INFORMATION MEMORANDUM DATED 16th DECEMBER, 2016

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(*incorporated with limited liability in Spain*)

€10,000,000,000
EURO-COMMERCIAL PAPER PROGRAMME

Arranger

BOFA MERRILL LYNCH

Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for euro-commercial paper notes issued during the twelve months after the date of this document under the €10,000,000,000 Euro-Commercial Paper Programme (the **Programme**) described in this document (the **Notes**) to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and trading on its regulated market.

There are certain risks related to any issue of Notes under the Programme, which potential investors should ensure they fully understand (see "*Risk Factors*" on pages 13 to 40 (inclusive) of this document).

Potential investors should note the statements on pages 87 to 88 (inclusive) regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014 of 26th June, on Organisation, Supervision and Solvency of Credit Entities (**Law 10/2014**), on the Issuer relating to the Notes.

Dealers

BOFA MERRILL LYNCH | **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

BARCLAYS | **CITIGROUP**

CREDIT SUISSE | **GOLDMAN SACHS INTERNATIONAL**

ING | **RABOBANK**

UBS INVESTMENT BANK

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

IMPORTANT NOTICE

This information memorandum (together with any supplementary information memorandum and information incorporated herein by reference, the **Information Memorandum**) contains summary information provided by Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA** or the **Issuer**) in connection with a euro-commercial paper programme (the **Programme**) under which the Issuer may issue and have outstanding at any time Notes up to a maximum aggregate amount of €10,000,000,000 or its equivalent in alternative currencies. Under the Programme, the Issuer may issue Notes outside the United States pursuant to Regulation S (**Regulation S**) of the United States Securities Act of 1933, as amended (the **Securities Act**). The Issuer has, pursuant to an amended and restated dealer agreement dated 16th December, 2016 (as amended, restated, supplemented or replaced from time to time, the **Dealer Agreement**), appointed Bank of America Merrill Lynch International Limited as arranger for the Programme (the **Arranger**) and appointed Bank of America Merrill Lynch International Limited, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Citibank Europe plc, UK Branch, Coöperatieve Rabobank U.A., Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V. and UBS Limited as dealers for the Notes (the **Dealers**) and authorised and requested the Dealers to circulate this Information Memorandum on its behalf to investors or potential investors of the Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) (U.S. PERSONS) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Information Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Information Memorandum. Any representation to the contrary is unlawful.

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

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

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

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

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

Neither the Arranger nor any Dealer has independently verified the information contained in this Information Memorandum. Accordingly, no representation or warranty or undertaking (express or implied) is made, and no responsibility or liability is accepted by the Arranger or the Dealers as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained or incorporated by reference in this Information Memorandum or in or from any accompanying or subsequent material or presentation. Neither the Arranger nor any Dealer accepts any liability in relation to the information contained in this Information Memorandum or any other information provided by the Issuer in connection with the Programme.

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

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

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

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

Notice of the aggregate amount of Notes, the issue price of Notes and any other terms and conditions not contained herein to be completed in relation to each issue of Note that is intended to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market will be set out in the pricing supplement (the **Pricing Supplement**) attached to or endorsed on the Notes (which may be in global form (the **Global Note**) or in definitive form) (see "*Form of the Notes*" on page 64 below). The Pricing Supplement will be supplemental to and must be read in conjunction with the full terms and conditions of the Notes. Copies of each Pricing Supplement containing details of each particular issue of Notes will be available from the specified office set out below of the Issuing and Paying Agent (as defined below). Copies of each Pricing Supplement in relation to each particular issue of Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange and the Central Bank of Ireland.

A communication of an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received in connection with the issue or sale of any Notes will only be made in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

SPANISH TAX RULES

Article 44 of Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29th July (as so amended, **RD 1065/2007**), sets out the reporting obligations applicable to preference shares and debt instruments (including debt instruments issued at a discount for a period equal to or less than twelve months) issued under the First Additional Provision of Law 10/2014.

General

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19th July, 2002, all companies governed by the law of a European Union (**EU**) Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1st January, 2005 in conformity with International Financial Reporting Standards adopted by the EU (**EU-IFRS**). Pursuant to Regulation (EC) No. 1606/2002, Bank of Spain Circular 4/2004 of 22nd December, 2004 on Public and Confidential Financial Reporting Rules and Formats (as amended or supplemented from time to time, **Circular 4/2004**) and with any other legislation governing financial reporting applicable to the Issuer and its consolidated subsidiaries (the **Group**) requires Spanish credit institutions to adapt their accounting system to EU-IFRS.

The Issuer's consolidated financial statements as at and for each of the years ending 31st December, 2015, 31st December, 2014 and 31st December, 2013 (the **Consolidated Financial Statements**), as included in the annual report of the Issuer on Form 20-F for the fiscal year ended 31st December, 2015 filed with the U.S. Securities and Exchange Commission (the **SEC**) on 6th April, 2016 (the **Form 20-F**), which is incorporated by reference in this Information Memorandum, have been prepared in accordance with EU-IFRS reflecting Circular 4/2004 and any other legislation governing financial reporting applicable to the Group and in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (**IFRS-IASB**).

In this Information Memorandum, references to:

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

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

Certain numerical information in this Information Memorandum may not sum due to rounding. In addition, information regarding period-to-period changes is based on numbers which have not been rounded.

All references to any financial information in this Information Memorandum are to the consolidated financial information of the Group, unless otherwise stated.

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DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the Form 20-F of the Issuer, for the financial year ended 31st December, 2015 as filed with the U.S. Securities and Exchange Commission (**SEC**) on 6th April, 2016, (which includes on page F-1 thereof the auditor's report and on pages F-2 to F-258 thereof, the Consolidated Financial Statements);

(b) the Form 6-K of the Issuer, for the six month period ending 30th June, 2016, filed with the SEC on 27th September, 2016 (which includes on pages F-1 to F-176 and pages A-1 to A-63 thereof, the unaudited interim consolidated financial statements of the Issuer as at and for each of the six month periods ending 30th June, 2016 and 30th June, 2015 and certain restated information as of and for the year ended 31st December, 2015) (the **June 2016 Form 6-K**);

(c) the Condensed Interim Consolidated Financial Statements and Management Report Corresponding to the Nine Months Ended September 30, 2016 of the Issuer (which includes, on pages 2 to 33 (inclusive) thereof, the unaudited consolidated interim financial statements of the Group as at and for the nine month period ended 30th September, 2016 and on pages 43 to 48 (inclusive) certain information on alternative performance measures);

(d) the audited stand-alone financial statements of the Issuer as at and for the year ended 31st December, 2015; and

(e) the audited stand-alone financial statements of the Issuer as at and for the year ended 31st December, 2014.

In addition, any audited annual and unaudited interim consolidated financial statements of the Issuer in each case published after the date of this Information Memorandum shall be deemed to be incorporated in, and to form part of, this Information Memorandum upon the publication and filing of such financial statements with the Irish Stock Exchange.

Any statement contained herein or in a document incorporated by reference herein or contained in any supplementary information memorandum or in any document which is subsequently incorporated by reference herein shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede earlier statements contained in this Information Memorandum or in a document which is incorporated by reference in this Information Memorandum.

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

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

The Issuer will provide, without charge to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Requests for such documents should be directed to the Issuer at its office set out at the end of this Information Memorandum. In addition such documents will be available, without charge at the principal office in England of the Issuing and Paying Agent (each as set out at the end of this Information Memorandum).

Except as provided above, no other information, including information on the website of the Issuer is incorporated by reference into this Information Memorandum.

OVERVIEW OF THE TERMS OF THE PROGRAMME

Issuer: Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**).

Risk Factors: There are certain factors that may affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. All of these are set out under "*Risk Factors*" and include certain market risks.

Arranger: Bank of America Merrill Lynch International Limited.

Dealers:

Bank of America Merrill Lynch International Limited
Banco Bilbao Vizcaya Argentaria S.A.
Barclays Bank PLC
Citibank Europe plc, UK Branch
Coöperatieve Rabobank U.A.
Credit Suisse Securities (Europe) Limited
Goldman Sachs International
ING Bank N.V.
UBS Limited.

and any other Dealers appointed in accordance with the Dealer Agreement.

Issuing and Paying Agent: The Bank of New York Mellon, London Branch.

Purpose of the Programme: The net proceeds from the sale of Notes will be applied for general corporate purposes.

Maximum amount of the Programme: The outstanding principal amount of the Notes issued under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies) at any time. The maximum amount of the Programme may be increased from time to time in accordance with the Dealer Agreement.

Characteristics and form of the Notes: Notes will be issued in bearer form. The Notes will initially be in global form (**Global Notes**).

Each Global Note which is not intended to be issued in new global note form (a **Classic Global Note** or **CGN**), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a common depositary for the Relevant Clearing Systems (as defined below) and each Global Note which is intended to be issued in new global note form (a **New Global Note** or **NGN**), as specified in the relevant Pricing Supplement, will be delivered on or around the relevant issue date to a Common Safekeeper (as defined below) for the Relevant Clearing Systems (as defined herein). A Global Note will be exchangeable into definitive notes (**Definitive Notes**) in whole (but not in part) only in the limited circumstances set out in that Global Note (for further details, see "*Form of the Notes*").

Common Safekeeper means, in relation to each issue of NGNs which is intended to be held in a manner that would allow Eurosystem eligibility, the common safekeeper which is appointed by the Relevant Clearing Systems in respect of such NGN or such other entity as the Issuer and Issuing and Paying Agent may agree from time to time, in accordance with the provisions of the amended and restated issue and paying agency agreement dated 16th December, 2016 (as amended, restated, supplemented or replaced from time to time, the **Issue and Paying Agency Agreement**), and which is eligible to hold such NGN for the purpose of the requirements relating to collateral for Eurosystem monetary and intra-day credit operations. If the Common Safekeeper as at the relevant issue date ceases to be so eligible after the relevant issue date, the relevant Notes will no longer qualify for Eurosystem eligibility unless a new Common Safekeeper is appointed who is so eligible.

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

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

Maturity of the Notes: The tenor of Notes shall not be less than one day nor more than 364 days from (and including) the date of issue, to (but excluding) the maturity date, subject to compliance with any applicable legal and regulatory requirements.

Redemption for taxation reasons: The Notes cannot be redeemed prior to their stated maturity other than for taxation reasons. The terms of any such redemption will be indicated in the terms of the Notes and the relevant Pricing Supplement.

Minimum denomination of the Notes: Notes may have any denomination, subject to compliance with any applicable legal and regulatory requirements. The initial minimum denominations for Notes are U.S.$500,000, €500,000, £100,000 and ¥100,000,000 and, in each case, integral multiples of units of 1,000 in excess thereof. The minimum denominations of Notes denominated in other currencies will be in accordance with any applicable legal and regulatory requirements. Minimum denominations may be changed from time to time.

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

Status of the Notes: The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, represent, in the case of each Note, a separate and independent obligation of the Issuer, and rank *pari passu* without any preference or priority among themselves and

with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but (a) subject to the exercise of any power pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015 de 18 de junio de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*) as amended, replaced or supplemented from time to time (**Law 11/2015**), Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended, as amended, replaced or supplemented from time to time (**RD 1012/2015**) or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain and (b) in the event of insolvency, only to the extent permitted by Law 22/2003 of 9th July on Insolvency (*Ley Concursal*), as amended, replaced or supplemented from time to time (the **Insolvency Law**) or other applicable laws relating to or affecting the enforcement of creditor's rights in Spain.

In the event of insolvency (*concurso*) of the Issuer under the Insolvency Law, claims on account of principal relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary claims (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary claims rank junior to claims against the insolvency state (*créditos contra la masa*) and privileged claims (*créditos privilegiados*) which shall include, without limitation, any deposits for the purposes of Additional Provision 14.1 of Law 11/2015 which shall be paid in full before ordinary claims. The claims of all creditors against the Issuer considered as "ordinary claims" will be satisfied pro rata in insolvency. Ordinary claims rank senior to subordinated claims and the rights of shareholders.

For further details see "*Form of the Notes*".

Governing law that applies to the Notes:

Save as provided below, the Notes and any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.

The status of the Notes and any non-contractual obligations arising out of or in connection therewith will be governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish law.

Listing:

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

Settlement system:

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

	relevant Dealer(s) (together, the **Relevant Clearing Systems**). Accountholders in the Relevant Clearing Systems will, in respect of Global Notes, have the benefit of a deed of covenant dated 16th December, 2016 and made by the Issuer (the **Deed of Covenant**), copies of which may be inspected during normal business hours at the specified office of the Issuing and Paying Agent.
Rating(s) of the Programme:	The Programme has been rated by Fitch, Moody's and S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the relevant rating agency.
Selling restrictions:	Offers and sales of Notes and the distribution of this Information Memorandum and other information relating to the Issuer or any Notes are subject to certain restrictions, details of which are set out under "*Subscription and Sale*" below.
Taxation:	Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted. The Issuer considers that, according to RD 1065/2007 it is not obliged to withhold any tax amount provided that the simplified information procedures established therein (which do not require identification of the Noteholders) are complied with by the Issuing and Paying Agent, as described in "*Taxation – Tax Reporting Obligations of the Issuer*". For further information regarding the interpretation of RD 1065/2007 please refer to "*Risk Factors – Spanish Tax Rules*". For further details, see "*Taxation*" below.
Notices:	Unless otherwise specified in the relevant Pricing Supplement, all notices concerning Notes listed on the Irish Stock Exchange shall be published on the website of the Irish Stock Exchange or, in lieu of such publication and if so permitted by the rules of the Irish Stock Exchange, the Issuer may deliver all such notices to the Relevant Clearing System(s) or publish such notices by any other means acceptable to the Irish Stock Exchange.

RISK FACTORS

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

Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

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

Macroeconomic Risks

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

Despite the growth of the global economy and its recovery after the 2008 and 2009, global financial crisis and Europe’s debt crisis in 2011 and 2012, the economic environment remains characterised by considerable uncertainty. The deterioration of economic conditions in the countries where the Group operates could adversely affect the cost and availability of funding for the Group, the quality of the Group’s loan and investment securities portfolios and levels of deposits and profitability, which may also require the Group to take impairments on its exposures to the sovereign debt of one or more countries or otherwise adversely affect the Group’s business, financial condition and results of operations. In addition, the process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of its borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group’s estimates, which may, in turn, affect the reliability of the process and the sufficiency of the Group’s loan loss provisions.

