

BBVA International Limited

Financial Half-Year Report
to 30th June 2014.

BBVA INTERNATIONAL LIMITED

BALANCE SHEET

TO 30th JUNE 2014 and 2013

(USA dollars)

	JUNE 2014	JUNE 2013
ASSETS:		
Treasury and equivalent	3,470,150	3,345,253
Assets with Parent Company	12,572,334	12,040,279
Total Assets	16,042,484	15,385,532
LIABILITIES:		
Other accrual accounts	2,898	2,714
Preference Shares	12,572,179	12,040,130
Other accounts	-	-
	12,575,077	12,042,844
SHAREHOLDER EQUITY		
Ordinary shares	1,000	1,000
Remainder	3,466,407	3,341,688
	3,467,407	3,342,688
Total Liabilities and Shareholder Equity	16,042,484	15,385,532

BBVA INTERNATIONAL LIMITED

INCOME STATEMENT

TO 30th JUNE 2014 and 2013

(USA dollars)

	JUNE 2014	JUNE 2013
Financial revenues	216,669	207,602
Net profit (or loss) from forex transactions	(34,432)	(29,109)
Interest paid to bond-holders	(216,359)	(207,305)
Net interest income	(34,122)	(28,812)
General administration and personnel expenses	(1,645)	(5,428)
Other revenues	-	-
End-of-period result	(35,767)	(34,240)
Earnings per ordinary share	(35,767)	(34,240)
Average ordinary shares in circulation	1,000	1,000

BBVA INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY

FOR THE FIRST HALF OF 2014 and 2013

(USA dollars)

	JUNE 2014	JUNE 2013
Number of ordinary shares authorised and issued		
Balance at beginning and end of period	1,000	1,000
Nominal value per share		
Ordinary shares (USD)	1	1
Ordinary Shares		
Balance at beginning and end of period	1,000	1,000
Remainder		
Balance at beginning of period	3,502,174	3,375,928
Dividends	-	-
End-of-period earnings	(35,767)	(34,240)
Balance at end of period	3,466,407	3,341,688
Share capital and Retained Earnings, at end of period	3,467,407	3,342,688

BBVA INTERNATIONAL LIMITED

CASH FLOW STATEMENT

FOR THE FIRST HALF OF 2014 and 2013

(USA dollars)

	JUNE 2014	JUNE 2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net (loss) profit for the year	(35,767)	(34,240)
Adjustments to reconcile net (loss) profit to net cash provided by operating activities	34,122	28,812
Net cash flows from operating activities	(1,645)	(5,428)
CASH FLOWS FROM LENDING ACTIVITIES:		
Net reduction in deposits with Parent Company	218,987	209,714
Net cash flows from lending activities	218,987	209,714
CASH FLOWS FROM FUNDING ACTIVITIES:		
(Amortization) of Preference Shares	(225,529)	(215,819)
Dividends paid	-	-
Net cash flows from funding activities	(225,529)	(215,819)
Increase in cash or equivalent	(8,187)	(11,533)
Effect of currency translations	(34,432)	(29,109)
Cash and equivalent at beginning of period	3,512,769	3,385,895
Cash and equivalent at end of period	3,470,150	3,345,253

BBVA International Limited

Notes to the report on the half year
ending 30th June 2014
(USA dollars)

1. Group affiliation, core activity and tax regulation

Bilbao Vizcaya International Limited, which was established on 5th March 1990 in the Cayman Islands, changed its registered name to BBVA International Limited (hereinafter, the "Company") on 17th April 2000, and is fully owned by Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank" or the "Parent Company"), a Spanish banking institution headquartered in Bilbao, Spain.

The Company's core activity is to act as a financing entity for the Bank.

The Cayman Islands do not currently tax profits, company earnings or capital gains.

The Company uses the United-States dollar ("dollar", "USD" or "\$") as its operating currency.

The Company is economically dependent on its Parent Company and its existence is solely based on the Parent Company's capacity to complete the Company's obligations on the interest and maturity of deposits, and guarantee the redemption value of preference shares.

The Company has not issued shares since 2002, due to the revised legal and regulatory framework to which the Parent Company is subject.

