a Distribution Payment Date in respect of the Preferred Securities as a result of the limitations set out in paragraph 2.5 above or are paid partially then the right of the holders of the Preferred Securities to receive a Distribution or an unpaid part thereof in respect of the relevant Distribution Period will be extinguished and neither the Issuer nor the Bank will have any obligation to pay the Distribution accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 2.8 If, as a result of the limitations described in paragraph 2.5 above, a Distribution is not paid in full on the Preferred Securities, all distributions paid upon the Preferred Securities and any Parity Securities will be paid *pro rata* in relation to the liquidation preference of such securities. Therefore, the Distribution amount to be received by the holders of Preferred Securities on such Distribution Payment Date will depend on the total liquidation preference amount of the outstanding Preferred Securities and Parity Securities, and on the distributions scheduled to be paid on such securities, each as of the time of such payment.
- 2.9 If Distributions are not paid in full on or prior to a Distribution Payment Date in respect of the relevant Distribution Period as a consequence of the limitations set out above, then neither the Issuer nor the Bank shall pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Preferred Securities or to the Bank's obligations under the Guarantee, as the case may be, until such time as the Issuer or the Bank shall have resumed the payment in full of Distributions on the Preferred Securities on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating) thereafter.
- 2.10 Save as described in this paragraph 2, the Preferred Securities will confer no right to participate in the profits of the Issuer.

3. Liquidation Distribution

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

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

- 3.2 Notwithstanding the availability of sufficient assets of the Issuer to pay a full liquidation distribution in respect of the Preferred Securities or any Parity Securities of the Issuer if, at the time such liquidation distribution is to be paid, proceedings are or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank or for a reduction in the Bank's shareholders' equity pursuant to Article 169 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), the liquidation distribution relating to all Parity Securities (including the Preferred Securities), shall not exceed the amount which would have been paid from the assets of the Bank (after payment in full, in accordance with Spanish law, of all creditors of the Bank, including holders of its subordinated debt, but excluding holders of any guarantee or other contractual right expressed to rank *pari passu* with or junior to the Guarantee) had Parity Securities (including the Preferred Securities) been issued by the Bank and ranked (A) junior to all creditors of the Bank, (B) *pari passu* with the Parity Securities, if any, of the Bank, and (C) senior to the Bank's ordinary shares. The Issuer shall be released from its obligation to pay such Liquidation Distributions by payment to the bearer of the relevant Preferred Securities.
- 3.3 If, upon any Liquidation Distribution described in paragraph 3.1 being made, the amounts payable are limited by reason of paragraph 3.2, such amounts will be payable *pro rata* among holders of Parity Securities in proportion to the amounts that would have been payable but for such limitation, taking into account that the liquidation preference for each series of preferred securities of the Issuer may be different, the payment of such liquidation preference amounts will be made *pro rata* to the aggregate of the liquidation preference of the preferred securities held by each holder, and not by reference to the number of preferred securities held by each holder. After payment of the full or limited Liquidation Distribution in respect of a Preferred Security as described in paragraphs 3.1 and 3.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Issuer.

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

4. Optional Redemption

- 4.1 Subject to paragraphs 4.2 and 4.3 above, the Preferred Securities shall not be redeemable prior to the Distribution Payment Date falling on ● October 2014 (the **First Call Date**). All, or some only, of the Preferred Securities may be redeemed at the option of the Issuer, subject to the prior consent of the Bank and the Bank of Spain, on any Distribution Payment Date falling on or after the First Call Date, at the Redemption Price per Preferred Security.

In the case of a partial redemption of the Preferred Securities, Preferred Securities to be redeemed will be selected individually by lot in such place and in such manner as the Principal Paying Agent may decide not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate Liquidation Preference of the Preferred Securities to be redeemed, the serial numbers of the Preferred Securities called for redemption, the serial numbers of Preferred Securities previously called for redemption and not presented for payment and the aggregate Liquidation Preference of the Preferred Securities which will be outstanding after the partial redemption.

It should be noted that, for so long as the Preferred Securities are represented by a global Preferred Security held by a common depositary for the European Clearing Systems, partial redemptions of Preferred Securities will apply the reduction in nominal amount methodology to give effect to the partial redemption. Under this methodology, the number of securities held by each Holder is reduced pro rata as nearly as may be practicable.