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

- weak economic growth or recession in the countries where it operates;
- changes in the institutional environment in the countries where it operates could evolve into sudden and intense economic and/or regulatory downturns;
- deflation, mainly in Europe, or significant inflation, such as the significant inflation recently experienced by Venezuela and Argentina;
- changes in foreign exchange rates, such as the recent local currency devaluations in Venezuela and Argentina, as they result in changes in the reported earnings of the Group’s subsidiaries outside the Eurozone, and their assets, including their risk-weighted assets, and liabilities;
- a lower interest rate environment, even a prolonged period of negative interest rates in some areas where the Issuer operates, which could lead to decreased lending margins and lower returns on

assets; or a higher interest rate environment, including as a result of an increase in interest rates by the Federal Reserve, which could affect consumer debt affordability and corporate profitability;

- any further tightening of monetary policies, including to address inflationary pressures and currency devaluations in Latin America, which could endanger a still tepid and fragile economic recovery and make it more difficult for customers of the Group's mortgage and consumer loan products to service their debts;
- adverse developments in the real estate market, especially in Spain, Mexico, the United States and Turkey, given the Group's exposures to such markets;
- poor employment growth and structural challenges restricting employment growth, such as in Spain, where unemployment has remained relatively high, which may negatively affect the household income levels of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan loss provisions;
- lower oil prices, which could particularly affect producing areas, such as Venezuela, Mexico, Texas or Colombia, to which the Group is materially exposed;
- changes in laws, regulations and policies as a result of election processes in the different geographies in which the Group operates, including Spain, the Spanish region of Catalonia and the United States, which may negatively affect the Group's business or customers in those geographies and other geographies in which the Group operates;
- the potential exit by an EU Member State from the European Monetary Union (**EMU**), which could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects;
- the possible political, economic and regulatory impacts in the United Kingdom and the EU derived from the outcome of the referendum held in the United Kingdom on 23 June 2016, which resulted in a vote in favour of the United Kingdom leaving the EU. The possible impact of the United Kingdom exiting the EU could include, among other things, political instability in the United Kingdom, the EU as a whole, or countries forming part of the EU; regulatory changes in the United Kingdom and/or in the EU; economic slowdown in the United Kingdom, in the EU, and/or outside the EU; deterioration of the creditworthiness of borrowers based in or related to the United Kingdom; and volatility in financial markets which could limit or condition the Issuer's or any other issuer's access to capital markets, all of which may arise regardless of the uncertainty as to the timing and duration of the exit process; and
- an eventual government default on public debt, which could affect the Group primarily in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several countries in which the Group operates;

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

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

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

The Group has historically developed its lending business in Spain, which continues to be its main place of business. The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. After rapid economic growth until 2007, Spanish gross domestic product (**GDP**) contracted in the period 2009-10 and 2012-13. The effects of the financial crisis were particularly pronounced in Spain given its heightened need for foreign financing as reflected by its high current account deficit, resulting from the gap between domestic investment and savings, and its public deficit. While the current account imbalance has now been corrected (with GDP growth of 3.2 per cent. in 2015) and the public deficit is diminishing, real or perceived difficulties in servicing public or private debt could increase Spain's financing costs. In addition, unemployment levels continue to be high and a change in the current recovery of the labor market would adversely affect households' gross disposable income.

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

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

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

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

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

Emerging markets are generally subject to greater risks than more developed markets. For example, there is typically a greater risk of loss from unfavorable political and economic developments, social and geopolitical instability, changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps and tax policies, and political unrest, such as the attempted coup in Turkey on 15th July, 2016 and state of emergency entitling the exercise of additional powers by the Turkish government first declared on 20th July, 2016. In addition, these emerging markets are affected by conditions in other related markets and in global financial markets generally and some are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. As a global economic recovery remains fragile, there are risks of deterioration. If the global economic conditions deteriorate, the business, financial condition, operating results and cash flows of the Issuer's subsidiaries in emerging economies, mainly in Latin America and Turkey, may be materially adversely affected.

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

In addition, any changes in laws, regulations and policies pursued by the incoming U.S. Government may adversely affect the emerging markets in which the Group operates, particularly Mexico due to the trade and other ties between Mexico and the United States.

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

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

Severe market events such as the past sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. In particular, negative growth expectations and lack of confidence that policy changes would solve problems led to steep falls in asset values and a severe reduction in market liquidity in 2012 and 2013, followed by a moderated recovery in 2014 and the first half of 2015. In the second half of 2015 and the beginning of 2016, however, the uncertainty about China's growth expectations and its policymaking capability to address certain severe future challenges resulted in sudden and intense deterioration of the valuation of global assets and further increased volatility in the global financial markets. Additionally, in dislocated markets, hedging and other risk management strategies may not be as effective as they are in more normal market conditions due in part to the decreasing credit quality of hedge counterparties. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

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

The Group has substantial exposure to the real estate market, mainly in Spain, Mexico and the United States. The Group is exposed to the real estate market due to the fact that real estate assets secure many of its outstanding loans and due to the significant amount of real estate assets held on its balance sheet. Any deterioration of real estate prices could materially and adversely affect the Group's business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

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

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

and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures.

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisor, and for resolution, with the new single resolution mechanism, could lead to changes in the near future. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Issuer that are deemed to be systemically important.

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

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

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the Group’s business, results of operations and financial condition.

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

As a Spanish credit institution, the Issuer is subject to Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and repealing Directives 2006/48/EC and 2006/49/EC (the **CRD IV Directive**) through which the EU began implementing the Basel III capital reforms, with effect from 1st January, 2014, with certain requirements in the process of being phased in until 1st January, 2019. The core regulation regarding the solvency of credit entities is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June, 2013 on prudential requirements for credit institutions

and investment firms and amending Regulation (EU) No. 648/2012 (the **CRR** and together with the CRD IV Directive and any measures implementing the CRD IV Directive or the CRR which may from time to time be introduced in Spain, **CRD IV**), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU Member States, without the need for national implementation measures. The implementation of CRD IV Directive into Spanish law has taken place through Royal Decree-Law 14/2013 of 29th November (**RD-L 14/2013**), Law 10/2014, Royal Decree 84/2015 of 13th February (**RD 84/2015**), Bank of Spain Circular 2/2014 of 31st January and Bank of Spain Circular 2/2016 of 2nd February (the **Bank of Spain Circular 2/2016**). On 23rd November, 2016, the European Commission announced a further package of reforms to CRD IV, the BRRD and the SRM Regulation (each of the BRRD and SRM Regulation as defined below) (the **EU Banking Reforms**), including measures to increase the resilience of EU institutions and enhance financial stability. The timing for the final implementation of these reforms as at the date of this Information Memorandum is unclear.

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

The capital conservation buffer and the G-SIB buffer (where applicable) are mandatory for all credit institutions since they establish a greater capital requirement in all circumstances and will always result in an additional percentage capital requirement of higher than 0 per cent.

The G-SIB buffer applies to those institutions included on the list of global systemically important banks (**G-SIBs**), which is updated annually by the Financial Stability Board (the **FSB**). The Issuer has been excluded from this list with effect from 1st January, 2017 and so, unless otherwise indicated by the FSB (or the Bank of Spain) in the future, it will only be required to maintain the G-SIB buffer for 2016.

The Bank of Spain has greater discretion in relation to the institution-specific countercyclical buffer, the buffer for other systemically important institutions (those institutions deemed to be of local systemic importance, domestic systemically important banks or **D-SIBs**) and the systemic risk buffer (a buffer to prevent systemic or macro prudential risks). With the entry into force of the Single Supervisory Mechanism (the **SSM**) on 4th November, 2014, the European Central Bank (the **ECB**) also has the ability to provide certain recommendations in this respect.

The Bank of Spain agreed in December 2015 to set the countercyclical capital buffer applicable to credit exposures in Spain at 0 per cent. from 1st January, 2016. The percentages will be revised each quarter and, accordingly, the Bank of Spain agreed in December 2016 to maintain the countercyclical capital buffer at 0 per cent. for the first quarter of 2017.

Moreover, Article 104 of the CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No. 1024/2013 of 15th October, 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), also contemplate that in addition to the minimum "Pillar 1" capital requirements, supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum "own funds" "Pillar 1" requirements under CRD IV or to address macro-prudential considerations. Under the EU Banking Reforms, it is proposed that further "Pillar 2" capital requirements should be used to address micro-prudential considerations only.

In accordance with the SSM Regulation, the ECB has fully assumed its new supervisory responsibilities of the Issuer and the Group within the SSM. The ECB is required under the SSM Regulation to carry out a

supervisory review and evaluation process (the **SREP**) of the Issuer and the Group at least on an annual basis.

In addition to the above, the European Banking Authority (the **EBA**) published on 19th December, 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the **EBA SREP Guidelines**). Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional "Pillar 2" own funds requirements to be implemented from 1st January, 2016. Under these guidelines, national supervisors should set a composition requirement for the "Pillar 2" requirements to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements.

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

As a result of the SREP carried out by the ECB in 2015, the Issuer was informed by the ECB that it was required to maintain a CET1 phased-in capital ratio of 9.5 per cent. (both on a consolidated and individual basis). This CET1 capital ratio of 9.5 per cent. included (i) the minimum CET1 capital ratio required under "Pillar 1" (4.5 per cent.), (ii) the additional own funds requirement under "Pillar 2" and (iii) the capital conservation buffer (0.625 per cent. phased-in and 2.5 per cent. fully loaded).

Further, as of 1st January, 2016 the Issuer is required to maintain a G-SIB buffer of a CET1 capital ratio of 1 per cent. on a consolidated basis. The G-SIB buffer is being phased-in from 1st January, 2016 to 1st January, 2019, with the result that the G-SIB buffer applicable to the Issuer for 2016 is a CET1 capital ratio of 0.25 per cent. on a consolidated basis. In addition, as of 1st January, 2016, the Issuer is required to maintain a D-SIB buffer of a CET1 capital ratio of 0.5 per cent. on a consolidated basis. The D-SIB buffer is also being phased-in from 1st January, 2016 to 1st January, 2019, with the result that the D-SIB buffer applicable to the Issuer for 2016 is a CET1 capital ratio of 0.125 per cent. on a consolidated basis.

Accordingly, under CRD IV the Issuer is required to maintain a systemic buffer equal to the G-SIB buffer for 2016 because the requirements for the G-SIB buffer exceed those of the D-SIB buffer. As a result, the total minimum CET1 phased-in capital requirement of the Issuer for 2016 is 9.75 per cent. on a consolidated basis.

Following the Issuer's exclusion from the G-SIB list of the FSB effective on 1st January, 2017, the G-SIB buffer will, unless otherwise indicated by the FSB or the Bank of Spain in the upcoming annual reviews, no longer apply to the Issuer from this date. However, the Bank of Spain announced on 7th November, 2016 that the Issuer will continue to be considered as a D-SIB for 2017 and consequently the Issuer will be required to maintain during 2017 a D-SIB buffer of a CET1 capital ratio of 0.75 per cent. on a consolidated basis. Due to the phasing-in of the D-SIB buffer from 1st January, 2016 to 1st January, 2019, this will result in the D-SIB buffer applicable to the Issuer in 2017 being a CET1 capital ratio of 0.375 per cent. on a consolidated basis. Some or all of the other buffers may also apply to the Issuer and/or the Group from time to time as determined by the European Central Bank and the Bank of Spain.

As a result of the most recent SREP carried out by the ECB in 2016, the Issuer has been informed by the ECB that, effective from 1st January, 2017, it is required to maintain (i) a CET1 phased-in capital ratio of 7.625 per cent. (on a consolidated basis) and 7.25 per cent. (on an individual basis); and (ii) a phased-in total capital ratio of 11.125 per cent. (on a consolidated basis) and 10.75 per cent. (on an individual basis).

This phased-in total capital ratio of 11.125 per cent. on a consolidated basis includes (i) the minimum CET1 capital ratio required under "Pillar 1" (4.5 per cent.); (ii) the "Pillar 1" Additional Tier 1 capital requirement (1.5 per cent.); (iii) the "Pillar 1" Tier 2 capital requirement (2 per cent.); (iv) the additional CET1 capital

requirement under "Pillar 2" (1.5 per cent.); (v) the capital conservation buffer (1.25 per cent. CET1); and (vi) the D-SIBs buffer (0.375 per cent. CET1).

As of 30th September, 2016, BBVA's phased-in total capital ratio was 15.95 per cent. on a consolidated basis and 22.51 per cent. on an individual basis. As of 30th September, 2016, BBVA's CET1 phased-in capital ratio was 12.26 per cent. on a consolidated basis and 18.11 per cent. on an individual basis. Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Issuer and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further "Pillar 2" additional own funds requirements on the Issuer and/or the Group.

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

According to Article 48 of Law 10/2014, Article 73 of RD 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any entity not meeting its "combined buffer requirement" is required to determine its Maximum Distributable Amount (**MDA**) as described therein. Until the MDA has been calculated and communicated to the Bank of Spain, the relevant entity will be subject to restrictions on (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 instruments (discretionary payments) and, thereafter, any such discretionary payments by that entity will be subject to such MDA. Furthermore, as set forth in Article 48 of Law 10/2014, the adoption by the Bank of Spain of the measures prescribed in Articles 68.2.h) and 68.2.i) of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends respectively will also restrict discretionary payments to such MDA.

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16th December, 2015 (the **December 2015 EBA Opinion**), in the EBA's opinion competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the MDA calculation is limited to the amount not used to meet the "Pillar 1" and, if applicable, "Pillar 2" own funds requirements of the institution. In addition, the December 2015 EBA Opinion advises the European Commission (i) to review Article 141 of the CRD IV Directive with a view to avoiding differing interpretations of Article 141(6) and ensure greater consistency between the maximum distributable amount framework and the capital stacking order described in the opinion and in the EBA SREP Guidelines by which the "Pillar 1" and, if applicable, "Pillar 2" capital requirements represent the minimum capital to be preserved at all times by an institution and it is only the CET1 capital of that institution not used to meet its "Pillar 1" and, if applicable, "Pillar 2" requirements that is then available to meet the "combined buffer requirement" of the institution and (ii) to review the prohibition on distributions in all circumstances where an institution fails to meet the "combined buffer requirement" and no profits are made in any given year, notably insofar as it relates to Additional Tier 1 instruments. There can be no assurance as to how and when binding effect will be given to the December 2015 EBA Opinion in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements. The EU Banking Reforms propose certain amendments in order to clarify, for the purposes of restrictions on distributions, the hierarchy between the "Pillar 2" additional own funds requirements, the minimum "own funds" "Pillar 1" requirements, the own funds and eligible liabilities requirement, MREL (as defined below) requirements and the "combined buffer requirements" (which is referred to as "stacking order").

On 1st July, 2016, the EBA published additional information explaining how supervisors intend to use the results of an EU-wide stress test for SREP in 2016 (which results were published on 29th July, 2016). The EBA stated, among other things, that the incorporation of the quantitative results of the EU-wide stress test into SREP assessments may include setting additional supervisory monitoring metrics in the form of capital guidance. Such guidance will not be included in MDA calculations but competent authorities would expect banks to meet that guidance except when explicitly agreed. Competent authorities have remedial tools if an institution refuses to follow such guidance. The EU Banking Reforms also propose that a distinction be made between "Pillar 2" capital requirements and guidance, with only the former being mandatory requirements.

The ECB has also set out in its recommendation of 17th December, 2015 on dividend distribution policies, that credit institutions should establish dividend policies using conservative and prudent assumptions in order, after any distribution, to satisfy the applicable capital requirements.

Any failure by the Issuer and/or the Group to comply with its regulatory capital requirements could also result in the imposition of further "Pillar 2" requirements and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015, de 18 de junio de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) (**Law 11/2015**), which, together with Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended (**RD 1012/2015**) has implemented Directive 2014/59/EU of 15th May establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) into Spanish law.

At its meeting of 12th January, 2014, the oversight body of the Basel Committee on Banking Supervision (**BCBS**) endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from 1st January, 2015. There will be a mandatory minimum capital requirement on 1st January, 2018, with an initial minimum leverage ratio of 3 per cent. that can be raised after calibration. The proposed revisions to the design and calibration of the leverage ratio were set out in the BCBS April 2016 consultation paper entitled "Revisions to the Basel III leverage ratio framework". The consultation period ended on 6th July, 2016 and BCBS has agreed to finalise the calibration of the leverage ratio in 2016 to allow sufficient time for it to be implemented by 1st January, 2018. The EU Banking Reforms propose a binding leverage ratio requirement of 3 per cent. of Tier 1 capital that is added to an institution's own funds requirements and that an institution must meet in addition to its risk based requirements.

Basel III implementation differs across jurisdictions in terms of timing and applicable rules. For example, the Mexican government introduced the Basel III capital standards in 2012 whereas Basel III became effective in the United States on 1st January, 2015 for credit institutions with total consolidated assets of less than U.S.$250 billion. This lack of uniformity among implemented rules may lead to an uneven playing field and to competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as the Issuer and could undermine its profitability.