The preference shares are listed on the Madrid AIAF Stock Exchange.

2. Significant accounting policies

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") with significant policies applied below.

a) Recognition of revenues and expenses

For accounting purposes, revenues and expenses are recorded on an accrual basis as they are earned or incurred.

b) Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Preference shares and assets due from Parent

Preference shares and assets due from Parent are recognized at amortized cost, which represents the received amount, plus or minus the cumulative amortization using the effective interest rate of any difference between that initial amount and the maturity amount.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument, considering all contractual terms of the financial instruments,

transaction costs, and all other premiums or discounts.

Issuing preference shares, sometimes, involves incurring costs and commissions in relation with the offering. These fees and costs are considered transaction costs in calculating the effective interest rate.

d) Foreign currency transactions-

Assets and liabilities in foreign currencies have been translated to U.S. dollars at the year-end exchange rates.

Revenues and expenses in foreign currencies have been translated to U.S. dollars at the average exchange rates during the period in which they have been accrued.

e) Cash and cash equivalents

Cash and cash equivalents represent all highly liquid instrument with a maturity of three months or less when acquired or generated.

f) Income taxes

No income taxes are levied on corporations by the Cayman Islands government and; therefore; no income tax provision has been reflected in the accompanying financial statements.

g) Statement of Comprehensive income

The Company has elected to present a single statement of comprehensive income. The Company does not have separate components of other comprehensive income; therefore, comprehensive income is equal to the profit/(loss) reported for all statements of financial position presented.

3. Risk exposure

Activity with financial instruments may entail the financial institution accepting or transferring one or various types of risk. The following are risks related to financial instruments:

- a) Lending risk: This is the risk that one of the parties to a financial-instrument agreement fails to meet their contractual obligations on the grounds of insolvency or incapacity of individuals and/or corporations, producing a financial loss for the other party.
- b) Market risk: This is the risk from holding financial instruments whose value may be impacted by changed market conditions. Its components are listed below:
 - i) Fair value interest-rate risk: arises from changes in market interest rates.
 - ii) Exchange risk: arises from changes in exchange rates between currencies.
- c) Counterparty risk : since the counter party of the deposits is Banco Bilbao Vizcaya Argentaria, S.A. the Company considers that its exposure to counter party is not relevant.
- d) Liquidity risk : the Company obtains the liquidity required to meet interest payments, redemption of issues and the needs of its business activities from subordinated deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria. S.A. or the credit facility maintained by its sole shareholder.

The Company (as member of the BBVA Group) participates in the Group's global risk-management systems that are structured on three components: a corporate risk-management system, a set of tools, circuits and procedures comprising differentiated management systems and an internal control system.

CORPORATE GOVERNANCE SYSTEM

The BBVA Group's Board of Directors is responsible for risk policy. Thus, the Board establishes the general principles informing the BBVA Group's target risk profile. Likewise, it approves the necessary infrastructure for managing risk, the framework for delegation of powers and the limit system, so that the business can be run in congruence with said risk profile at the level of everyday decision making.

The BBVA Group's risk-management system is run by an independent risks area that combines a focused view of different risk types with an overall view. The Central Risks Area ensures that risk-support tools, metrics, data bases and information systems are suitable and standardised. It also establishes management procedures, circuits and general criteria.

TOOLS, CIRCUITS AND PROCEDURES

The Group has implemented an integrated risk management in keeping with the needs of each risk type. Each risk is managed using scoring tools for accepting, evaluating and monitoring them, defining suitable procedures and circuits. These are reflected in manuals that also describe the management criteria.

Lending risk

Below is a breakdown of the lending risk in financial instruments by geographical areas:

	USA dollars	
	JUNE 2014	JUNE 2013
Deposits in the Parent Company (Spain)	12,572,334	12,040,279
	12,572,334	12,040,279

As at June 30, 2014 and 2013 there were no impaired assets.

Structural Interest Risk

Managing the interest risk on the balance sheet aims to keep the Bank's exposure to changes of market interest rates at levels in keeping with its risk profile and strategy. To this end, the ALCO (Assets & Liabilities Committee) actively manages the balance sheet through transactions to optimise the level of risk accepted, with respect to expected earnings, so that even the maximum levels of risk are tolerable.