- 4.2 If, prior to the First Call Date, the Preferred Securities cease to qualify as Tier 1 capital of the Group pursuant to Spanish banking regulations, as a result of a change in Spanish law, applicable Spanish banking regulations or any change in the official application or interpretation thereof becoming effective on or after the Closing Date, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date (the **Early Redemption Date**), at the Early Redemption Amount per Preferred Security.
- 4.3 If, as a result of a tax law change on or after the Closing Date, the Issuer or the Bank, as the case may be, would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Issuer or the Bank, as the case may be, would be materially reduced, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the prior consent of the Bank of Spain, on any Distribution Payment Date, at the Redemption Price per Preferred Security.
- 4.4 The decision to redeem the Preferred Securities must be irrevocably notified by the Issuer upon not less than 30 nor more than 60 days' notice prior to the relevant redemption date in accordance with paragraph 8 above.
- 4.5 If the Issuer gives notice of redemption of the Preferred Securities, then by 12:00 (London time) on the relevant redemption date, the Issuer will:
- 4.5.1 irrevocably deposit with the Principal Paying Agent funds sufficient to pay the Redemption Price or the Early Redemption Amount, as the case may be; and
 - 4.5.2 give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price or the Early Redemption Amount, as the case may be, to the holders of the Preferred Securities.
- 4.6 If the notice of redemption has been given, and the funds deposited as required, then on the date of such deposit:
- 4.6.1 distributions on the Preferred Securities called for redemption shall cease;
 - 4.6.2 such Preferred Securities will no longer be considered outstanding; and
 - 4.6.3 the holders will no longer have any rights as holders except the right to receive the Redemption Price or the Early Redemption Amount, as the case may be.
- 4.7 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Issuer or the Bank improperly withholds or refuses to pay the Redemption Price or the Early Redemption Amount, as the case may be, of the Preferred Securities, Distributions will continue to accrue at the rate specified from the redemption date to the date of actual payment of the Redemption Price or the Early Redemption Amount, as the case may be.

5. Purchases of Preferred Securities

Subject to the Spanish capital adequacy regulations in force at any time, and with the prior consent of the Bank of Spain when required, the Issuer, the Bank or any other Subsidiary may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

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

- 6.1 The Syndicate was constituted by virtue of the registration of the Public Deed of Issuance relating to the Issuer's Series A Euro 550,000,000 Step-Up Fixed/Floating Rate Non-Cumulative Perpetual Guaranteed Preferred Securities of Euro 50,000 liquidation preference each issued on 22 September 2005 in the Mercantile Registry of Vizcaya, dated 16 September 2005. The rules governing the functioning of the Syndicate and the rules governing its relationship with the Issuer are contained in the regulations of the Syndicate (the **Regulations**) attached to the Public Deed of Issuance entered into in respect of each issue of preferred securities.

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

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

- 6.2 The holders of the Preferred Securities will have no voting rights at any extraordinary or ordinary meetings of Shareholders of the Issuer or the Guarantor. Notwithstanding the foregoing, the holders of the Preferred Securities will, in the circumstances set out in paragraphs 6.2.1, 6.2.2 and 6.2.3 above, have the right to participate in the adoption of certain decisions in the General Meeting.

6.2.1 Failure to pay Distributions

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

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

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

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

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

- (c) The Commissioner will convene a General Meeting of holders of Preferred Securities within thirty days following the non-payment of Distributions as set out in paragraph (a) above. If the Commissioner does not convene the General Meeting within thirty days, the holders of the preferred securities representing at least 10 per cent. of the aggregate liquidation preference of the preferred securities may convene such meeting.
- (d) The rules governing the convening and holding of General Meetings are set out in Chapter II of the Regulations.
- (e) Immediately following a resolution for the appointment or the removal of additional members to or from the board of directors of the Issuer, the Commissioner shall give notice of such appointment or removal to:
 - (i) the board of directors of the Issuer so that it may, where necessary, call a general meeting of the shareholders of the Issuer; and
 - (ii) the shareholders of the Issuer, so that they may hold a universal meeting of shareholders.

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

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

- (f) The foregoing shall apply, in respect of the Preferred Securities, provided that, where the Issuer has failed to fulfil its obligation to make Distributions in respect of the Preferred Securities, the Bank has not discharged such obligations pursuant to the Guarantee.
- (g) Any member of the board of directors of the Issuer named pursuant to the foregoing shall vacate his position if, subsequent to the circumstances giving rise to his appointment, the Issuer or the Bank makes Distributions in respect of the Preferred Securities on any Distribution Payment Date (Fixed) or on four consecutive Distribution Payment Dates (Floating) thereafter.
- (h) Both the appointment and the dismissal of directors shall be notified by the Issuer in accordance with paragraph 8 above.

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

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

Preferred Securities or by a resolution of at least two-thirds of the holders of all outstanding Preferred Securities adopted in a General Meeting.

- (b) If the Issuer, or the Bank under any guarantee, has paid in full the most recent distribution payable on each series of the Issuer's preferred securities, the Issuer may without the consent or sanction of the holders of its preferred securities: (i) take any action required to issue additional preferred securities or authorise, create and issue one or more other series of preferred securities of the Issuer ranking equally with the Preferred Securities, as to the participation in the profits and assets of the Issuer, without limit as to the amount; or (ii) take any action required to authorise, create and issue one or more other classes or series of shares of the Issuer ranking junior to the Preferred Securities, as to the participation in the profits or assets of the Issuer.
- (c) By acquiring this Preferred Security, the holder hereof agrees to renounce any rights of seniority or preference that may be conferred upon it (if any) under applicable Spanish law over any holder of such other preferred securities issued by the Issuer from time to time and which are created by virtue of a public deed registered in accordance with applicable Spanish law.