See also " - *Any failure by the Issuer and/or the Group to comply with its minimum requirement for own funds and eligible liabilities (MREL) could have a material adverse effect on the Issuer's business, financial condition and results of operations*" below.

There can be no assurance that the implementation of the above capital requirements will not adversely affect the Issuer's ability to pay "discretionary payments" or result in the cancellation of such payments (in whole or in part), or require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Issuer's return on equity and other financial performance indicators.

The consolidation of Garanti in the consolidated financial statements of the Group may result in increased capital requirements

On 19th November, 2014, the Issuer entered into agreements for the acquisition from Doğuş Holding A.Ş. and Ferit Faik Şahenk, Dianne Şahenk and Defne Şahenk, respectively, of 62,538,000,000 shares of Türkiye Garanti Bankası A.Ş. (**Garanti**). The acquisition was conditional on obtaining all necessary regulatory consents from the relevant Turkish, Spanish, EU and, if applicable, other jurisdictions' regulatory authorities and was completed in July 2015. Following completion of this acquisition, the Issuer fully consolidated its shareholding of 39.9 per cent. in Garanti in the consolidated financial statements of the Group. The consolidation of Garanti may result in an increase in the capital requirements imposed on the Group by the ECB through the SSM in accordance with the regulations applicable to Garanti and the Group from time to time and the criteria of the SSM in relation to Turkey and/or Garanti.

Any failure by the Issuer and/or the Group to comply with its minimum requirement for own funds and eligible liabilities (MREL) could have a material adverse effect on the Issuer's business, financial condition and results of operations

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities (known as **MREL**). On 3rd July, 2015 the EBA published the final draft technical standard on the criteria for determining MREL, which was adopted with certain amendments by the European Commission pursuant to Commission Delegated Regulation (EU) 2016/1450 of 23rd May, 2016 (the **MREL Delegated Regulation**). The level of own funds and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on, among other things, the criteria set forth in Article 45.6 of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The MREL requirement came into force on 1st January, 2016. However, the EBA has recognised the impact which this requirement may have on banks' funding structures and costs and the MREL Delegated Regulation states that the resolution authorities shall determine an appropriate transitional period but that this shall be as short as possible. As part of the EU Banking Reforms, the European Commission published on 23rd November, 2016 a Proposal for a Directive of the European Parliament and the Council on amendments to the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the **MREL Proposal**). The MREL Proposal proposes to harmonise national laws on recovery and resolution of credit institutions and investment firms, in particular as regards their loss-absorbency and recapitalisation capacity in resolution and proposes the creation of a new asset class of "non-preferred" senior debt that should only be bailed-in after other capital instruments but before other senior liabilities. The MREL Proposal anticipates that Member States will transpose the proposed amendments into the BRRD in their national laws by approximately June 2017 and that banks to which the amendments apply will have to comply with the amended rules by approximately July 2017.

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

In this regard, the EBA submitted on 14th December, 2016 a final report on the implementation and design of the MREL framework (the **EBA MREL Report**) which contains a number of recommendations to amend the current MREL framework. The EU Banking Reforms contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standards. The EU Banking Reforms propose the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reforms also propose a number of changes to the MREL rules applicable to non-G-SIBs. While the EU Banking Reforms propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. For G-SIBs it is also proposed that a supplementary or "Pillar 2" MREL requirement may be further imposed on a bank-specific basis. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

If the Relevant Spanish Resolution Authority (as defined below) finds that there could exist any obstacles to resolvability by the Issuer and/or the Group, a higher MREL requirement could be imposed.

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

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

Accordingly, any failure by the Issuer and/or the Group to comply with its MREL requirement may have a material adverse effect on the Issuer's business, financial conditions and results of operations and could result in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including the payment of dividends. There can also be no assurance as to the relationship between the "Pillar 2" additional own funds requirements, the "combined buffer requirement", the MREL requirement once implemented in Spain and the restrictions or prohibitions on discretionary payments. Further, as outlined in the EBA MREL Report, the EBA's recommendation is that an institution will not be able to use the same CET 1 capital to meet both MREL and the combined buffer requirements. Further, the EU Banking Reforms provide that, in the case of the own funds and eligible liabilities of an institution that may otherwise contribute to the combined buffer requirement where there is any shortfall in MREL, this will be considered as a failure to

meet the combined buffer requirement such that those own funds will automatically be used instead to meet that institution's MREL requirement and will no longer count towards its combined buffer requirement. Accordingly, this could trigger a limit on discretionary payments (see " – *Increasingly onerous capital requirements may have a material adverse effect on the Issuer's business, financial condition and results of operations*" above). Additionally, if the Relevant Spanish Resolution Authority finds that there could exist any obstacles to resolvability by the Issuer and/or the Group, a higher MREL requirement could be imposed.

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

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

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

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

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

Royal Decree-Law 8/2014, of 4th July, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Issuer operates.

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

In 2015, Law 11/2015 and RD 1012/2015 established a requirement for Spanish credit institutions, including the Issuer, to make at least an annual ordinary contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) payable on request of the Fund for Orderly Bank Restructuring (*Fondo de Restructuración Ordenada Bancaria*) (the **FROB**). The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal, at least, one per cent. of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund by 31st December, 2024. The contribution will be adjusted to the risk profile of each institution in accordance with the criteria set out in RD 1012/2015. The FROB may, in addition, collect extraordinary contributions.

Furthermore, Law 11/2015 has also established in 2015 an additional charge (*tasa*) which shall be used to further fund the activities of the FROB, in its capacity as a resolution authority, which charge shall equal 2.5 per cent. of the above annual ordinary contribution to be made to the National Resolution Fund.

In addition, since 2016 the Issuer has been required to make contributions directly to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM and the SRM. See "–*Regulatory developments related to the EU fiscal and*

banking union may have a material adverse effect on the Issuer's business, financial condition and results of operations."

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

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

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

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

The SSM is intended to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including the Issuer), on 4th November, 2014. The SSM represents a significant change in the approach to bank supervision at a European and global level, even if it is not expected to result in any radical change in bank supervisory practices in the short term. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including the Issuer and indirect supervision of around 3,500 financial institutions. The new supervisor is one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 supervisory authorities that form part of the SSM. Several steps have already been taken in this regard such as the publication of the Supervisory Guidelines and the creation of the SSM Framework Regulation. In addition, the SSM represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (the **SRM Regulation**), which was passed on 15th July, 2014, and took legal effect from 1st January, 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The new Single Resolution Board started operating from 1st January, 2015 and fully assumed its resolution powers on 1st January, 2016. The Single Resolution Fund has also been in place since 1st January, 2016, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8 per cent. bail-in of a bank's total liabilities including own funds has been applied to cover capital shortfalls (in line with the BRRD).

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

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Issuer′s main supervisory authority may have a material effect on the Issuer′s business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU of

the European Parliament and the Council of 16th April, 2014 on deposit guarantee schemes were published in the Official Journal of the EU on 12th June, 2014. The BRRD was implemented into Spanish law through Law 11/2015 and RD 1012/2015.

In addition, on 29th January, 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new constraints on the structure of European banks. The proposal is aimed at ensuring the harmonisation between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making), such as in the Financial Services (Banking Reform) Act 2013, complex securitisations and risky derivatives.

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

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

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

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

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

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

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

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

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

Liquidity and Financial Risks

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

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

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

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

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

Historically, one of the Group's principal sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. The recent introduction of a national tax on outstanding deposits could be negative for the Issuer's activities in Spain. Moreover, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures.

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

The liquidity coverage ratio (**LCR**) is a quantitative liquidity standard developed by the BCBS to ensure that those banking organisations to which this standard is to apply have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The final standard was announced in January 2013 by the BCBS and, since January 2015, is being phased-in until 2019. Currently the banks to which this standard applies must comply with a minimum LCR requirement of 70 per cent. and gradually increase the ratio by 10 percentage points per year to reach 100 per cent. by January 2019.

The BCBS's net stable funding ratio (**NSFR**) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplates that the NSFR, including any revisions, will be implemented by member countries as a minimum standard by 1st January, 2018, with no phase-in scheduled. The EU Banking Reforms propose the introduction of a harmonised binding requirement for the NSFR across the EU that will apply two years after the date of entry into force of the amending regulation at a level of 100 per cent.

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

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

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

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

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

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

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

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

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

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

additional obligations under such agreements, such as a requirement to post additional collateral, which could materially adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

Business and Industry Risks

The Group faces increasing competition in its business lines

The markets in which the Group operates are highly competitive and this trend will likely continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete.

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

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

The Group faces risks related to its acquisitions and divestitures

The Group's mergers and acquisitions activity involves divesting its interests in some businesses and strengthening other business areas through acquisitions. The Group may not complete these transactions in a timely manner, on a cost-effective basis or at all. Even though the Group reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, the Group may assume unanticipated liabilities, or an acquisition may not perform as well as expected. In addition,

transactions such as these are inherently risky because of the difficulties of integrating people, operations and technologies that may arise. There can be no assurance that any of the businesses the Group acquires can be successfully integrated or that they will perform well once integrated. Acquisitions may also lead to potential write-downs due to unforeseen business developments that may adversely affect the Group's results of operations.

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

The Group is party to lawsuits, tax claims and other legal proceedings

Due to the nature of the Group's business, the Issuer and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in jurisdictions around the world (including proceedings on the potential retroactivity of compensation payable to customers regarding certain mortgages clauses), the financial outcome of which is unpredictable, particularly where the claimants seek unspecified or undeterminable damages, or where the cases argue novel legal theories, involve a large number of parties or are at early stages of discovery. An adverse outcome or settlement in these proceedings could result in significant costs and may have a material adverse effect on the Group's business, financial condition, cash flows, results of operations and reputation. In addition, responding to the demands of litigation may divert management's time and attention and financial resources. While the Group believes that it has provisioned such risks appropriately based on the opinions and advice of its legal advisors and in accordance with applicable accounting rules, it is possible that losses resulting from such risks, if proceedings are decided in whole or in part adversely to the Group, could exceed the amount of provisions made for such risks.

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

The Group operates in various countries and its overall success as a global business depends upon its ability to succeed in differing economic, social and political conditions. The Group is particularly sensitive to developments in Mexico, the United States, Turkey and Argentina, which represented 13.26 per cent., 11.53 per cent., 11.87 per cent. and 1.03 per cent. of the Group's assets as at 31st December, 2015, respectively.

The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. See "*−Legal, Regulatory and Compliance Risks—Local regulation may have a material effect on the Issuer's business, financial condition, results of operations and cash flows.*". These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation or expropriation of assets. The Group's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, political risk which may be particular to foreign investors and limitations on the distribution of dividends.

The Group's presence in locations such as the Latin American markets or Turkey requires it to respond to rapid changes in market conditions in these countries and exposes the Group to increased risks relating to emerging markets. See "*−Macroeconomic Risks—The Group may be materially adversely affected by developments in the emerging markets where it operates.*". There can be no assurance that the Group will succeed in developing and implementing policies and strategies that are effective in each country in which it

operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

The Issuer is party to a shareholders' agreement with Doğuş Holding A. Ş., among other shareholders, in connection with Garanti which may affect the Issuer's ability to achieve the expected benefits from its interest in Garanti

On 1st November, 2010, the Issuer entered into a shareholders' agreement with Doğuş Holding A.Ş., Doğuş Nakliyat ve Ticaret A.Ş. and Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş. (the **Doğuş Group**)¸ in connection with the acquisition of its initial interest in Garanti (the **original SHA**). On 19th November, 2014, the Issuer and the Doğuş Group entered into an agreement that amends and restates the original SHA and which came into force upon completion of the Issuer's acquisition of an additional 14.89 per cent. interest in Garanti (the **amended and restated SHA**), bringing the Group's total shareholding in Garanti to 39.9 per cent. The amended and restated SHA allows the Issuer to appoint the Chairman of Garanti's board of directors, the majority of its members and Garanti's CEO, but provides that certain reserved matters must be implemented or approved (either at a meeting of the shareholders or of the board of directors) only with the consent of each party. For example, for so long as the Doğuş Group owns shares representing over 9.95 per cent. of the share capital of Garanti, the disposal or discontinuance of, or material changes to, any line of business or business entity within the Garanti group that has a value in excess of 25 per cent. of the Garanti group's total net assets in one financial year, will require the Doğuş Group's consent. If the Issuer and the Doğuş Group are unable to agree on such reserved matters Garanti's business, financial condition and results of operations may be adversely affected and the Issuer may fail to achieve the expected benefits from its interest in Garanti. In addition, due to the Issuer's and Garanti's association with the Doğuş Group, which is one of the largest Turkish conglomerates with business interests in the financial services, construction, tourism and automotive sectors, any financial reversal, negative publicity or other adverse circumstance relating to the Doğuş Group could adversely affect Garanti or the Issuer.

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

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

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

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

Banks and their activities are increasingly dependent on highly sophisticated information technology (**IT**) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions,

computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Issuer, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that banks will be able to prevent all breaches and other attacks on its IT systems. In addition to costs that may be incurred as a result of any failure of IT systems, banks, including the Issuer, could face fines from bank regulators if they fail to comply with applicable banking or reporting regulations.

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

The preparation of financial statements in accordance with EU-IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse effect on the Group's business, financial condition and results of operations.

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

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

RISKS RELATED TO EARLY INTERVENTION AND RESOLUTION

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

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

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

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

The **Spanish Bail-in Power** is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) RD 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced (which may result in the reduction of the relevant claim to zero), cancelled, modified, transferred or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Spanish Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Spanish Resolution Authority shall be in the following order: (i) CET1 instruments; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; and (v) the eligible senior claims prescribed in Article 41 of Law 11/2015.

Any application of the Spanish Bail-in Power under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group)). Accordingly, the impact of such application on holders of Noteholders will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors.

To the extent any resulting treatment of Noteholders pursuant to the exercise of the Spanish Bail-in Power is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a Noteholder would have a right to compensation under the BRRD based on an independent valuation of the institution. Any such compensation is unlikely to compensate that Noteholder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Notes.

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

The exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Issuer's control. In addition, as the Relevant Spanish Resolution Authority will retain an element of discretion, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any Spanish Bail-in Power by the Relevant Spanish Resolution Authority may occur.

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

In addition, the EBA’s preparation of certain regulatory technical standards and implementing technical standards to be adopted by the European Commission and certain other guidelines is pending. These acts could be potentially relevant to determining when or how a Relevant Spanish Resolution Authority may exercise the Spanish Bail-in Power. The pending acts include guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital instruments, and on the rate of conversion of debt to equity or other securities or obligations in any bail-in. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Noteholder under, and the value of a Noteholder's investment in, the Notes.

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

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

Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute a default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof and any provision providing for such rights shall further be deemed not to apply. However, this does not limit the ability of a counterparty to exercise its rights accordingly where a default arises either

before or after the exercise of any such early intervention or resolution procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes following the adoption of any early intervention or resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes*") and the suspension of payments proposed by the EU Banking Reforms. Any claims of a Noteholder will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a holder of any rights it may otherwise have may be limited in these circumstances.

RISKS RELATED TO NOTES GENERALLY

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

The Issuer may redeem the Notes for tax reasons. This may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature may limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether or not any further change in the laws or regulations of Spain or the application or binding official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes. There can be no assurances that, in the event of any such early redemption, Noteholders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

Claims of Holders under the Notes are effectively junior to those of certain other creditors

The Notes are unsecured and unsubordinated obligations of the Issuer. The Notes will rank equally with any of the Issuer's other outstanding unsecured and unsubordinated obligations, present and future, but, (a) subject to the exercise of any power pursuant to Law 11/2015, RD 1012/2015 or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain and (b) in the event of insolvency, only to the extent permitted by the Insolvency Law or other laws relating to or affecting the enforcement of creditor's rights in Spain.