The ALCO bases its work on measurements of interest-rate risk made by the Risks area which, acting as an independent unit, periodically quantifies the impact of interest-rate changes on the Bank's net interest income and economic value.

The net impact of fluctuations in interest rates on the Company is minimal, as their impact on the liabilities side of the balance sheet is offset by the same impact on the assets side.

Structural Exchange Risk

The structural exchange risk mainly comes from exposure to fluctuation in exchange rates with respect to investments and funding of issues in a currency other than the investment currency.

The net impact of exchange-rate fluctuations on the Company is minimal, as their impact on the liabilities side of the balance sheet is offset by the same impact on the assets side.

Capital risk

BBVA Group's capital management is performed at both regulatory and economic level.

Regulatory capital management is based on the analysis of the capital base and the capital ratios (core capital, Tier 1, etc.) using Basel ("BIS") and Bank of Spain criteria.

The aim is to achieve a capital structure that is as efficient as possible in terms of both cost and compliance with the requirements of regulators, ratings agencies and investors. Active capital management includes securitizations, sales of assets, and preferred and subordinated issues of equity and hybrid instruments.

The Group obtained the approval of its internal model of capital estimation ("IRB") in 2008 for certain portfolios.

From an economic standpoint, capital management seeks to optimize value creation at the Group and at its different business units.

4. Assets with Parent Company

The breakdown of balance-sheet items under this heading is as follows:

	USA dollars		Interest rate on 30th June	
	JUNE 2014	JUNE 2013	2014	2013
Deposit with the Parent Co. corresponding to F-series Preference Securities in euros from 2002	12,572,334	12,040,279	Euribor 3m + 0.5 bp (Min 3.505%)	Euribor 3m + 0.5 bp (Min 3.505%)
Sight deposits with the Parent Co.	3,470,150	3,345,253	-	-
	16,042,484	15,385,532		

The subordinated deposit corresponding to the F-series preference securities in euros from 2002 is expressed in euros and its balance at 30th June 2014 is € 9,125,600, US\$ 12,463,744 (€ 9,125,600, US\$ 11,936,285 at 30th June 2013). The Company and the Bank have agreed an interest rate for the subordinate deposit corresponding to the F-series preference shares in euros from 2002 that, as a minimum, will be equivalent to the dividends payable on the preference securities at each payout date. The interest rate to 30th June 2003 was established at a fixed annual rate of 3.943%. From and including July 1st, 2003 up to, but excluding, January 1st, 2008, the interest rate was established at an annual variable rate of 3 month EURIBOR plus 2 basis points subject to a cap of 6.52% per cent per annum and a floor of 3.27 per cent per annum. From and including January 1st, 2008 up to, but excluding April 1st, 2011, at an annual variable rate of 3 month EURIBOR plus 2 basis points. From and including April 1st, 2011, and thereafter at an annual variable rate of 3 month EURIBOR plus 0.5 basis point, subject to a floor of 3.505% per annum, being the first payment subject to a floor of 3.505% on July 1st, 2011.

Revenues from interest payments to June 2014 and 2013 were \$216,669 and \$207,602, respectively. These are booked under "Financial Revenues" in the income statement at 30th June 2014 and 2013. The interest on the Deposits in the Parent Company corresponding to the F-series preference securities in euros from 2002 accrued by not received corresponding to June 2014 and 2013 stood at \$108,590 and \$103,994, respectively, and are booked under the heading "Assets with the Parent Company" on the balance sheet.

The Bank's obligations deriving from the aforementioned deposits are subordinate to the Bank's general obligations and ranked at the same order of priority as the rest of the preference securities issued by the Bank. The Company waives all rights of priority over Bank creditors that may otherwise have been conferred on it.

The maturity dates of these deposits coincide with the dates of the corresponding preference securities issued.

Sight deposits and overdrafts on sight deposits, which are expressed in dollars and euros, respectively, do not accrue interest.