6.2.3 Liquidation, Dissolution or Winding-up of the Issuer

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

- (a) will be entitled to receive notice, through the Commissioner, of the general meeting of shareholders called to adopt this resolution provided that only the Commissioner shall be entitled to attend, but without any right to vote at, such general meeting of shareholders; and
- (b) will be entitled to hold a separate and previous General Meeting and vote together as a single class without regard to series on such resolution, but not on any other resolution.

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

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

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

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

- 6.3 The Preferred Securities do not grant their holders pre-emption rights in respect of any possible future issues of preferred securities by the Issuer, the Bank or any other Subsidiary.
- 6.4 Neither the Issuer nor any other Subsidiary nor the Bank may issue, or guarantee the issue of, any preferred securities or securities or other instruments equivalent to preferred securities ranking, either directly or through a guarantee, senior to the Preferred Securities, unless the Guarantee is amended so as to rank *pari passu* with any such issue of senior securities.
- 6.5 No vote in respect of the Preferred Securities will be required for the Issuer to redeem and cancel the Preferred Securities.
- 6.6 Notwithstanding that the Preferred Securities confer an entitlement to vote under any of the circumstances described above, neither the Bank nor any Subsidiary of the Bank, to the extent that it is a holder of preferred securities of the Issuer, shall be so entitled to vote.

7. Taxation

- 7.1 All payments of Distributions and other amounts payable in respect of the Preferred Securities and the Guarantee by the Issuer or the Bank (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Bank shall pay such additional amounts as would have been received had no such withholding or deduction been required.
- 7.2 Neither the Issuer nor the Bank shall be required to pay any additional amounts as referred to in paragraph 7.1 in relation to any payment in respect of Preferred Securities:
- (i) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with the Kingdom of Spain other than the mere holding of Preferred Securities; or
 - (ii) to, or to a third party on behalf of, a holder in respect of whom the Issuer or the Bank, or the Paying Agent on its behalf, does not receive such details concerning such holder's identity and country of residence as it requires in order to comply with the Second Additional Provision of Spanish Law 13/1985, of 25 May 1985, Spanish Royal Decree 1065/2007 and Spanish Royal Legislative Decree 4/2004 of 5 March 2004 and Spanish Order of 22 December 1999, no later than 10.00 a.m. (Central European Time) on the second business day prior to the 10th calendar day of the month following the relevant date upon which the payment was due (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
 - (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
 - (iv) where the withholding or deduction referred to in paragraph 7.1 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law or treaty implementing or complying with, or introduced in order to conform to, such Directive (including the agreement between

the European Community and Switzerland providing for measures equivalent to those laid down in European Council Directive 2003/48/EC); or

- (v) presented for payment by or on behalf of a holder of Preferred Securities who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to a paying agent in another Member State of the European Union; or
- (vi) to, or to a third party on behalf of, a Spanish resident corporate entity if the Spanish tax authorities determine that the Preferred Securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

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

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

8. Notices

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

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

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

9. Form and Status

The Preferred Securities will be issued in bearer form.

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

failure to comply with the terms and conditions of the Preferred Securities by either the Issuer or the Bank) will definitive Preferred Securities be issued directly to such accountholders.

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

10. Deposit to comply with Law 13/1985

In accordance with Law 13/1985, the Issuer will deposit an amount equal to the nominal value of the Preferred Securities on a permanent basis with the Bank or with another member of the Group and the proceeds of that deposit will be used for the Group's general corporate purposes (including profit making).

The deposit will be available to absorb losses of the Bank if and when they occur once there is a reduction in the shareholder's equity to zero and the Bank's reserves have been exhausted.

11. Agents

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

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

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

12. Prescription

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

13. Governing Law and Jurisdiction

13.1 The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

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

THE GUARANTEES

Guarantee relating to the Euro Preferred Securities

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

THIS GUARANTEE (the **Guarantee**), dated ● October 2009, is executed and delivered by Banco Bilbao Vizcaya Argentaria, S.A., a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the **Bank** or the **Guarantor**) for the benefit of the Holders (as defined below).

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

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

1. Interpretation

1.1 Definitions

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

Agency Agreement means the agency agreement dated ● October 2009 relating to the Preferred Securities between the Issuer, the Guarantor and the agents named therein;

Bank Shares means any ordinary shares of the Bank;

Conditions means the conditions of the Preferred Securities, as set out in the Agency Agreement;

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

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

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

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

Spain means the Kingdom of Spain.

1.2 Other defined terms

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

1.3 *Clauses*

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

1.4 *Headings*

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

2. ***Guarantee***

2.1 *Guarantee*

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

2.2 *Limitations to the Guarantee Payments in relation to the Distributions*

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

- 2.2.1 the aggregate of such Distributions, together with any other distributions previously paid during the then current Fiscal Year and any distributions proposed to be paid during the then current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; or
- 2.2.2 even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations affecting financial institutions which fail to meet their capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or Parity Securities (including the Preferred Securities).