Upon insolvency, the obligations of the Issuer under the Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other obligations that rank senior under Spanish law (including, among other things, any deposits for the purposes of Additional Provision 14.1 of Law 11/2015 and any claims against the insolvency estate). The Notes are also structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the

Issuer to receive any assets of such companies upon their winding up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

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

Spanish Tax Rules

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

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

(i) identification of the securities;

(ii) payment date;

(iii) total amount of income paid on the relevant date; and

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

These obligations refer to the total amount paid to investors through each foreign clearing house.

In accordance with Article 44 of RD 1065/2007 the relevant Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. on the total amount of the return on the relevant Notes otherwise payable to such entity.

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

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

General

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

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

The terms and conditions of the Notes (except for the status of the Notes) are based on English law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Information Memorandum and any such change could materially adversely impact the rights of any Noteholders.

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

Risks related to the market generally

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

An active secondary market in respect of the Notes may never be established or may be illiquid and the market price of the Notes may be subject to factors outside of the Issuer's control, all of which could adversely affect the value at which an investor could sell his Notes

The Notes may have no established trading market when issued, and one may never develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid. The market price of the Notes could also be affected by market conditions more generally and other factors outside of the Issuer's control and unrelated to the Group's business, financial condition and results of operations. Therefore, investors may not be able to sell their Notes at a particular time or may not be able to sell their Notes at a favourable price.

Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular issue of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular issue of Notes. The liquidity of any market for the Notes will depend on a number of factors including:

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

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

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

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

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

The value of fixed rate Notes may be adversely affected by movements in market interest rates

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

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

One or more independent credit rating agencies may assign credit ratings to the Notes (including on an unsolicited basis). The ratings may not reflect the potential impact of all risks related to structure and market of the Notes and additional factors discussed above and do not address the price, if any, at which the Notes may be resold prior to maturity (which may be substantially less than the original offering price of the Notes) and other factors that may affect the value of the Notes. However, real or anticipated changes in the Issuer’s

credit ratings will generally affect the market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

HISTORY AND DEVELOPMENT OF THE ISSUER

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or S.A.) under the Spanish Corporations Law on 1st October, 1988. BBVA was formed following the merger of Argentaria into BBV, which was approved by the shareholders of each entity on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Calle Azul, 4, 28050, Madrid, Spain, telephone number +34-91-374-6201. BBVA's agent in the U.S. for U.S. federal securities law purposes is Banco Bilbao Vizcaya Argentaria, S.A. New York Branch (1345 Avenue of the Americas, 44th Floor, New York, New York 10105 (Telephone: +1-212-728-1660)). BBVA is incorporated for an unlimited term.

CAPITAL EXPENDITURES

BBVA's principal investments are financial investments in its subsidiaries and affiliates. The main capital expenditures in 2015, 2014 and 2013 were as follows:

2015

Acquisition of an additional 14.89 per cent. of Garanti

On 19th November, 2014, the Group signed a new agreement with the Doğuş Group to, among other terms, acquire 62,538,000,000 additional shares of Garanti (equivalent to 14.89 per cent. of the capital of this entity) for a maximum total consideration of TL 8.90 per batch (Garanti traded in batches of 100 shares each).

The same agreement stated that if the payment of dividends for the year 2014 was executed by the Doğuş Group before the closing of the acquisition, that amount would be deducted from the amount payable by BBVA. On 27th April, 2015, the Doğuş Group received the amount of the dividend paid to shareholders of Garanti, which amounted to TL 0.135 per batch.

On 27th July, 2015, after obtaining all the required regulatory approvals, the Group completed the acquisition of these shares. The Group's current interest in Garanti is 39.90 per cent.

The total price effectively paid by BBVA amounted to TL 8.765 per batch (amounting to approximately TL 5,481 million and €1,857 million applying a 2.9571 TL/EUR exchange rate).

The agreements with the Doğuş Group include an agreement for the management of Garanti and the appointment by the Group of the majority of the members of its board of directors (seven out of ten). The 39.90 per cent. stake in Garanti is consolidated in the Group, because of these management agreements. In accordance with IFRS-IASB, and as a consequence of the agreements reached, the Group shall, at the date of effective control, measure at fair value its previously acquired stake of 25.01 per cent. in Garanti (classified as a joint venture accounted for using the equity method) and shall consolidate Garanti in the consolidated financial statements of the Group beginning on the above-mentioned effective control date.

Measuring the above-mentioned stake in Garanti at fair value resulted in a negative impact in "Gains (Losses) on derecognised assets not classified as non-current assets held for sale" in the consolidated income statement of the Group for the year ended 31st December, 2015, which resulted, in turn, in a net negative impact in the "Profit attributable to parent company" of the Group in 2015 amounting to €1,840 million. Such accounting impact did not translate into any additional cash outflow from BBVA. Most of this impact is generated by the exchange rate differences due to the depreciation of the TL against euro since the initial acquisition by BBVA of the 25.01 per cent. stake in Garanti up to the date of effective control. As of 31st

December, 2015, these exchange rate differences were already recognised as Other Comprehensive Income deducting the stock shareholder's equity of the Group.

As of 31st December, 2015, Garanti has total assets of approximately €90 billion, of which approximately €55 billion were loans to customers, and a volume of customer deposits of approximately €75 billion. The contribution of Garanti to the 2015 consolidated income statement was €371 million regardless of the above mentioned measurement of the stake in Garanti at fair value. See Note 6 to the Consolidated Financial Statements for additional information.

If the business combination with Garanti had become effective on 1st January, 2015, Garanti would have contributed €539 million to the consolidated income statement for the year ended 31st December, 2015, regardless of the above mentioned measurement of the stake in Garanti at fair value.

According to the acquisition method, which compares the fair values assigned to the assets acquired and the liabilities assumed by the Issuer from Garanti with the overall purchase price paid by the Issuer, the Group provisionally estimated that the acquisition of Garanti generated goodwill of €622 million as of 31st December, 2015, which was recognised under the heading "Intangible assets – Goodwill" in the consolidated balance sheet as of 31st December, 2015. According to IFRS 3, there is a period, not to exceed one year from the acquisition date, to retrospectively adjust the provisional amounts recognised at the acquisition date for new facts and circumstances not in existence on such date that would have affected the calculation of the initial acquisition price. See Note 18.1 to the Consolidated Financial Statements for additional information.

Acquisition of Catalunya Banc

On 24th April, 2015, once the necessary authorisations had been obtained and all of the agreed conditions precedent had been fulfilled, BBVA announced the acquisition of 1,947,166,809 shares of Catalunya Banc, S.A. (**Catalunya Banc**) (approximately 98.4 per cent. of its share capital) for a price of approximately €1,165 million.

Previously, on 21st July, 2014, the Management Commission of the FROB had accepted BBVA's bid in the competitive auction for the acquisition of Catalunya Banc.

As of 31st December, 2015, Catalunya Banc had assets of approximately €40 billion, of which approximately €19 billion corresponded to loans and advances to customers. Customer deposits amounted to approximately €36 billion as of such date.

According to the purchase method, the comparison between the fair values assigned to the assets acquired and the liabilities assumed from Catalunya Banc as of 31st December, 2015, and the cash payment made to the FROB in consideration of the transaction generated a difference of €26 million, which was recognised under the heading "Negative Goodwill in business combinations" in the consolidated income statement for the year ended 31st December, 2015. According to IFRS 3, there is a period, not to exceed one year from the acquisition date, to retrospectively adjust the provisional amounts recognised at the acquisition date for new facts and circumstances not in existence on such date that would have affected the calculation of the initial acquisition price. See Note 18.1 to the Consolidated Financial Statements for additional information.

2014

In 2014 there were no additional significant capital expenditures.

2013

Acquisition of Unnim Vida.

On 1st February, 2013, Unnim Banc, S.A. (which was subsequently merged into BBVA), reached an agreement with Aegon Spain Holding B.V. to acquire 50 per cent. of Unnim Vida, Inc. Insurance and

Reinsurance (**Unnim Vida**) for a price of €352 million. Following this acquisition, the Group owned 100 per cent. of Unnim Vida.

CAPITAL DIVESTITURES

BBVA's principal divestitures are financial divestitures in its subsidiaries and affiliates. The main capital divestitures in 2015, 2014 and 2013 were as follows:

2015

Sale of the participation in Citic International Financial Holdings Limited (CIFH)

On 23rd December, 2014, the Group signed an agreement to sell its 29.68 per cent. participation in Citic International Financial Holdings Limited (**CIFH**), to China CITIC Bank Corporation Limited (**CNCB**). CIFH is a non-listed subsidiary of CNCB domiciled in Hong Kong. On 27th August, 2015, BBVA completed the sale of this participation. The selling price of HK$8,162 million was recognised under "gains (losses) in non-current assets held for sale not classified as discontinued operations".

Partial sale of China CITIC Bank Corporation Limited (CNCB)

On 23rd January, 2015, the Group signed an agreement to sell a 4.9 per cent. stake in CNCB to UBS AG, London Branch (**UBS**), which in turn entered into transactions pursuant to which such CNCB shares were to be transferred to a third party, with the ultimate economic benefit of ownership of such CNCB shares being transferred to Xinhu Zhongbao Co., Ltd (**Xinhu**) (collectively, the **Relevant Transactions**). On 12th March, 2015, after having obtained the necessary approvals, BBVA completed the sale. The selling price to UBS was HK$5.73 per share, amounting to a total of HK$13,136 million, equivalent to approximately €1,555 million (with an exchange rate of €/HK$=8.45 as of the date of the closing).

In addition to the sale of this 4.9 per cent. stake, the Group made various sales of CNCB shares in the market during 2015. In total, a participation of 6.34 per cent. in CNCB was sold during 2015. The impact of these sales on the Consolidated Financial Statements of the Group was a gain, net of taxes, of approximately €705 million in 2015. This gain, gross of taxes, was recognised under "Gains (losses) in non-current assets available for sale not classified as discontinued operations" in the consolidated income statement for 2015. See Note 49 to the Consolidated Financial Statements for additional information.

As of 31st December, 2015, BBVA holds a 3.26 per cent. interest in CNCB (valued at €910 million). This participation is recognised under the heading "Available for sale financial assets" in BBVA's balance sheet as of 31st December, 2015.

2014

In 2014 there were no significant capital divestitures.

2013

Sale of BBVA Panama

On 20th July, 2013, BBVA announced that it had reached an agreement with the entity Leasing Bogotá S.A., Panamá, a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale of BBVA's direct and indirect ownership interest (98.92 per cent.) in Banco Bilbao Vizcaya Argentaria (Panamá), S.A. (**BBVA Panamá**).

On 19th December, 2013, after having obtained the necessary approvals, BBVA completed the sale.

The total consideration that BBVA received pursuant to this sale amounted to approximately U.S.$645 million, U.S.$505 million as sale price and U.S.$140 million as distribution of dividends by BBVA Panamá from 1st June, 2013.

After deducting such distribution of dividends the capital gain for BBVA gross of taxes amounted to approximately €230 million which was recognised under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement in 2013. See Note 49 to the Consolidated Financial Statements for additional information.

Sale of pension businesses in Latin America

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

On 2nd October, 2013, with the sale of Administradora de Fondos de Pensiones AFP Provida S.A. (**AFP Provida**), BBVA finalized the process. Below is a description of each of the operations that have been carried out during this process:

Sale of AFP Provida (Chile)

On 1st February, 2013, BBVA reached an agreement with MetLife, Inc., for the sale of the 64.3 per cent. stake that BBVA held directly and indirectly in the Chilean Pension Fund manager AFP Provida.

On 2nd October, 2013, BBVA completed the sale. The total amount in cash received by BBVA was approximately U.S.$1,540 million, taking into account the purchase price amounting to roughly U.S.$1,310 million as well as the dividends paid by AFP Provida since 1st February, 2013 amounting to roughly U.S.$230 million. The gain on disposal, attributable to the parent company net of taxes, amounted to approximately €500 million which was recognised under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013. See Note 49 to the Consolidated Financial Statements for additional information.

Sale of BBVA AFP Horizonte S.A. (Peru)

On 23rd April, 2013, BBVA sold its wholly owned Peruvian subsidiary "AFP Horizonte SA" to "AFP Integra SA" and "Profuturo AFP, SA" who have each acquired 50 per cent. of AFP Horizonte SA.

The total consideration paid for such shares was approximately U.S.$544 million. This consideration was composed of a purchase price of approximately U.S.$516 million and a dividend distributed prior to the closing of approximately U.S.$28 million.

The gain on disposal, attributable to parent company net of taxes, amounted to approximately €206 million at the moment of the sale and such gain was recognised under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013. See Note 49 to the Consolidated Financial Statements for additional information.

Sale of BBVA AFP Horizonte S.A. (Colombia)

On 24th December, 2012, BBVA reached an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to the former of the total stake that BBVA held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A.

On 18th April, 2013, after having obtained the necessary approvals, BBVA completed the sale. The adjusted total price was U.S.$541.4 million. The gain on disposal, attributable to BBVA net of taxes, amounted to approximately €255 million at the moment of the sale, and was recognised under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013. See Note 49 to the Consolidated Financial Statements for additional information.

Sale of Afore Bancomer (Mexico)

On 27th November, 2012, BBVA reached an agreement to sell to Afore XXI Banorte, S.A. de C.V. its entire stake directly or indirectly held in the Mexican subsidiary Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.

Once the corresponding authorisation had been obtained from the competent authorities, the sale was closed on 9th January, 2013, at which point the Group no longer had control over the subsidiary sold.

The total sale price was U.S.$1,735 million (approximately €1,327 million). The gain on disposal, attributable to parent company net of taxes, was approximately €771 million, and was recognised under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013. See Note 49 to the Consolidated Financial Statements for additional information.

Agreement with CITIC Group

As of 21st October, 2013, BBVA reached an agreement with the Citic group that included, among other matters, the sale by BBVA of a 5.1 per cent. stake in CNCB to Citic Limited for an amount of approximately €944 million. After this sale, the stake of BBVA in CNCB was reduced to 9.9 per cent.

In accordance with IFRS 11, this sale led to a change in the accounting criteria applicable to BBVA's participation in CNCB, to a financial participation recognised under the heading "Available-for-sale financial assets". See Notes 12 and 16 to the Consolidated Financial Statements for additional information.

This change in the accounting criteria and the sale referred to above resulted in a loss attributable to the Group at the time of the sale of approximately €2,600 million which was recognised under the heading "Gains (losses) on derecognised assets not classified as non-current assets held for sale" in the consolidated income statement in 2013. See Note 48 to the Consolidated Financial Statements for additional information.

BUSINESS OVERVIEW

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

Operating Segments

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

- Banking Activity in Spain
- Real Estate Activity in Spain
- Turkey
- Rest of Eurasia
- Mexico
- South America
- United States

In addition to the operating segments referred to above, the Group has a Corporate Center which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including: costs from central units that have a strictly corporate function; management of structural exchange rate positions carried out by the Financial Planning unit; specific issuances of capital instruments designed to ensure adequate management of the Group's overall capital position; proprietary portfolios such as holdings in some of Spain's leading companies and their corresponding results; certain tax assets and liabilities; provisions related to commitments with pensioners; and goodwill and other intangibles. It also comprises the following items (i) with respect to 2015, the capital gains from the sales of a 6.34 per cent. stake in CNCB and a 29.68 per cent. stake in CIFH, the impact associated with the valuation at fair value of the 25.01 per cent. initial stake held by BBVA in Garanti, and the negative goodwill from the acquisition of Catalunya Banc and (ii) with respect to 2013, the earnings from the sale of the pension businesses in Mexico, Colombia, Peru and Chile and also the results of these businesses until their sale; the capital gain from the sale of BBVA Panama; and the impact associated with the reduction of the stake in CNCB (which led to the repricing at market value of BBVA's stake in CNCB, as well as the equity-adjusted results from CNCB, excluding dividends).