5. Preference Shares

F-Series Preference Securities Issued in Euros

The F-series preference securities issue comprises 91,256 shares, fully paid up, of 0.01 euros par value each and with an issue price of 99.99 euros each. These securities confer the right upon their holders to receive non-cumulative preferential dividends in cash, at the rate of 3.943% a year. From and including July 1st 2003 up to, but excluding, 1st January 2008, the interest rate was established at an annual variable rate of 3 month EURIBOR flat subject to a cap of 6.50 per cent per annum and a floor of 3.25 per cent per annum. From and including 1st January 2008 up to, and excluding 1st of April, 2011, at an annual variable rate of 3 month EURIBOR flat. From and including 1st April 2011, and thereafter at an annual variable rate of 3 month EURIBOR flat, subject to a floor of 3.50% per cent per annum, being the first payment subject to a floor of 3.50% on 1st July 2011. The dividends are payable quarterly at the end of each quarter on 1st April, 1st July, 1st October and 1st January, except the first dividend payment, which took place on 1st July 2003.

The F-series preference securities were issued on 12th December 2002 and are redeemable at the Company's choice, subject to prior approval from the Bank and from the Bank of Spain, in their totality and not in part, at 100 euros per share on any dividend-payment date coinciding with 17th December 2007 or thereafter.

The Board of Directors of the Parent, in the meeting held on November 22, 2011, established, by virtue of the authorization conferred by the Annual General Meeting held on March 14, 2008, the issue of subordinated liabilities mandatorily convertible into ordinary shares of new issue of the Parent (the "Issue" or "Subordinated Bonds Mandatorily Convertible" or the "Bonds") for a maximum amount of EUR 3,475,000 thousand. The "Issue" is at par, that is to say, at 100% of the "Bonds" face value, which amounts up to EUR 100, and the annual remuneration of each "Bond" would be of 6.5% above their face value (quarterly settlements). The operation becomes public on November 25, 2011 through the corresponding leaflet.

This issue excluded the preferential subscription right since it was exclusively destined to holders of Preference Shares issued by BBVA Capital Finance S.A (Unipersonal) (series A,B,C and D) and BBVA International Limited (series F) all of them guaranteed by the Parent, which accepted the purchase offer of such preferred securities by BBVA.

Therefore, the holders accepting the purchase offer would subscribe a face value of "Subordinated Bonds Mandatorily Convertible" equivalent to 100% of the face value or effective of the preferred securities which would be purchased by BBVA. As of December 31, 2011, the purchase offer of preferred securities and the "Bonds" subscription have been carried out by BBVA International Limited through a single payment on December 28, 2011, which amounted to EUR 490,874,400 (U.S. \$ 635,142,594), decreasing in the same amount the Company issues.

The total amount paid out as interim dividends of the F-series preference shares during the first half of 2014 and 2013 was \$ 216,359 and \$ 207,305 respectively. This amount was booked under the item "Interest paid to bond-holders" in the income statement.

At 30th June 2014 and 2013, there were accrued dividends payable on the F-series preference shares to the value of \$ 108,435 and \$ 103,846, respectively. The dividends were paid on 2d April 2014 and 2d April 2013. They are booked under the item "Preference Shares" in the balance sheet.

The payment of dividends and redemption are underwritten by the Bank.

However, the preference-security holders are entitled to receive assets from the Company in the event of its liquidation and to collect dividends from the Company, with priority over the ordinary-share holders. However, ordinary-share holders, unlike preference-security holders, are entitled to vote, attend AGMs and have pre-emptive subscription rights.

In the event of voluntary or obligatory liquidation, winding up or split of the Company, said preference securities confer the right to receive a liquidation payment against the assets pending distribution to shareholders equivalent to the redemption value of each preference security (nominal value plus issue premium) plus an amount equivalent to the accrued and unpaid dividends for the prevailing dividend period on the payment date. This right shall ensue proportionally amongst the aforementioned preference securities before any assets are distributed to ordinary-share holders or holders of any other class of Company shares subordinated for the effects of asset share to said preference securities. Consequently, ordinary-share holders are entitled to any residual value remaining after the preference securities have received their redemption value in the event of liquidation.

6. Subsequent events

On 1st July 2014, a dividend was paid to F-series preference securities, of 3.50% per share, which was approved by the Company board of directors, on 28th February 2014.