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

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

2.4 *Pro Rata Payments*

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

2.5 *Ranking of the Guarantee*

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

2.6 *Acceptance of the Guarantee*

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

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

3.1 *Waiver*

The Guarantor waives any right or benefit (in Spanish, *orden, excusión y división*) to which it may be entitled under Spanish law with regard to objecting to make any payment by virtue of the Guarantee.

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

3.2 *Obligations and Commitments of the Guarantor*

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

- 3.2.1 the waiver by the Issuer, either by the application of a legal provision or for any other reason, to fulfil any commitment, term or condition, whether implicit or explicit, in relation to the Preferred Securities; or
- 3.2.2 the extension of the Distribution Payment Date, the Liquidation Date or the date for payment of the Redemption Price or the Early Redemption Date with regard to the Preferred Securities or the extension granted for the fulfilment of any other obligation related to the Preferred Securities; or
- 3.2.3 any breach, omission or delay by the Holders in exercising the rights granted by the Preferred Securities; or

- 3.2.4 the liquidation, dissolution, or sale of any asset given as a guarantee, temporary receivership, bankruptcy, receivership proceedings or renegotiation of debt affecting the Issuer; or
- 3.2.5 any defect in or invalidity of the Preferred Securities; or
- 3.2.6 transactions involving any obligation guaranteed by this Guarantee or undertaken by virtue of this Guarantee.

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

3.3 Subrogation

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

3.4 Deposit of the Guarantee

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

4. Other obligations of the Guarantor under the Guarantee

4.1 No further issues

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

4.2 Non-Payments

The Bank undertakes that if any amount required to be paid pursuant to this Guarantee in respect of any Distribution payable in respect of the most recent Distribution Period has not been paid, whether by reason of the limitations of Clause 2.2 and 2.3 or otherwise, no distributions (except distributions in the form of the Bank Shares or other shares of the Bank ranking junior to the obligations of the Bank under this Guarantee) will be declared or paid or set aside for payment, or

other distribution made, upon the Bank Shares or any other class of share capital or any securities of the Bank ranking junior to this Guarantee, nor will any Bank Shares or any other class of share capital or securities of the Bank ranking *pari passu* with or junior to the obligations of the Bank under this Guarantee, be redeemed, repurchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such Bank Shares, class of share capital or securities) by the Bank (except by conversion into or in exchange for shares or securities of the Bank ranking junior to this Guarantee), until such time as the Issuer or the Bank pursuant to this Guarantee shall have made payment in full of Distributions on any Distribution Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating) thereafter in respect of all Preferred Securities then outstanding.

4.3 *Ownership*

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

4.4 *Voting Rights*

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

- 4.4.1 to vote, in the corresponding general meeting of shareholders of the Issuer, in favour of the appointment or removal of the directors so named by the General Meetings and to take all necessary measures in such regard;
- 4.4.2 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the dissolution and winding-up of the Issuer; and
- 4.4.3 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the issuance of further Preferred Securities or of other preferred securities where the Issuer has not duly made the most recent distribution required in respect of the preferred securities issued and outstanding at the time.

4.5 *Compliance with the Preferred Securities*

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

5. *Termination of the Guarantee*

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

6. General

6.1 Successors and Assigns

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

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

6.2 Transfers

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

6.3 Amendments

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

6.4 Notices

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

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

Facsimile: +34 91 537 4011

Attention: Juan Isusi

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

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

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

6.5 *Annual Reports*

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

7. *Law and Jurisdiction*

7.1 *Law*

This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee shall be governed by, and construed in accordance with, Spanish law.

7.2 *Jurisdiction*

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

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

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

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

THIS GUARANTEE (the **Guarantee**), dated ● October 2009, is executed and delivered by Banco Bilbao Vizcaya Argentaria, S.A., a limited liability company (*sociedad anónima*) incorporated under the laws of the Kingdom of Spain (the **Bank** or the **Guarantor**) for the benefit of the Holders (as defined below).

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

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

1. Interpretation

1.1 Definitions

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

Agency Agreement means the agency agreement dated ● October 2009 relating to the Preferred Securities between the Issuer, the Guarantor and the agents named therein;

Bank Shares means any ordinary shares of the Bank;

Conditions means the conditions of the Preferred Securities, as set out in the Agency Agreement;

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

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

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

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

Spain means the Kingdom of Spain.

1.2 Other defined terms

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

1.3 Clauses

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

1.4 Headings

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

2. Guarantee

2.1 Guarantee

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

2.2 Limitations to the Guarantee Payments in relation to the Distributions

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

- 2.2.1 the aggregate of such Distributions, together with any other distributions previously paid during the then current Fiscal Year and any distributions proposed to be paid during the then current Distribution Period in each case on or in respect of Parity Securities (including the Preferred Securities), not exceeding the Distributable Profits of the immediately preceding Fiscal Year; or
- 2.2.2 even if Distributable Profits are sufficient, to the extent that under applicable Spanish banking regulations affecting financial institutions which fail to meet their capital ratios, the Bank not being prevented at such time from making payments on its ordinary shares or Parity Securities (including the Preferred Securities).