In accordance with Circular 5/2015 of the *Comisión Nacional del Mercado de Valores*, certain information presented below as of and for the year ended 31st December, 2015 was restated in the June 2016 Form 6-K. Information presented below as of and for the years ended 31st December, 2014 and 31st December, 2013 is as included in the Form 20-F. See Note 1.3 to the June 2016 Form 6-K for additional information.

The breakdown of the Group's total assets by operating segments as of 31st December, 2015, 2014 and 2013 is as follows:

	As of 31st December		
Total Assets by Operating Segment	**2015**	**2014**	**2013[(1)]**
	(in millions of euros)		
Banking Activity in Spain	339,775	318,446	314,956
Real Estate Activity in Spain	17,122	17,365	19,975
Turkey[(2)]	89,003	22,342	19,453
Rest of Eurasia	23,469	22,325	21,771
Mexico	99,594	93,731	81,801
South America	70,661	84,364	77,874
United States	86,454	69,261	53,046
Subtotal Assets by Operating Segments	**726,079**	**627,834**	**588,876**
Corporate Center and other adjustments[(3)]	23,999	4,108	(6,179)
Total Assets BBVA Group	**750,078**	**631,942**	**582,697**

(1) Reflects certain restatements relating to, among others, the reclassification of the Group's business in Panama (sold in 2013) to the Corporate Center.

(2) The information is presented under management criteria, pursuant to which Garanti's assets and liabilities have been proportionally integrated based on BBVA's 25.01 per cent. interest in Garanti that it held until July 2015. On 27th July, 2015 the agreement referred to in "*– Capital Expenditures – 2015 and 2014 – Acquisition of an additional 14.89 per cent. of Garanti*" came into effect and the Garanti Group was fully consolidated in BBVA's consolidated financial statements.

(3) Other adjustments include adjustments made to account for the fact that, in the consolidated financial statements, Garanti was accounted for using the equity method rather than using the management criteria referred to above.

The following table sets forth information relating to the profit by each of BBVA's operating segments and Corporate Center for the years ended 31st December, 2015, 2014 and 2013.

	Profit/(Loss) Attributable to Parent Company			**per cent. of Profit/(Loss) Attributable to Parent Company**		
	For the Year Ended 31st December					
	2015	**2014[(3)]**	**2013[(1)]**	**2015**	**2014**	**2013[(1)]**

	(in millions of euros)			(in percentage)		
Banking Activity in Spain................	1,046	858	428	23.1	22.2	14.2
Real Estate Activity in Spain............	(492)	(901)	(1,268)	(10.9)	(23.3)	(41.9)
Turkey[(2)]	371	310	264	8.2	8.0	8.7
Rest of Eurasia..................................	76	255	185	1.7	6.6	6.1
Mexico...	2,090	1,915	1,802	46.1	49.5	59.6
South America..................................	905	1,001	1,224	20.0	25.9	40.5
United States....................................	537	428	390	11.9	11.1	12.9
Subtotal Operating Segments........	**4,533**	**3,867**	**3,025**	**100.00**	**100.00**	**100.00**
Corporate Center	(1,891)	(1,249)	(941)			
Profit..	**2,642**	**2,618**	**2,084**			

(1) Reflects certain restatements relating to, among others, the reclassification of the Group's business in Panama (sold in 2013) to the Corporate Center.

(2) The information is presented under management criteria, pursuant to which Garanti's assets and liabilities have been proportionally integrated based on BBVA's 25.01 per cent. interest in Garanti that it held until July 2015. On 27th July, 2015 the agreement referred to in "*– Capital Expenditures – 2015 and 2014 – Acquisition of an additional 14.89 per cent. of Garanti*" came into effect and the Garanti Group was fully consolidated in BBVA's consolidated financial statements.

(3) In the fourth quarter of 2015, several operating expenses related to technology have been reclassified from the Corporate Center to the Banking Activity in Spain reporting business area. This reclassification is a consequence of the reassignment of technology related management competences, resources and responsibilities from the Corporate Center to the Banking Activity in Spain reporting business area during 2015.

The following table sets forth information relating to the income of each operating segment for the years ended 31st December, 2015, 2014 and 2013 and reconciles the income statement of the various operating segments to the consolidated income statement of the Group:

	Operating Segments										
	Banking Activity in Spain	**Real Estate Activity in Spain**	**Turkey [(1)]**	**Rest of Eurasia**	**Mexico**	**South America**	**United States**	**Corporate Center**	**Total**	**Adjustmen ts [(2) (4)]**	**BBVA Group**
	(in millions of euros)										
2015											
Net interest income......	4,000	66	2,194	183	5,393	3,202	1,811	(424)	16.426	(404)	16,022
Gross income..............	6,804	(16)	2,434	473	7,069	4,477	2,652	(212)	23.680	(318)	23,362
Net margin before provisions[(3)]	3,302	(150)	1,273	121	4,456	2,498	846	(982)	11.363	(109)	11,254
Operating profit/(loss) before tax........................	1,492	(713)	853	111	2,769	1,814	705	(1,152)	5.879	(1,276)	4,603
Profit..............................	**1,046**	**(492)**	**371**	**76**	**2,090**	**905**	**537**	**(1,891)**	**2.642**	**-**	**2,642**
2014											
Net interest income..........	3,830	(38)	735	189	4,910	4,699	1,443	(651)	15.116	(734)	14,382
Gross income..................	6,621	(220)	944	736	6,522	5,191	2,137	(575)	21.357	(632)	20,725
Net margin before provisions[(3)]	3,534	(373)	550	393	4,115	2,875	640	(1,328)	10.406	(240)	10,166
Operating profit/(loss) before tax........................	1,220	(1,287)	392	320	2,519	1,951	561	(1,615)	4.063	(82)	3,980
Profit..............................	**858**	**(901)**	**310**	**255**	**1,915**	**1,001**	**428**	**(1,249)**	**2.618**	**-**	**2,618**
2013											
Net interest income..........	3,838	4	713	195	4,478	4,660	1,402	(678)	14.613	(713)	13,900
Gross income..................	6,103	(111)	929	788	6,194	5,583	2,047	(343)	21.191	(439)	20,752
Net margin before provisions[(3)]	2,860	(253)	522	459	3,865	3,208	618	(1,290)	9.990	(34)	9,956
Operating profit/(loss) before tax........................	1	(1,868)	339	248	2,358	2,354	534	(1,421)	2.544	(1,590)	954
Profit..............................	**428**	**(1,268)**	**264**	**185**	**1,802**	**1,224**	**390**	**(941)**	**2.084**	**-**	**2,084**

(1) The information is presented under management criteria, pursuant to which Garanti's assets and liabilities have been proportionally integrated based on BBVA's 25.01 per cent. interest in Garanti that it held until July 2015. On 27th July, 2015 the agreement referred to in "*– Capital Expenditures – 2015 and 2014 – Acquisition of an additional 14.89 per cent. of Garanti*" came into effect and the Garanti Group was fully consolidated in BBVA's consolidated financial statements.

(2) Other adjustments include adjustments made to account for the fact that, in BBVA's consolidated financial statements, Garanti was accounted for using the equity method rather than using the management criteria referred to above.

(3) "Net margin before provisions" is calculated as "Gross income" less "Administration costs" and "Depreciation and amortisation".
(4) In the fourth quarter of 2015, several operating expenses related to technology have been reclassified from the Corporate Center to the Banking Activity in Spain reporting business area. This reclassification is a consequence of the reassignment of technology related management competences, resources and responsibilities from the Corporate Center to the Banking Activity in Spain reporting business area during 2015.

Banking Activity in Spain

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

- ***Spanish Retail Network***: including individual customers, private banking, small companies and businesses in the domestic market;

- ***Corporate and Business Banking (CBB)***: which manages small and medium-sized enterprises (**SMEs**), companies and corporations, public institutions and developer segments;

- ***Corporate and Investment Banking (C&IB)***: responsible for business with large corporations and multinational groups and the trading floor and distribution business in Spain; and

- ***Other units***: which include the insurance business unit in Spain (BBVA Seguros), and the Asset Management unit, which manages Spanish mutual funds and pension funds.

In addition, it includes certain loans and advances portfolios, finance and structural euro balance sheet positions.

The following table sets forth information relating to the activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

	As of 31st December		
	2015	**2014**	**2013**
	(in millions of euros)		
Total Assets	**339,775**	**318,446**	**314,956**
Loans and advances to customers	**192,068**	**174,201**	**178,288**
Of which:			
Residential mortgages	85,002	74,508	77,575
Consumer finance	6,145	5,270	6,703
Loans	*4,499*	*3,946*	*4,962*
Credit cards	*1,646*	*1,324*	*1,741*
Loans to enterprises	43,763	37,224	37,181
Loans to public sector	20,975	22,833	21,694
Customer deposits	**185,471**	**154,261**	**157,124**
Of which:			
Current and savings accounts	81218	61,434	56,194
Time deposits	78,403	70,521	80,234
Other customer funds	14,906	9,207	8,198
Assets under management	**54,504**	**50,702**	**42,651**
Mutual funds	31,484	29,649	23,018
Pension funds	22,897	21,879	20,427
Other placements	123	174	206

Loans and advances to customers in this operating segment as of 31st December, 2015 amounted to €192,068 million, a 10.3 per cent. increase from the €174,201 million recorded as of 31st December, 2014, mainly as a result of the acquisition of Catalunya Banc on 24th April, 2015.

Customer deposits in this operating segment as of 31st December, 2015 amounted to €185,471 million, a 20.2 per cent. increase from the €154,261 million recorded as of 31st December, 2014, mainly due to the acquisition of Catalunya Banc and the positive performance of current and saving accounts.

Mutual funds in this operating segment as of 31st December, 2015 amounted to €31,484 million, a 6.2 per cent. increase from the €29,649 million recorded as of 31st December, 2014 mainly as a result of the transfer of customer deposits to mutual funds. Pension funds in this operating segment as of 31st December, 2015 amounted to €22,897 million, a 4.7 per cent. increase from the €21,879 million recorded as of 31st December, 2014.

This operating segment's non-performing asset ratio increased to 6.6 per cent. as of 31st December, 2015, from 6.0 per cent. as of 31st December, 2014, mainly due to the acquisition of Catalunya Banc. This operating segment's non-performing assets coverage ratio increased to 59 per cent. as of 31st December, 2015, from 45 per cent. as of 31st December, 2014.

Real Estate Activity in Spain

This operating segment was set up with the aim of providing specialised and structured management of the real estate assets accumulated by the Group as a result of the economic crisis in Spain. It includes primarily lending to real estate developers and foreclosed real estate assets.

The exposure, including loans and advances to customers and foreclosed assets, to the real estate sector in Spain is declining. As of 31st December, 2015, the balance stood at €12,394 million, 1.2 per cent. lower than as of 31st December, 2014. Non-performing assets of this segment have continued to decline and as of 31st December, 2015 were 8.5 per cent. lower than as of 31st December, 2014. The coverage of non-performing and potential problem loans of this segment increased to 63.4 per cent. as of 31st December, 2015, compared with 62.8 per cent. of the total amount of real-estate assets in this operating segment.

The number of real estate assets sold amounted to 21.082 units in 2015, 9 per cent. lower than in 2014.

Turkey

This operating segment reflects BBVA's stake in the Turkish bank Garanti. Following management criteria, assets and liabilities have been proportionally integrated based on the 25.01 per cent. interest in Garanti until July 2015, when the acquisition discussed above was completed and BBVA began to fully consolidate Garanti and its subsidiaries (the **Garanti Group**) (100 per cent.).

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

	As of 31st December		
	2015	**2014**	**2013**
	(in millions of euros)		
Total Assets	**89,003**	**22,342**	**19,453**
Loans and advances to customers	**57,768**	**13,635**	**11,554**
Of which:			
Residential mortgages	6,215	1,413	1,204
Consumer finance	14,156	3,653	3,204

	As of 31st December		
	2015	2014	2013
	(in millions of euros)		
Loans	*9,010*	*2,402*	*1,976*
Credit cards	*5,146*	*1,252*	*1,228*
Loans to enterprises	31,918	7,442	6,380
Loans to public sector	-	-	-
Customer deposits	**47,148**	**11,626**	**9,704**
Of which:			
Current and savings accounts	9,697	2,151	1,726
Time deposits	33,695	7,860	6,889
Other customer funds	-	-	-
Assets under management	**3,620**	**882**	**730**
Mutual funds	1,243	344	373
Pension funds	2,378	538	357

During 2015, the Turkish lira depreciated against the euro in average terms (from 2.9064 TL/EUR in 2014 to 3.0246 TL/EUR in 2015). There was also a year-on-year depreciation of the Turkish lira as of 31st December, 2015 (from 2.8320 liras/€ as of 31st December, 2014 to 3.1765 liras/€ as of 31st December, 2015). The effect of changes in exchange rates was negative for the year-on-year comparison of the Group's income statement and was negative for the year-on-year comparison of the Group's balance sheet (including the information shown above).

Following the consolidation of the Garanti Group in BBVA's consolidated financial statements, as of 31st December, 2015 loans and advances to customers in this operating segment amounted to €57,768 million (as compared to €13,635 million as of 31st December, 2014), customer deposits amounted to €47,148 million (as compared to €11,626 million as of 31st December, 2014), mutual funds amounted to €1,243 million (as compared to €344 million as of 31st December, 2014) and pension funds amounted to €2,378 million (as compared to €538 million as of 31st December, 2014).

This operating segment's non-performing asset ratio was 2.8 per cent. as of 31st December, 2015 and 2014. This operating segment non-performing assets coverage ratio increased to 129.3 per cent. as of 31st December, 2015 from 115.1 per cent. as of 31st December, 2014.

Rest of Eurasia

This operating segment covers the retail and wholesale banking businesses of the Group in Europe (primarily Portugal) and Asia (excluding Spain and Turkey).

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

	As of 31st December		
	2015	2014	2013
	(in millions of euros)		
Total Assets	**23,469**	**22,325**	**21,771**
Loans and advances to customers	**16,143**	**15,795**	**16,843**

	As of 31st December		
	2015	2014	2013
	(in millions of euros)		
Of which:			
Residential mortgages	2,614	2,779	2,952
Consumer finance	322	490	779
Loans	*305*	*475*	*767*
Credit cards	*17*	*15*	*12*
Loans to enterprises	12,619	11,119	11,598
Loans to public sector	216	234	251
Customer deposits	**15,053**	**11,045**	**7,931**
Of which:			
Current and savings accounts	5,031	3,224	2,659
Time deposits	9,319	7,341	4,704
Other customer funds	609	376	463
Assets under management	**331**	**466**	**408**
Mutual funds	-	152	132
Pension funds	331	314	276

Loans and advances to customers in this operating segment as of 31st December, 2015 amounted to €16,143 million, a 2.2 per cent. increase from the €15,795 million recorded as of 31st December, 2014, mainly as a result of the stronger activity in Asia.

Customer deposits in this operating segment as of 31st December, 2015 amounted to €15,053 million, a 36.3 per cent. increase from the €11,045 million recorded as of 31st December, 2014, mainly as a result of increased deposits in Europe.

Mutual funds in this operating segment as of 31st December, 2015 were nil compared to the €152 million recorded as of 31st December, 2014, due mainly to the decrease of these funds in Portugal (mutual funds have been progressively transferred from Portugal to the Asset Management unit within the Banking Activity in Spain segment).

Pension funds in this operating segment as of 31st December, 2015 amounted to €331 million, a 5.4 per cent. increase from the €314 million recorded as of 31st December, 2014, mainly as a result of increases in Portugal.

This operating segment’s non-performing assets ratio decreased to 2.6 per cent. as of 31st December, 2015 from 3.7 per cent. as of 31st December, 2014. This operating segment's non-performing assets coverage ratio increased to 96 per cent. as of 31st December, 2015 from 80 per cent. as of 31st December, 2014.

Mexico

The Mexico operating segment comprises the banking and insurance businesses conducted in Mexico by the BBVA Bancomer financial group.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

As of 31st December		
2015	2014	2013
(in millions of euros)		

Total Assets	**99,594**	**93,731**	**81,801**
Loans and advances to customers	**49,075**	**46,798**	**40,668**
Of which:			
Residential mortgages	9,099	9,272	8,985
Consumer finance	11,588	10,902	10,096
Loans	*6,550*	*5,686*	*4,748*
Credit cards	*5,037*	*5,216*	*5,348*
Loans to enterprises	18,160	16,706	13,881
Loans to public sector	4,197	4,295	3,594
Customer deposits	**49,553**	**45,937**	**42,452**
Of which:			
Current and savings accounts	32,165	28,014	24,672
Time deposits	7,049	6,426	5,611
Other customer funds	5,738	6,537	6,164
Assets under management	**21,557**	**22,094**	**19,673**
Mutual funds	17,894	18,691	16,896
Other placements	3,663	3,403	2,777

The Mexican peso slightly depreciated against the euro as of 31st December, 2015 compared with 31st December, 2014, negatively affecting the business activity of the Mexico operating segment as of 31st December, 2015 expressed in euro. See "*Item 5. Operating and Financial Review and Prospects—Factors Affecting the Comparability of our Results of Operations and Financial Condition*" of the Form 20-F.

Loans and advances to customers in this operating segment as of 31st December, 2015 amounted to €49,075 million, a 4.9 per cent. increase from the €46,798 million recorded as of 31st December, 2014, mainly due to a significant increase in the retail portfolio, especially boosted by lending to SMEs and, to a lesser extent, by consumer finance and credit cards.

Customer deposits in this operating segment as of 31st December, 2015 amounted to €49,553 million, a 7.9 per cent. increase from the €45,937 million recorded as of 31st December, 2014, mainly as a result of the positive performance of both current and saving accounts and time deposits.

Mutual funds in this operating segment as of 31st December, 2015 amounted to €17,894 million, a 4.3 per cent. decrease from the €18,691 million recorded as of 31st December, 2014.

This operating segment's non-performing assets ratio decreased to 2.6 per cent. as of 31st December, 2015, from 2.9 per cent. as of 31st December, 2014. This operating segment non-performing assets coverage ratio increased to 120 per cent. as of 31st December, 2015, from 114 per cent. as of 31st December, 2014.

South America

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

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

- Retail and Corporate Banking: includes banks in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

- Insurance businesses: includes insurance businesses in Argentina, Chile, Colombia, and Venezuela.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

	As of 31st December		
	2015	2014	2013
	(in millions of euros)		
Total Assets	**70,661**	**84,364**	**77,874**
Loans and advances to customers	**44,970**	**52,920**	**48,466**
Of which:			
Residential mortgages	9,810	9,622	8,534
Consumer finance	9,278	13,575	13,112
Loans	*6,774*	*9,336*	*9,441*
Credit cards	*2,504*	*4,239*	*3,670*
Loans to enterprises	19,896	20,846	18,606
Loans to public sector	630	650	601
Customer deposits	**41,998**	**56,370**	**55,167**
Of which:			
Current and savings accounts	**21,011**	35,268	35,091
Time deposits	16,990	16,340	15,018
Other customer funds	4,031	5,012	4,744
Assets under management	**9,729**	**8,480**	**6,552**
Mutual funds	3,793	3,848	2,952
Pension funds	5,936	4,632	3,600

The period-end exchange rate against the euro of the currencies of the countries in which BBVA operates in South America decreased, on average, in 2015, compared with December 2014, negatively affecting business activity in South America. The depreciation of the Venezuelan bolivar as of 31st December, 2015 was particularly significant. See "*Item 5. Operating and Financial Review and Prospects—Factors Affecting the Comparability of our Results of Operations and Financial Condition*" of the Form 20-F.

Loans and advances to customers in this operating segment as of 31st December, 2015 amounted to €44,970 million, a 15.0 per cent. decrease from the €52,920 million recorded as of 31st December, 2014, mainly due to the significant depreciation of the Venezuelan bolivar. Excluding the impact of loans and advances to customers in Venezuela, there was increased activity, particularly in consumer loans, credit cards and corporate lending.

Customer deposits in this operating segment as of 31st December, 2015 amounted to €41,998 million, a 25.5 per cent. decrease from the €56,370 million recorded as of 31st December, 2014, mainly due to the significant depreciation of the Venezuelan bolivar. Excluding the impact of customer deposits in Venezuela, there was positive growth in BBVA's products, in particular current and saving accounts.

Mutual funds in this operating segment as of 31st December, 2015 amounted to €3,793 million, a 1.4 per cent. decrease from the €3,848 million recorded as of 31st December, 2014, mainly due to the significant depreciation of the Venezuelan bolivar, which was partially offset by a positive performance in Argentina, Chile and Peru.

Pension funds in this operating segment as of 31st December, 2015 amounted to €5,936 million, a 28.2 per cent. increase from the €4,632 million recorded as of 31st December, 2014, mainly as a result of the increased volumes in Bolivia and the appreciation of the Bolivian currency.

This operating segment's non-performing assets ratio increased to 2.3 per cent. as of 31st December, 2015 from 2.1 per cent. as of 31st December, 2014. This operating segment non-performing assets coverage ratio decreased to 123 per cent. as of 31st December, 2015, from 138 per cent. as of 31st December, 2014.

United States

This operating segment encompasses the Group's business in the United States. BBVA Compass accounted for approximately 91 per cent. of the area's balance sheet as of 31st December, 2015. Given its weight, most of the comments below refer to BBVA Compass. This operating segment also covers the assets and liabilities of the BBVA office in New York, which specialises in transactions with large corporations.

The following table sets forth information relating to the business activity of this operating segment for the years ended 31st December, 2015, 2014 and 2013:

	As of 31st December		
	2015	**2014**	**2013**
	(in millions of euros)		
Total Assets	**86,454**	**69,261**	**53,046**
Loans and advances to customers	**60,599**	**49,667**	**38,067**
Of which:			
Residential mortgages	**13,182**	11,876	9,591
Consumer finance	7,364	5,812	4,464
Loans	*6,784*	*5,291*	*3,984*
Credit cards	*580*	*522*	*481*
Loans to enterprises	31,882	25,202	19,427
Loans to public sector	4,442	3,706	2,772
Customer deposits	**63,715**	**51,394**	**39,844**
Of which:			
Current and savings accounts	45,717	38,863	30,212
Time deposits	14,456	11,231	8,231

The U.S. dollar appreciated against the euro as of 30th December, 2015 compared with 31st December, 2014, positively affecting the business activity of the United States operating segment as of 30th June, 2015 expressed in euro. See "*Item 5. Operating and Financial Review and Prospects—Factors Affecting the Comparability of our Results of Operations and Financial Condition*" of the Form 20-F.

Loans and advances to customers in this operating segment as of 31st December, 2015 amounted to €60,599 million, a 22.0 per cent. increase from the €49,667 million recorded as of 31st December, 2014, due to an increased focus on lending to companies instead of individuals.

Customer deposits in this operating segment as of 31st December, 2015 amounted to €63,715 million, a 24.0 per cent. increase from the €51,394 million recorded as of 31st December, 2014, mainly due to an increase in the balance of current and saving accounts and time deposits as a result of the campaigns designed to attract deposits.

This operating segment's non-performing assets ratio was 0.9 per cent. as of 31st December, 2015 and 2014. This operating segment non-performing assets coverage ratio decreased to 151 per cent. as of 31st December, 2015, from 167 per cent. as of 31st December, 2014, as a result of the decrease in provisions related to the oil and gas sector due, in turn, to decreasing oil prices.

Organisational Structure

As of 31st December, 2015, the Group was made up of 373 consolidated entities and 116 entities accounted for using the equity method.

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

Below is a simplified organisational chart of BBVA's most significant subsidiaries as of 31st December, 2015.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Ownership	Total Assets[1]
			(in Percentages)		*(in millions of euros)*
BBVA BANCOMER, S.A. DE C.V...........	Mexico	Bank	100.00	99.97	91,872
COMPASS BANK	United States	Bank	100.00	100.00	84,759
TURKIYE GARANTI BANKASI A.S	Turkey	Bank	49.90[2]	39.90	79,236
CATALUNYA BANC, S.A.	Spain	Bank	98.95	98.95	45,283
BBVA CONTINENTAL, S.A.	Peru	Bank	92.24[3]	46.12	21,793
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS...	Spain	Insurance	99.95	99.95	17,279
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	Chile	Bank	68.18	68.18	17,071
BBVA COLOMBIA, S.A...........................	Colombia	Bank	95.43	95.47	14,681
BBVA BANCO FRANCES, S.A.	Argentina	Bank	75.93	75.95	7,614
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	Portugal	Bank	100.00	100.00	4,823
PENSIONES BANCOMER, S.A. DE C.V.	Mexico	Insurance	100.00	100.00	4,291
BANCO DEPOSITARIO BBVA, S.A..	Spain	Bank	100.00	100.00	4,254
SEGUROS BANCOMER, S.A. DE C.V.....	Mexico	Insurance	100.00	99.97	3,630
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	Uruguay	Bank	100.00	100.00	2,997

(1) Figures under financial statements of the subsidiary prepared in accordance with the requirements applicable to that subsidiary.

(2) This figure is calculated by adding BBVA's stake of 39.90 per cent. in Garanti and the Doğuş Group's stake of 10.0002 per cent. As a result of the shareholders' agreement entered into between BBVA and the Doğuş Group, Garanti is consolidated within the Group.

(3) This figure represents the interest of Holding Continental S.A., which owns 92.24 per cent. of the capital stock of Banco Continental. Each of BBVA and Inversiones Breca S.A. owns 50 per cent. of the capital stock of Holding Continental S.A. As a result of the shareholders' agreement entered into between BBVA and Inversiones Breca S.A., BBVA Continental is consolidated within the BBVA Group.

Selected Financial Data

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

Consolidated statement of income data

	Year ended 31st December		
	2015	2014	2013
	(in millions of euros)		
Net interest income	16,022	14,382	13,900
Profit	3,328	3,082	2,836
Profit attributable to parent company	2,642	2,618	2,084

Consolidated balance sheet data

	As at 31st December		
	2015	2014	2013
	(in millions of euros)		
Total assets	750,078	631,942	582,697
Loans and receivables (net)	471,828	372,375	350,945
Customers' deposits	403,362	319,060	300,490
Debt certificates and subordinated liabilities	81,980	72,191	74,676
Non-controlling interests	8,149	2,511	2,371
Total equity	55,439	51,609	44,565

DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than 5 and no more than 15 members. All members of the Board of Directors are elected to serve three-year terms. BBVA's Board of Directors Regulations state that the Board of Directors must try to ensure that there is an ample majority of non-executive directors over the number of executive directors on the Board of Directors.

BBVA's corporate governance system is based on the distribution of functions between the Board of Directors, the Executive Committee and other specialised Board Committees, namely: the Audit and Compliance Committee; the Appointments Committee; the Remuneration Committee; the Risk Committee; and the IT and Cybersecurity Committee. BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors. The Executive Committee will be apprised of such business of BBVA as the Board of Directors resolves to confer on it, in accordance with prevailing legislation, the Company Bylaws or the Board of Directors Regulations.

Board of Directors

The Board of Directors of BBVA is currently comprised of 15 members. The business address of the Directors of BBVA is Calle Azul, 4, 28050 Madrid.

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

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

BBVA's Board of Directors Regulations include rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that Directors with a potential conflict of interest may not participate in meetings at which those situations are being considered.

Accordingly, there are no potential conflicts of interest between the private interests or other duties of the Directors and their duties to BBVA.

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History[*]
Francisco González Rodríguez[1]	Group Executive Chairman	28th January, 2000	11th March, 2016	Group Executive Chairman of BBVA, since January 2000; Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
Carlos Torres Vila[1][6]	Chief Executive Officer	4th May, 2015	11th March, 2016	Chief Executive Officer of BBVA, since 4th May, 2015. Chairman of the IT and Cybersecurity Committee. He started at BBVA on September 2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and BBVA Strategy & Corporate Development Director from January 2009 to March 2014.
Tomás Alfaro Drake[2][3][6]	Independent Director	18th March, 2006	14th March, 2014	Chairman of the Appointments Committee of BBVA since 25th May, 2010. Director of Internal Development and Professor in the Finance department of Universidad Francisco de Vitoria.
José Miguel Andrés Torrecillas[2][3][5][7]	Independent Director	13th March, 2015	Not applicable	Chairman of the Audit and Compliance Committee of BBVA since 4th May, 2015. Chairman of Ernst & Young Spain from 2004 to 2014, where he has been a partner since 1987 and has also held a series of senior offices, including Managing Partner of the Banking Group from 1989 to 2004 and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013.
José Antonio Fernández Rivero[1][4]	External Director	28th February, 2004	13th March, 2015	Was appointed in 2001 as Group General Manager until January 2003. Has been the director representing BBVA on the Boards of Telefónica, Iberdrola, and of Banco de Crédito Local, and Chairman of Adquira.
Belén Garijo López[2][4]	Independent Director	16th March, 2012	13th March, 2015	President and CEO of Merck Serono, Member of the Executive Board and CEO of Merck Healthcare and Member of the

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History[*]
				Board of Directors of L'Oréal. Chair of the International Executive Committee of PhRMA, ISEC (Pharmaceutical Research and Manufacturers of America) since 2011.
José Manuel González-Páramo Martínez-Murillo	Executive Director	29th May, 2013	14th March, 2014	Executive Director of BBVA since 29th May, 2013. Member of the European Central Bank (ECB) Governing Council and Executive Committee from 2004 to 2012. Chairman of European DataWarehouse GmbH since 2013. Head of BBVA's Global Economics, Regulation and Public Affairs.
Sunir Kumar Kapoor[6]	Independent Director	11th March, 2016	Not applicable	President and CEO of UBmatrix Inc from 2005 to 2011. Executive Vice President and CMO of Cassatt Corporation from 2004 to 2005. Oracle Corporation, Vice President Collaboration Suite from 2002 to 2004. Founder and CEO of Tsola Inc from 1999 to 2001. President and CEO of E-Stamp Corporation from 1996 to 1999. Vice President of Strategy, Marketing and Planning of Oracle Corporation from 1994 to 1996. Currently, he is an independent consultant to various leading companies in the technology sector, such as cloud infrastructures or data analysis.
Carlos Loring Martínez de Irujo[1][5]	External Director	28th February, 2004	14th March, 2014	Was Partner of J&A Garrigues, from 1977 until 2004, where he has also held a series of senior offices, including Director of M&A Department, Director of Banking and Capital Markets and member of its Management Committee.
Lourdes Máiz Carro[2][3]	Independent Director	14th March, 2014	Not applicable	Was Secretary of the Board of Directors and Director of the Legal Services at Iberia, Líneas Aéreas de España from 2001 until 2016. Joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado) and from 1992 until 1993 she was Deputy to the Director in the Ministry of Public Administration. From 1993 to 2001 held various positions in the Public

Name	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History(*)
				Administration.
José Maldonado Ramos(1)(3)	External Director	28th January, 2000	13th March, 2015	Was appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009.
José Luis Palao García-Suelto(4)(5)	Independent Director	1st February, 2011	14th March, 2014	Senior Partner of the Financial Division in Spain of Arthur Andersen, from 1979 until 2002. Independent consultant from 2002 to 2010.
Juan Pi Llorens(2)(4)(6)	Independent Director	27th July, 2011	13th March, 2015	Chairman of the Remuneration Committee since 31st March, 2016. Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe, Vice President of Technology & Systems Group at IBM Europe and Vice President of the Financial Services Sector at GMU (Growth Markets Units) in China. He was executive President of IBM Spain.
Susana Rodríguez Vidarte(1)(3)(5)	External Director	28th May, 2002	14th March, 2014	Holds a Chair in Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. Member of Instituto de Contabilidad y Auditoría de Cuentas (Spanish Accountants and Auditors Institute) and Doctor in Economic and Business Sciences from Universidad de Deusto.
James Andrew Stott(4)(5)(6)	Independent Director	11th March, 2016	Not applicable	Chairman of the Risk Committee since 31st March, 2016. Chairman of the Innovation Board, Business Innovation Consulting Group from 2011 to 2015. Independent director and member of the Audit Committee of Catenon from 2011 to 2015. Independent director and Chairman of the Risks and Audit Committee of Barclays Bank España from 2011 to 2014. Partner and General Manager, and other senior posts at Oliver Wyman Financial Services from 1994 to 2010.