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

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

2.4 Pro Rata Payments

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

be made on the relevant Distribution Payment Date, Early Redemption Date, redemption date or Liquidation Date, as the case may be.

2.5 *Ranking of the Guarantee*

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

2.6 *Acceptance of the Guarantee*

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

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

3.1 *Waiver*

The Guarantor waives any right or benefit (in Spanish, *orden, excusión y división*) to which it may be entitled under Spanish law with regard to objecting to make any payment by virtue of the Guarantee.

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

3.2 *Obligations and Commitments of the Guarantor*

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

- 3.2.1 the waiver by the Issuer, either by the application of a legal provision or for any other reason, to fulfil any commitment, term or condition, whether implicit or explicit, in relation to the Preferred Securities; or
- 3.2.2 the extension of the Distribution Payment Date, the Liquidation Date or the date for payment of the Redemption Price or the Early Redemption Date with regard to the Preferred Securities or the extension granted for the fulfilment of any other obligation related to the Preferred Securities; or
- 3.2.3 any breach, omission or delay by the Holders in exercising the rights granted by the Preferred Securities; or
- 3.2.4 the liquidation, dissolution, or sale of any asset given as a guarantee, temporary receivership, bankruptcy, receivership proceedings or renegotiation of debt affecting the Issuer; or
- 3.2.5 any defect in or invalidity of the Preferred Securities; or
- 3.2.6 transactions involving any obligation guaranteed by this Guarantee or undertaken by virtue of this Guarantee.

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

3.3 *Subrogation*

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

3.4 *Deposit of the Guarantee*

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

4. *Other obligations of the Guarantor under the Guarantee*

4.1 *No further issues*

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

4.2 *Non-Payments*

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

Payment Date (Fixed) or on any four consecutive Distribution Payment Dates (Floating) thereafter in respect of all Preferred Securities then outstanding.

4.3 *Ownership*

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

4.4 *Voting Rights*

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

- 4.4.1 to vote, in the corresponding general meeting of shareholders of the Issuer, in favour of the appointment or removal of the directors so named by the General Meetings and to take all necessary measures in such regard;
- 4.4.2 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the dissolution and winding-up of the Issuer; and
- 4.4.3 to vote, in the corresponding general meeting of shareholders of the Issuer, in conformity with the result of the vote of the General Meetings with respect to the issuance of further Preferred Securities or of other preferred securities where the Issuer has not duly made the most recent distribution required in respect of the preferred securities issued and outstanding at the time.

4.5 *Compliance with the Preferred Securities*

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

5. *Termination of the Guarantee*

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

6. *General*

6.1 *Successors and Assigns*

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

all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders. The convening and holding of the General Meeting shall be done in accordance with the Regulations.

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

6.2 *Transfers*

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

6.3 *Amendments*

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

6.4 *Notices*

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

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

Facsimile: +34 91 537 4011

Attention: Juan Isusi

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

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

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

6.5 Annual Reports

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

7. Law and Jurisdiction

7.1 Law

This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee shall be governed by, and construed in accordance with, Spanish law.

7.2 Jurisdiction

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

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

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

DESCRIPTION OF BBVA INTERNATIONAL PREFERRED, S.A. UNIPERSONAL

The Issuer was incorporated on 30 June 2005 for an indefinite period of time as a limited liability company (*sociedad anónima*) under the laws of the Kingdom of Spain, with its registered office at Gran Vía, 1 Bilbao (telephone number: +34 91 537 5027). The Issuer is registered in Volume 4569, Book 0, Page BI-43064, Inscription 1 of the Mercantile Registry of Vizcaya (*Registro Mercantil*). The Issuer is a direct wholly-owned subsidiary of the Bank. The Issuer has no subsidiaries.

The Issuer issued the Existing Series A Euro Tier 1 Securities of Euro 50,000 liquidation preference each on 22 September 2005; the Existing Series B Euro Tier 1 Securities of Euro 50,000 liquidation preference each on 18 September 2006; the Existing Series C U.S.\$600,000,000 Fixed/Floating Rate Non-Cumulative Guaranteed Preferred Securities of \$1,000 liquidation preference each on 18 April 2007; and the Existing Sterling Tier 1 Securities of £50,000 liquidation preference each on 19 July 2007.

The authorised share capital of the Issuer is Euro 60,102 divided into 10,017 ordinary shares, each with a par value of Euro 6. The subscribed and fully paid up share capital is Euro 60,102.