(*) Where no date is provided, the position is currently held.
(1) Member of the Executive Committee
(2) Member of the Audit and Compliance Committee

(3) Member of the Appointments Committee
(4) Member of the Remuneration Committee
(5) Member of the Risk Committee
(6) Member of the IT and Cybersecurity Committee
(7) Lead Director

Major Shareholders and Share Capital

As of 6th October, 2016, Blackrock, Inc. communicated that it held an indirect interest of 5.009 per cent. in BBVA's share capital. As at 30th September, 2016, no other person, corporation or government beneficially owned, directly or indirectly, 5 per cent. or more of BBVA's share capital. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of 30th September, 2016, there were 947,244 registered holders of BBVA's shares, with an aggregate of 6,480,357,925 shares, of which 603 shareholders with registered addresses in the United States held a total of 961,131,559 shares (including shares represented by American Depositary Receipts (ADRs)). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders.

Legal Proceedings

Several entities of the Group are party to legal actions in a number of jurisdictions (including, among others, Spain, Mexico and the United States) arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of legal counsel, BBVA considers that none of such actions is material, individually or in the aggregate, and none is expected to result in a material adverse effect on the Group's financial position, results of operations or liquidity, either individually or in the aggregate. The Group's Management believes that adequate provisions have been made in respect of such legal proceedings and considers that the possible contingencies that may arise from such ongoing lawsuits are not material and therefore do not require disclosure to the markets.

On 9th May, 2013, the Supreme Court of Spain issued a decision regarding the legality of "floor" clauses in mortgage loans to consumers by various financial entities (including BBVA) which limit any decrease in variable interest rates on such loans. As part of this decision, the Supreme Court of Spain confirmed that there was to be no retroactive application of the Supreme Court's decision to any position previously settled by a final judicial decision or payments already made at the time the decision was published.

Following the decision of the Supreme Court of Spain, the Provincial Court of Alicante asked the Court of Justice of the European Union (the **CJEU**) to determine if the limitation of the effects of the declaration of invalidity by the Supreme Court of Spain from the date of delivery of its decision was compatible with Council Directive 93/13/EEC of 5th April, 1993 on unfair terms in consumer contracts (**Directive 93/13/EEC**). On 13th July, 2016 the opinion of the Advocate General of the CJEU was published. This opinion confirmed that the time limitations placed on the effects of the invalidity of "floor" clauses in mortgage loans to consumers was compatible with Directive 93/13/EEC. The Advocate General of the CJEU's opinion is not binding on the CJEU and judgment by the CJEU will be given at a later date.

BBVA is not currently the subject of any collective claim in which a refund of amounts paid before 9th May, 2013 is being requested and the number of individual claims of consumers requesting such a refund is not significant. However, BBVA estimates that the maximum amount subject to any potential claims, should the CJEU decide that the Supreme Court of Spain's decision was not compatible with Directive 93/13/EEC, will be approximately €1.2 billion, although past experience in similar circumstances indicates that the actual impact would probably be lower.

FORM OF THE PRICING SUPPLEMENT

Banco Bilbao Vizcaya Argentaria, S.A.

Issue of [ ] [ ]

under the €10,000,000,000

Euro-Commercial Paper Programme

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes described herein. This document constitutes the Pricing Supplement for such Notes and must be read in conjunction with the Information Memorandum dated 16th December, 2016, [as supplemented by the supplement[s] dated [*date[s]*] (the **Information Memorandum**).

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

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

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

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

13.	Day Count Convention:	
14.	Calculation Agent:	[ ]
15.	Reference Banks[7]	
16.	Clearing System(s):	[Euroclear, Clearstream, Luxembourg, other (specify)]
17.	ISIN:	[ ]
18.	Common Code:	[ ]

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

Form

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

Distribution

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

Listing and Admission to Trading

[7] Complete for floating rate interest bearing Notes only.

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

Ratings

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

Yield

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

Interests of Natural and Legal Persons involved in the Issue

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

Responsibility

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

Signed on behalf of:
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

By: ....
(Authorised Signatory)

FORM OF THE NOTES

Part A - Form of Multi-Currency Global Note

THE SECURITIES REPRESENTED BY THIS GLOBAL NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR ANY U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART.

Banco Bilbao Vizcaya Argentaria, S.A.

1. For value received, Banco Bilbao Vizcaya Argentaria, S.A. (the **Issuer**) promises to pay to the bearer of this Global Note on the Maturity Date set out in the Pricing Supplement attached to or endorsed on this Global Note, which supplements these terms and conditions, or, on such earlier date as the same may become payable in accordance with paragraph 4 below (the **Relevant Date**), the Nominal Amount or, as the case may be, the Early Redemption Amount set out in the Pricing Supplement, together with interest thereon, if this is an interest bearing Global Note, at the rate and at the times (if any) specified herein and in the Pricing Supplement. Words and expressions used in the applicable Pricing Supplement shall have the same meanings where used in these terms and conditions unless the context otherwise requires or unless otherwise stated.

   All such payments shall be made in accordance with an issue and paying agency agreement dated 16th December, 2016 (as amended, restated, supplemented or replaced from time to time, the **Agency Agreement**) between, *inter alios*, the Issuer and The Bank of New York Mellon, London Branch (the **Issuing and Paying Agent**) a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, Canary Wharf, London E14 5AL, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the offices of the Issuing and Paying Agent by transfer to an account denominated in the Specified Currency maintained by the bearer with a bank in the principal financial centre in the country of that currency or, if this is a Global Note denominated in euro, by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union. If the applicable Pricing Supplement specifies that new global note (**NGN**) form is applicable, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the ICSDs (as defined below) (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) and in the case of any payment of principal, and upon any such entry being made, the nominal amount of the Global Note recorded in the records of the ICSD and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed. For the purposes of this Global Note **ICSD** means either Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, S.A., Luxembourg (**Clearstream, Luxembourg**).

   Notwithstanding the foregoing, presentation and surrender of this Global Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or mailed to an address in the United States. In the case of a Global Note denominated in U.S. dollars,

payments shall be made by transfer to an account denominated in U.S. dollars in the principal financial centre of any country outside of the United States that the Issuer or Issuing and Paying Agent so chooses.

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

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

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

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

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

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

4. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (provided this is not a floating rate interest bearing Global Note) or on any Interest Payment Date (if this is a floating rate interest bearing Global Note), on giving not less than 14 days' notice to the Issuing and Paying Agent and the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in paragraph 3 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any change in the application or binding official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

(b) such obligation to pay additional amounts cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent to make available at its specified office to the Noteholders:

(a) a certificate signed by a duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this paragraph will be redeemed at their Early Redemption Amount specified in the Pricing Supplement together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5. The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, represent, in the case of each Note, a separate and independent obligation of the Issuer, and rank *pari passu* without any preference or priority among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but (a) subject to the exercise of any power pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015 de 18 de junio de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*) as amended, replaced or supplemented from time to time (**Law 11/2015**), Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended, as amended, replaced or supplemented from time to time (**RD 1012/2015**) or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain and (b) in the event of insolvency, only to the extent permitted by Law 22/2003 of 9th July on Insolvency (*Ley Concursal*) as amended, replaced or supplemented from time to time (the **Insolvency Law**) or other applicable laws relating to or affecting the enforcement of creditor's rights in Spain.

In the event of insolvency (*concurso*) of the Issuer under the Insolvency Law, claims on account of principal relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary claims (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary claims rank junior to claims against the insolvency state (*créditos contra la masa*) and privileged claims (*créditos privilegiados*) which shall include, without limitation, any deposits for the purposes of Additional Provision 14.1 of Law 11/2015 which shall be paid in full before ordinary claims. The claims of all creditors against the Issuer considered as "ordinary claims" will be satisfied pro rata in insolvency. Ordinary claims rank senior to subordinated claims and the rights of shareholders.

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

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

As used in this Global Note:

Payment Business Day means any day other than a Saturday or Sunday which is either (i) if the Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency is euro, a day which is a TARGET2 Business Day; and

TARGET2 Business Day means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System, which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

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

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

(a) if one or both of Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) in which this Global Note is held at the relevant time is closed for business for a continuous period of 14 days (other than by reason of public holidays) or if any such clearing system announces an intention to, or does in fact, permanently cease to do so; or

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

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

9. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5.00 p.m. (London time) on the thirtieth day after surrender, then each person who is an account holder with Euroclear, Clearstream, Luxembourg or any other relevant clearing system and who has credited to its securities account with the relevant clearing system rights in respect of this Global Note will become entitled to proceed directly against the Issuer on, and subject to, the terms of a Deed of Covenant dated 16th December, 2016, entered into by the Issuer and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under the Deed of Covenant).

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

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

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

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

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

(a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days at the Fixed Interest Rate with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards); and

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

Any **Day Count Convention** shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Global Note.

12. If this is a floating rate interest bearing Global Note

(a) interest shall be calculated on the Nominal Amount as follows:

(i) in the case of a Global Note which specifies LIBOR as the Reference Rate in the applicable Pricing Supplement, interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period, and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days, in each case, at a rate (the **Rate of Interest**) determined on the following basis:

(A) on the second business day (which shall be a day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London) before each Interest Period or, if this Global Note is denominated in euro, on the second TARGET2 Business Day before the beginning of each Interest Period (each the **LIBOR Interest Determination Date**) the Calculation Agent will determine the offered rate for deposits in the Specified Currency in the London interbank market for the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Reuters page LIBOR01 or Reuters page LIBOR02 (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in the Specified Currency for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period)). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;

(B) if on any LIBOR Interest Determination Date for any reason such offered rate is unavailable the Calculation Agent will request each of the Reference Banks to provide its offered quotation to leading banks in the London interbank market for deposits in the relevant currency for a duration equal to the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two are so provided), as determined by the Calculation Agent; and

(C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (A) or (B) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (A) or (B) above shall have applied; and

(ii) in the case of a Global Note which specifies EURIBOR as the Reference Rate in the applicable Pricing Supplement, interest shall be payable on the Nominal Amount in respect of each successive Interest Period from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 360 days at a rate (the **Rate of Interest**) determined on the following basis:

(A) on the second TARGET2 Business Day before the beginning of each Interest Period (each the **EURIBOR Interest Determination Date**) the Calculation Agent will determine the European Interbank Offered Rate for deposits in euro for the Interest Period concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Reuters page EURIBOR01 (or such other page or service as may replace it for the purpose of displaying Eurozone Interbank Offered Rates of prime banks in the Eurozone (as defined below) for deposits in euro for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period)). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;

(B) if on any EURIBOR Interest Determination Date for any reason such offered rate is unavailable the Calculation Agent will request the principal Eurozone office of each of the Reference Banks to provide its offered quotation to prime banks in the Eurozone interbank market for deposits in euro for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period) concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and

(C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (A) or (B) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (A) or (B) above shall have applied;

for the purposes of this Global Note, **Eurozone** means the region comprised of the countries whose lawful currency is the euro;

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

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

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

(e) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear and/or Clearstream, Luxembourg or, if this Global Note has been exchanged for bearer definitive Notes pursuant to paragraph 9, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*). In addition, for so long as the Notes are listed on the Irish Stock Exchange plc (the **Irish Stock Exchange**), all notices required to be published concerning the Notes shall be published on the website of the Irish Stock Exchange or, in lieu of such publication, the Issuer may deliver the relevant notice to the relevant clearing system(s) or publish the notice by any other means acceptable to the Irish Stock Exchange.

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

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

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

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

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

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

(ii) in the case of payments in euro, a TARGET2 Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency.

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

15. This Global Note (other than paragraph 5) and any non-contractual obligations arising out of or in connection with this Global Note are governed by, and shall be construed in accordance with, English law. Paragraph 5 (and any non-contractual obligations arising out of or in connection with it) is governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish law.

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

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

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

(d) *Service of process*: The Issuer agrees that process may be served on it in England at its London branch being its registered office for the time being in England, and agrees that, in the event of its London branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any

Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

17. Claims for payment of principal and interest (if applicable) in respect of this Global Note shall become void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, within five years after the relevant Interest Payment Date.

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

19. If any provision in or obligation under this Global Note is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction, that will not affect or impair (i) the validity, legality or enforceability under the law of that jurisdiction of any other provision in or obligation under this Global Note, and (ii) the validity, legality or enforceability under the law of any other jurisdiction of that or any other provision in or obligation under this Global Note.

20. Notwithstanding any other term of this Global Note or any other agreements, arrangements, or understandings between the Issuer and the bearer, by its acquisition of this Global Note, the bearer acknowledges, accepts, consents to and agrees to be bound by:

    (a) the exercise and effect of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority, which may be imposed with or without any prior notice with respect to this Global Note, and which may include and result in any of the following, or some combination thereof:

        (A) the reduction or cancellation of all, or a portion, of the Amounts Due;

        (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer, the Issuer and its consolidated subsidiaries, or another person (and the issue to or conferral on the bearer of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of this Global Note;

        (C) the cancellation of this Global Note; and

        (D) the amendment or alteration of the maturity of this Global Note or amendment of the amount of interest payable on this Global Note, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

    (b) the variation of the terms of this Global Note, as deemed necessary by the Relevant Spanish Resolution Authority, to give effect to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority.

This paragraph 20 will only apply to the extent that: (i) this Global Note is considered to be governed by the law of a third country outside the European Union; and (ii) the Relevant Spanish Resolution Authority has not determined that this Global Note can be subject to write-down and conversion powers by the Relevant Spanish Resolution Authority pursuant to such law, in each case for the purposes of Article 55 of the BRRD.

The exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in Spain is not dependent on the application of this paragraph 20.

In this Global Note,

Amounts Due means the principal amount of or outstanding amount, together with any accrued but unpaid interest, due on this Global Note. References to such amount will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority;

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

regulated entity means any entity eligible for resolution under the laws of Spain;

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

Spanish Bail-in Power means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, including, but not limited to (i) Law 11/2015 (ii) RD 1012/2015 (iii) Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time, and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii) or (iii), pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period).

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

By: ....
(Authorised Signatory)

Signed on behalf of:
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

By: ....
(Authorised Signatory)

EFFECTUATED[*] by or on behalf of
[COMMON SAFEKEEPER]
as common safekeeper

By: ....
(Authorised Signatory)

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

SCHEDULE

PAYMENTS OF INTEREST

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

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

Part B - Form of Multi-Currency Definitive Note

THE SECURITIES REPRESENTED BY THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR ANY U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART.

Banco Bilbao Vizcaya Argentaria, S.A.

1. For value received, Banco Bilbao Vizcaya Argentaria, S.A. (the **Issuer**) promises to pay to the bearer of this Note on the Maturity Date set out in the Pricing Supplement attached to or endorsed on this Note, which supplements these terms and conditions, or, on such earlier date as the same may become payable in accordance with paragraph 1 below (the **Relevant Date**), the Nominal Amount or, as the case may be, the Early Redemption Amount set out in the Pricing Supplement, together with interest thereon, if this is an interest bearing Note, at the rate and at the times (if any) specified herein and in the Pricing Supplement. Words and expressions used in the applicable Pricing Supplement shall have the same meanings where used in these terms and conditions unless the context otherwise requires or unless otherwise stated.

   All such payments shall be made in accordance with an issue and paying agency agreement dated 16th December, 2016 (as amended, restated, supplemented or replaced from time to time, the **Agency Agreement**) between, *inter alios*, the Issuer and The Bank of New York Mellon, London Branch (the **Issuing and Paying Agent**) a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, Canary Wharf, London E14 5AL, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the offices of the Issuing and Paying Agent by transfer to an account denominated in the Specified Currency maintained by the bearer with a bank in the principal financial centre in the country of that currency or, if this is a Note denominated in euro, by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union. All payments in respect of this Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature (**Taxes**) unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or taxing authority thereof having the power to tax, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable:

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

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

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

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

2. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this is not a floating rate interest bearing Note) or on any Interest Payment Date (provided this is a floating rate interest bearing Note), on giving not less than 14 days' notice to the Issuing and Paying Agent and the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in paragraph 1 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any change in the application or binding official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

(b) such obligation to pay additional amounts cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent to make available at its specified office to the Noteholders:

(c) a certificate signed by a duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and

(d) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this paragraph will be redeemed at their Early Redemption Amount specified in the Pricing Supplement together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

and unsubordinated obligations of the Issuer, present and future, but (a) subject to the exercise of any power pursuant to Law 11/2015 of 18th June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015 de 18 de junio de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*) as amended, replaced or supplemented from time to time (**Law 11/2015**), Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended, as amended, replaced or supplemented from time to time (**RD 1012/2015**) or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain and (b) in the event of insolvency, only to the extent permitted by Law 22/2003 of 9th July on Insolvency (*Ley Concursal*) as amended, replaced or supplemented from time to time (the **Insolvency Law**) or other applicable laws relating to or affecting the enforcement of creditor's rights in Spain.

In the event of insolvency (*concurso*) of the Issuer under the Insolvency Law, claims on account of principal relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary claims (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary claims rank junior to claims against the insolvency state (*créditos contra la masa*) and privileged claims (*créditos privilegiados*) which shall include, without limitation, any deposits for the purposes of Additional Provision 14.1 of Law 11/2015 which shall be paid in full before ordinary claims. The claims of all creditors against the Issuer considered as "ordinary claims" will be satisfied pro rata in insolvency. Ordinary claims rank senior to subordinated claims and the rights of shareholders.

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

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

As used in this Note:

Any **Day Count Convention** specified above shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note;

Payment Business Day means any day other than a Saturday or Sunday which is both (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, and (B) either (i) if the Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency is euro, a day which is a TARGET2 Business Day; and

TARGET2 Business Day means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System, which utilises a single shared platform

and which was launched on 19 November 2007, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

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

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

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

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

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

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

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

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

8. If this is a floating rate interest bearing Note,

   (a) interest shall be calculated on the Nominal Amount as follows:

      (i) in the case of a Note which specifies LIBOR as the Reference Rate in the applicable Pricing Supplement, interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period, and a year of 360 days at a rate (the **Rate of Interest**) determined on the following basis:

         (A) on the second business day (which shall be a day on which commercial banks are open for general business (including dealing in foreign exchange

and foreign currency deposits) in London) before each Interest Period or, if this Note is denominated in euro, on the second TARGET2 Business Day before the beginning of each Interest Period (each the **LIBOR Interest Determination Date**) the Calculation Agent will determine the offered rate for deposits in the Specified Currency in the London interbank market for the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Reuters page LIBOR01 or Reuters page LIBOR02 (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in the Specified Currency for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period)). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;

(B) if on any LIBOR Interest Determination Date for any reason such offered rate is unavailable the Calculation Agent will request each of the Reference Banks to provide its offered quotation to leading banks in the London interbank market for deposits in the relevant currency for a duration equal to the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two are so provided), as determined by the Calculation Agent; and

(C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (A) or (B) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (A) or (B) above shall have applied; and

(ii) in the case of a Note which specifies EURIBOR as the Reference Rate in the applicable Pricing Supplement, interest shall be payable on the Nominal Amount in respect of each successive Interest Period from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 360 days at a rate (the **Rate of Interest**) determined on the following basis:

(A) on the second TARGET2 Business Day before the beginning of each Interest Period (each the **EURIBOR Interest Determination Date**) the Calculation Agent will determine the European Interbank Offered Rate for deposits in euro for the Interest Period concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Reuters page EURIBOR01 (or such other page or service as may replace it for the purpose of displaying Eurozone Interbank Offered Rates of prime banks in the Eurozone (as defined below) for deposits in euro for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period)). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive

number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;

(B) if on any EURIBOR Interest Determination Date for any reason such offered rate is unavailable the Calculation Agent will request the principal Eurozone office of each of the Reference Banks to provide its offered quotation to prime banks in the Eurozone interbank market for deposits in euro for a duration equal to the Interest Period (or approximately equal, where no rate matches the Interest Period) concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and

(C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (A) or (B) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (A) or (B) above shall have applied;

for the purposes of this Note, **Eurozone** means the region comprised of the countries whose lawful currency is the euro;

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

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

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

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

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

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

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

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

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

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

(ii) in the case of payments in euro, a TARGET2 Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency.][*]

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

11. This Note (other than paragraph 3) and any non-contractual obligations arising out of or in connection with this Note are governed by, and shall be construed in accordance with, English law. Paragraph 3 (and any non-contractual obligations arising out of or in connection with it) is governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish law.

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

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

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

(d) *Service of process:* The Issuer agrees that process may be served on it in England at its London branch being its registered office for the time being in England, and agrees that, in the event of its London branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any

[*] If this Note is denominated in Sterling, delete paragraphs 6 through 9 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

13. Claims for payment of principal and interest (if applicable) in respect of this Note shall become void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, within five years after the relevant Interest Payment Date.

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

15. If any provision in or obligation under this Note is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction, that will not affect or impair (i) the validity, legality or enforceability under the law of that jurisdiction of any other provision in or obligation under this Note, and (ii) the validity, legality or enforceability under the law of any other jurisdiction of that or any other provision in or obligation under this Note.

16. Notwithstanding any other term of this Note or any other agreements, arrangements, or understandings between the Issuer and the bearer, by its acquisition of this Note, the bearer acknowledges, accepts, consents to and agrees to be bound by:

(a) the exercise and effect of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority, which may be imposed with or without any prior notice with respect to this Note, and which may include and result in any of the following, or some combination thereof:

(A) the reduction or cancellation of all, or a portion, of the Amounts Due;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer, the Issuer and its consolidated subsidiaries, or another person (and the issue to or conferral on the bearer of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of this Note;

(C) the cancellation of this Note; and

(D) the amendment or alteration of the maturity of this Note or amendment of the amount of interest payable on this Note, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of this Note, as deemed necessary by the Relevant Spanish Resolution Authority, to give effect to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority.

This paragraph 16 will only apply to the extent that: (i) this Note is considered to be governed by the law of a third country outside the European Union; and (ii) the Relevant Spanish Resolution Authority has not determined that this Note can be subject to write-down and conversion powers by the Relevant Spanish Resolution Authority pursuant to such law, in each case for the purposes of Article 55 of the BRRD.

The exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in Spain is not dependent on the application of this paragraph 16.

In this Note,

Amounts Due means the principal amount of or outstanding amount, together with any accrued but unpaid interest, due on this Note. References to such amount will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority;

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

regulated entity means any entity eligible for resolution under the laws of Spain;

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

Spanish Bail-in Power means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, including, but not limited to (i) Law 11/2015 (ii) RD 1012/2015 (iii) Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time, and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii) or (iii), pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period).

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

By: ....
(Authorised Signatory)

[By: ....
(Authorised Signatory)]†

Signed on behalf of:
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

By: ....
(Authorised Signatory)

† Include second authentication block if the currency of this Note is Sterling.

[*On the Reverse*]

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

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

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

(c) unless otherwise specified in the Pricing Supplement, the final Interest Payment Date shall be the Maturity Date (or, as the case may be, the Relevant Date).

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

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

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

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

(i) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, the Relevant Date) only, in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention or, if none is specified in the applicable Pricing Supplement, on the basis of the actual number of days in such Interest Period and a year of 365 days at a rate (the **Rate of Interest**) determined on the following basis:

(A) on the second business day (which shall be a day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London) before each Interest Period (the **LIBOR Interest Determination Date**) the Calculation Agent will determine the offered rate for deposits in the Specified Currency in the London interbank market for the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Reuters page LIBOR01 or Reuters page LIBOR02 (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in the Specified Currency for a duration equal to the Interest Period (or approximately equal, where no rate

matches the Interest Period)). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;

(B) if on any LIBOR Interest Determination Date for any reason such offered rate is unavailable the Calculation Agent will request each of the Reference Banks to provide its offered quotation to leading banks in the London interbank market for deposits in the relevant currency for a duration equal to the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two are so provided), as determined by the Calculation Agent; and

(C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (A) or (B) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (A) or (B) above shall have applied;

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

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

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

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

SCHEDULE

PAYMENTS OF INTEREST

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

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

TAXATION

SPANISH TAXATION

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

Acquisition of the Notes

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

Taxation on the income and transfer of the Notes

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 5/2004 of 5th March approving the consolidated text of the Non-Resident Income Tax Law (*Impuesto sobre la Renta de los no Residentes*), as amended by Law 26/2014 of 27th November (the **Non-Resident Income Tax Law**), Law 27/2014 of 27th November on Corporate Income Tax (*Impuesto sobre Sociedades*), Law 35/2006 of 28th November on Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*), as amended by Law 26/2014 of 27th November, Law 19/1991 of 6th June approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*) and Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law (*Impuesto sobre Sucesiones y Donaciones*). The summary below also considers the rules for the implementation of such regulations (Royal Decree 1776/2004 of 30th July approving the Non-Resident Income Tax Regulations as amended by Royal Decree 633/2015 of 10th July, Royal Decree 439/2007 of 30th March, approving the Individuals Income Tax Regulations as amended by Royal Decree 633/2015 of 10th July and Royal Decree 634/2015 of 10th July approving the Corporate Income Tax Regulations).

Consideration has also been given to Spanish legislation on the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary, Law 10/2014 and RD 1065/2007 approving the General Regulations relating to tax inspection and management procedures and developing the common rules of the procedures to apply taxes.

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

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain is exempt from Non-Resident Income Tax subject to the reporting obligations as set out in RD 1065/2007 (see "-*Tax Reporting Obligations of the Issuer*").

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

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

Income obtained by non-Spanish resident holders acting through a permanent establishment in Spain in respect of the Notes will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as Spanish Corporate Income Tax taxpayers and, therefore, it shall be computed as taxable income in accordance with the general rules set out in the Corporate Income Tax Law and will therefore be taxed at the current rate of 25 per cent..

According to RD 1065/2007, the Issuer is not obliged to withhold any tax amount on income derived from payment of interest, redemption or repayment of the Notes provided that the information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Paying Agent as it is described in section "*Taxation - Tax Reporting Obligations of the Issuer*".

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 61(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements laid down by the reply to the Directorate General for Taxation's (*Dirección General de Tributos*) consultation, on 27th July, 2004, indicating that in the case of issuances made by entities with tax residency in Spain (as in the case of the Issuer), application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries. Notes issued under the Programme are expected to satisfy these requirements.

Individuals with tax residency in Spain

Income obtained by Noteholders who are Personal Income Tax taxpayers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of an individual's capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 19 per cent. to 23 per cent.).

The above mentioned income will be subject to the corresponding personal income tax withholding at the applicable tax rate of 19 per cent.. Article 44 of the RD 1065/2007 has established new information procedures for debt instruments issued under the Law 10/2014 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Issuing and Paying Agent for the whole amount, provided that such information procedures are complied with.

Nevertheless, withholding tax at the applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

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

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

Wealth Tax

According to Royal Decree-law 13/2011 dated 16th September, 2011, as amended by Law 48/2015, dated 29th October, 2015, individuals with tax residency in Spain are subject to Wealth Tax in the tax year 2016 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31st December, 2016.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory, exceed

€700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any exemption which may apply.

As a consequence of the European Court of Justice judgment (Case C-127/12), the Net Wealth Tax Law has been amended by Law 26/2014, of 27th November. As a result, Non-Spanish tax resident individuals who are residents in the EU or in the European Economic Area can apply the legislation of the region in which the highest value of the assets and rights of the individuals are located.

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

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

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

However, a judgment from the European Court of Justice dated 3rd September, 2014 declared that the Spanish Inheritance Tax Act is against the principle of free movement of capital within the EU as Spanish residents are granted tax benefits that, in practice, allow them to pay much lower taxes than non-residents. According to Law 26/2014, of 27th November, it will be possible to apply tax benefits approved in some Spanish regions to EU residents by following certain specific rules.

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

Tax Reporting Obligations of the Issuer

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

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

(i) identification of the securities;

(ii) payment date;

(iii) total amount of income paid on the relevant date; and

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

In accordance with Article 44 of RD 1065/2007, the Issuing and Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on the date, the entities obliged

to provide the declaration fail to do so, the Issuer or the Issuing and Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. on the total amount of the return on the relevant Notes otherwise payable to such entity.

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

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

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

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

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

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

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

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

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The arrangements by which the Dealers or any of them may from time to time agree with the Issuer to purchase or to procure subscribers for Notes issued by the Issuer are set out in an amended and restated dealer agreement dated 16th December, 2016 (as further amended, supplemented or restated from time to time, the **Dealer Agreement**) and made between, *inter alios*, the Issuer and the Dealers.

1. GENERAL

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

2. UNITED STATES OF AMERICA

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

"The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Terms used above have the meanings given to them by Regulation S under the Securities Act."

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

3. THE UNITED KINGDOM

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

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

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

4. JAPAN

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

5. SPAIN

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

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the shareholder's meeting of the Issuer dated 13th March, 2015 and by a resolution of the Board of Directors of the Issuer dated 25th November, 2015.

Listing of Notes on the Irish Stock Exchange

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

Use of Proceeds

The net proceeds from each issue of Notes will be used for the Group’s general corporate purposes.

Clearing Systems

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

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855, Luxembourg.

Significant Change

There has been no significant change in the financial or trading position of the Group since 30th September, 2016.

Litigation

Except as disclosed in the section entitled “*Description of Banco Bilbao Vizcaya Argentaria, S.A - Legal Proceedings*” on page 60, there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The auditors of the Issuer are Deloitte, S.L. (registered as auditors on the *Registro Oficial Auditores de Cuentas*) who have audited the Issuer's consolidated and non-consolidated financial statements, for each of the two financial years ended 31st December, 2015 and 31st December, 2014 which have been prepared in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 and in compliance with IFRS-IASB.

DETAILS OF PROGRAMME PARTICIPANTS

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