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

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

Name	Position	Other position in the Group	A9.9.1
Pedro Urresti Laca	Director/President	Deputy Chief Financial Officer of BBVA	
Ana Fernandez Manrique	Director	Corporate Development Manager of BBVA	
Juan Isusi Garteiz	Director	Institutional Funding Manager of BBVA	
Gogeaasoa			
Francisco Javier Colomer	Director	Manager of Capital Management of BBVA	
Betoret			
Juan Carlos Garcia Perez	Director	Manager of BBVA	
Tomas Sanchez Zabala	Director	Manager of BBVA	

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

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

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

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

The Issuer is in compliance with the Spanish corporate governance regime.

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

The following is a general description of certain Spanish tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities. Prospective purchasers of Preferred Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Preferred Securities and receiving any payments under the Preferred Securities. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Preferred Securities, or any person through which an investor holds Preferred Securities, of a custodian, collection agent or similar person in relation to such Preferred Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Taxation in the Kingdom of Spain

Introduction

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

- (a) of general application, the Second Additional Provision of Spanish Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing

foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005, of 18 November on certain tax measures to promote the productivity and Law 4/2008, of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system as well as Royal Decree 1065/2005, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;

- (b) for individuals with tax Residence in Spain which are Individual Income Tax (IRPF) taxpayers, Law 35/2006, of 28 November, on Individual Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, (the **Individual Income Tax Law**), and Royal Decree 439/2007, of 30 March promulgating the Individual Income Tax Regulations along with Law 19/1991, of 6 June on Wealth Tax as amended by Law 4/2008, of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system and Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporate Income Tax Regulations (the **Corporate Income Tax Regulations**); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax as amended by Law 4/2008, of 23 December, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system and Law 29/1987, of 18 December on Inheritance and Gift Tax.

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

1. Individuals with Tax Residence in Spain

1.1 Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both Distributions periodically received and income deriving from the transfer, redemption or repayment or exchange of the Preferred Securities constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25 of the Individual Income Tax Law, and therefore will form part of the so called savings income tax base pursuant to the provisions of the aforementioned Law. Accordingly, such income will be subject to the flat 18 per cent. (but, according to the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, due to increase to 19 per cent. as of 1 January 2010) rate applicable to savings income.

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

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

However, Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent. over the tax due and removing the obligation to file Wealth Tax declaration as from 1 January 2008.

Due to this amendment to Law 19/1991, Spanish resident individuals are not effectively subject to Wealth Tax.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

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

2. Legal Entities with Tax Residence in Spain

2.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

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

In accordance with Section 59.s) of the Corporate Income Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporate Income Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. Applications will be made for the Preferred Securities to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market and they will therefore, upon admission to trading on the London Stock Exchange's regulated market, fulfil the requirements laid down by the legislation for exemption from withholding. The General Directorate for Taxation (*Direction General de Tributos - DGT*), on 27 July 2004, issued a reply to a consultation indicating that in the case of issues made by entities resident in Spain, such as the Issuer, application of the exemption requires that the Preferred Securities be placed outside Spanish territory in another OECD country. The Issuer considers that the issue of the Preferred Securities falls within this exemption as the Preferred Securities are to be sold outside Spain and in the international capital markets and none of the entities placing the Preferred Securities is resident in Spain.

Consequently, the Issuer will not make any withholding on Distributions (or income) to Spanish Corporate Income Tax taxpayers that provide the relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

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

2.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Legal entities are not subject to Wealth Tax.

2.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

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

3. *Individuals and Legal Entities with no tax residence in Spain*

3.1 *Non-resident Income Tax (Impuesto sobre la Renta de no Residentes)*

(a) *With permanent establishment in Spain*

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

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

(b) *With no permanent establishment in Spain*

Both Distributions periodically received and income deriving from the transfer, redemption, repayment or exchange of the Preferred Securities, obtained by individuals or entities who have no tax residence in Spain, being Non-resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-resident Income Tax.

Law 4/2008 amends, among other things, the Second Additional Provision of Law 13/1985, which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities. This reporting obligation was typically satisfied, in part, by the collection of certain information from investors at the time of each payment of interest or principal. Spanish issuers, Euroclear and Clearstream, Luxembourg (among others) developed certain procedures to enable the timely delivery of such information.

Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders who are not resident in Spain. The amended wording of the Second Additional Provision of Law 13/1985, therefore, continues to apply the reporting obligation only in respect of Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Offering Circular, such secondary legislation had not yet been adopted.

Pending the enactment of such secondary legislation, and in accordance with the consultation from the General Directorate of Taxation dated 20 January 2009, the

current procedures relating to the identity of holders of the Preferred Securities (detailed under " - *Disclosure of holder information in connection with payments of Distributions*" below) as laid down in section 44 of Royal Decree 1065/2007, remain applicable irrespective of whether or not the holders of the Preferred Securities are resident in Spain, and both Euroclear and Clearstream, Luxembourg, and any other relevant clearing system require compliance with such obligations.

If these information obligations are not complied with in the manner indicated the Issuer will apply a withholding, currently at the rate of 18 per cent. but, according to the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, due to increase to 19 per cent. as of 1 January 2010, and the Issuer will not, as a result, be under any obligation to pay additional amounts.

3.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent. over the tax due and removing the obligation to file Wealth Tax declaration as from 1 January 2008.

Due to this amendment to Law 19/1991, non-resident individuals are not effectively subject to Wealth Tax.

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

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

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

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

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

4. *Disclosure of holder information in connection with payments of Distributions*

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

4.1 *Legal Entities with tax residence in Spain subject to Spanish Corporate Income Tax*

In accordance with procedures established in each Agency Agreement, the Paying Agent with respect to that portion of the Preferred Securities which are not held by or on behalf of Euroclear UK and Ireland (CREST) or Acupay System LLC with respect to that portion of the Preferred Securities which are held through Euroclear UK and Ireland (CREST) must receive

a list of those holders that are Spanish Corporate Income Tax taxpayers specifying the name, address, tax identification number, ISIN code of the Preferred Securities, number of Preferred Securities held at each Distribution Payment Date, gross income and amount withheld, substantially in the form set out below (see Annex III below).

4.2 *Individuals and Legal Entities with no tax residence in Spain*

The information obligations to be complied with in order to apply the exemption are those laid down in sub-section 44(1) of Royal Decree 1065/2007 being the following:

A return must be made to the Spanish tax authorities specifying the following information with respect to the Preferred Securities:

- (a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Preferred Securities.

In accordance with sub-section 44(2) of Royal Decree 1065/2007, for the purpose of preparing the return referred to in sub-section 44(1), the following documentation must be obtained on each payment of income evidencing the identity and residence of each holder of Preferred Securities:

- (a) if the non-resident holder of Preferred Securities acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residence in the manner laid down in Annex I of the Order of 16 September 1991 (see Annex III below);
- (b) in the case of transactions in which any of the entities indicated in the foregoing paragraph (a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex I below);
- (c) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residence of each holder of Preferred Securities in the manner laid down in Annex II of the Order of 16 September 1991 (see Annex II below);
- (d) in other cases, residence must be evidenced by submission of the residence certificate issued by the tax authorities of the country of residence of the holder of Preferred Securities. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 44(3), for the purpose of implementing the exemption provided for, the following procedure must be followed: on the due date of each Distribution the Issuer must transfer the net amount to the entities referred to in paragraphs (a), (b) and (c) resulting from applying the general withholding rate (currently 18 per cent. but, according to

the Spanish Budget Law Project for the 2010 fiscal year published on 29 September 2009, due to increase to 19 per cent. as of 1 January 2010) to the whole of the Distribution. If the certificates referred to are received prior to the Distribution Payment Date, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided. In the case of both paragraph 4.1 and paragraph 4.2 above, in order for a beneficial owner to benefit from an exemption from withholding, the above documentation should be received by the Paying Agent with respect to that portion of the Preferred Securities which are not held by or on behalf of Euroclear UK and Ireland (CREST) or Acupay System LLC with respect to that portion of the Preferred Securities which are held through Euroclear UK and Ireland (CREST) in accordance with the procedures established in the relevant Agency Agreement, which may be inspected during normal business hours at the specified office of the Paying Agent.

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

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

Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish and such translations constitute direct, accurate and complete translations of the Spanish language text. In the event of any discrepancy, the Spanish versions shall prevail.

ANNEX I

Modelo de certificación en inversiones por cuenta propia

Form of Certificate for Own Account Investments

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007,

CERTIFICO:

CERTIFY:

- 1. Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
- 2. Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
- 3. Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(país, estado, ciudad), con el número
(country, state, city), under number
- 4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)**
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseídos por cuenta propia

Identification of securities held on own account

Importe de los rendimientos

Amount of income

Lo que certifico en a de de 20

I certify the above in on the of of 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:
TO BE ATTACHED:

Identificación de los valores:
Identification of the securities

Listado de titulares:
List of beneficial owners:

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

ANNEX III

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de no Residentes

Certificate for application of the exemption on withholding to Spanish Corporate Income Tax taxpayers and to permanent establishments of Non-resident Income Tax taxpayers

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

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

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

Royal Decree 1777/2004,

CERTIFICO:

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**
that the institution I represent is recorded in the Register of
(país, estado, ciudad), con el número
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de** (Órgano supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).
5. **Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.**

That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax taxpayers and permanent establishment in Spain of Non-resident Income Tax taxpayers, and are recipients of the referred income.

6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.

That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en a de de 20

I certify the above in on the of of 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:
TO BE ATTACHED

Identificación de los valores:
Identification of the securities

Razón social/Domicilio/Número de identificación fiscal/Número de valores/Importe de los rendimientos.

Name/Domicile/Fiscal Identification Number/Number of securities/Amount of income.

GENERAL INFORMATION

1. The creation and issue of each Series of the Preferred Securities has been authorised by (i) the shareholders' meetings of the Issuer, held on 29 September 2009 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer, held on 29 September 2009. The giving of the Guarantee of each Series of the Preferred Securities has been authorised by (i) the shareholders' meetings of the Guarantor, held on 18 March 2006, 16 March 2007, 14 March 2008 and 13 March 2009 and (ii) meetings of the Board of Directors (*Consejo de Administración*) of the Guarantor, dated 22 May 2007, 24 July 2008 and 29th September 2009.
2. None of the Issuer, the Guarantor or any of the Guarantor's subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, the Guarantor or any of the Guarantor's subsidiaries is aware) in the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.
3. There has been no significant change in the financial or trading position and no material adverse change in the financial position or prospects of the Issuer since 31 December 2008. There has been no significant change in the financial or trading position of the Guarantor and its subsidiaries since 30 June 2009 and there has been no material adverse change in the financial position or prospects of the Guarantor and its subsidiaries since 31 December 2008.
4. For so long as any of the Preferred Securities are outstanding, copies of the following documents (together with English translations, where applicable) may be inspected during normal business hours at the specified office of each Paying Agent and can be obtained, free of charge, from the Guarantor at Paseo de la Castellana, 81, 28046 Madrid:
 - (a) the *estatutos* of each of the Issuer and the Guarantor (with an English translation thereof);
 - (b) the audited non-consolidated financial statements of the Issuer as at, and for the financial periods ended, 31 December 2007 and 31 December 2008;
 - (c) the audited consolidated financial statements of the Guarantor as at, and for the years ending, 31 December 2007 and 31 December 2008;
 - (d) the interim audited financial statements of the Guarantor (on a consolidated basis) for the six month period ending 30 June 2009;
 - (e) the Guarantees;
 - (f) the Agency Agreements; and
 - (g) this Offering Circular, together with any supplements thereto.
5. The Guarantor publishes quarterly unaudited consolidated interim financial statements. The Guarantor does not publish unconsolidated interim financial statements. The Issuer publishes unconsolidated audited financial statements on an annual basis. The Issuer does not and will not publish interim financial statements.
6. The auditors of the Issuer, the Guarantor and the Group are Deloitte, S.L., registered as auditors on the *Registro Oficial de Auditores de Cuentas*, who have audited, without qualification, the financial statements of the Guarantor and of the Group for each of the two

financial years ended 31 December 2007 and 31 December 2008, which have been prepared in accordance with EU-IFRS. The auditors of the Issuer, the Guarantor and the Group have no material interest in the Issuer, the Guarantor or the Group.

7. Each Series of Preferred Securities has been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg. The ISIN for the Euro Preferred Securities is XS● and the common code is ●. The ISIN for the Sterling Preferred Securities is XS● and the common code is ●. The European Clearing Systems are expected to follow certain procedures to facilitate the Issuer, the Guarantor and the Principal Paying Agent in the collection of the details referred to above from holders of the Preferred Securities. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities (see “*Conditions of the Preferred Securities – Form and Status*”). The procedures agreed and fully described in the Agency Agreement may be amended to comply with Spanish laws and regulations and operational procedures of the European Clearing Systems.
8. The Issuer does not intend to provide any post-issuance information in relation to the issue of either Series of Preferred Securities.
9. The yield on the Euro Preferred Securities until the First Call Date is ● per cent. per annum. The yield on the Sterling Preferred Securities until the First Call Date is ● per cent. per annum.
10. The total expenses related to the admission to trading of the Preferred Securities on the London Stock Exchange’s regulated market equal approximately £●.
11. On 29 September 2009, D. José Ignacio Goirigolzarri Tellaeché ceased to be a director of BBVA and D. Ángel Cano Fernández was appointed as President and Chief Operating Officer. In January 2003, Mr. Cano Fernández was appointed Human Resources and Services Director for the Group. In December 2005, he became Head of Human Resources and Information Technology. Between January 2006 and September 2009, he was also responsible for the Global Transformation of the Group. There are no potential conflicts of interest between the private interests or other duties of Mr Cano Fernández and his duties to BBVA.
12. The corporate purpose of the Guarantor is to carry on all manner of activities, transactions, acts, agreements and services pertaining to the banking business or directly or indirectly related thereto which are permitted (or not prohibited) by legal provisions in force from time to time, and ancillary activities. The Guarantor's corporate purpose also includes the acquisition, holding, enjoyment and disposal of securities, public offers for the acquisition and sale of securities, and all manner of interests in any company or undertaking, as specified in Article 3 of the Guarantor's by-laws (*estatutos*). The Guarantor's current by-laws (*estatutos*) were most recently amended on 13 March 2009.
13. As at the date of this Offering Circular, the Guarantor's share capital is €1,836,504,869.29, represented by 3,747,969,121 shares of €0.49 nominal value each, all of the same class and series, fully subscribed and paid-up.

The total annual dividends per share paid by the Guarantor for each of the last 5 years are as follows:

2008: €0.631

2007: €0.733

2006: €0.637

2005: €0.531

2004: €0.442

The Issuer has not paid any dividends since its incorporation on 30 June 2005.

ISSUER

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

GUARANTOR

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