

BBVA

Corporate &
Investment Banking

Information about financial instruments

I. INTRODUCTION

A. Summary

This document (the “**Document**”) includes the following information about financial instruments:

- (1) Material characteristics of a wide variety of Transactions (as defined below) that we may conduct with you;
- (2) Material risks of such Transactions; and
- (3) Typical conflicts of interest that we may have with respect to such Transactions.

These Transactions may relate to Underliers (as defined below) in relation to reference assets as interest rates, foreign exchange rates and currencies, credit instruments, asset-backed instruments and equities.

Additionally, in order to supplement the information included in this Document, BBVA will refer to additional disclosure statements (including Transaction-specific disclosures) developed by the International Swaps and Derivatives Association, Inc. (“**ISDA**”). These additional disclosures shall be read in conjunction with this Document.

Please note that Transactions are classified as complex according to the Markets in Financial Instruments Directive (“MIFID 2”) and the Spanish Securities Market Law. Transactions may give rise to significant risks (amongst others, they may result in real and large losses for you) and are intended primarily for knowledgeable and sophisticated parties that are willing to assume such risks and able to absorb the losses that may arise. Therefore, it is important that you or the person exercising discretion on your behalf understand these risks before entering into any Transaction, regardless of your level of prior experience in financial transactions or instruments.

In this Document and any supplemental disclosure statement that expressly refers to this Document:

- “we”, “our”, “ours”, and “us” refer to Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**” or the “**Bank**”). We are registered in the Mercantile Registry of Vizcaya with NIF A-48265169 and our registered office is in Bilbao (Plaza de San Nicolás nº 4).
- We appear in the Registry of Entities of the Bank of Spain (Registro de Entidades del Banco de España) with number 0182 and we are authorized to provide investment services under the supervision of the Bank of Spain (Banco de España) (calle Alcalá, 48 Madrid - www.bde.es) and the National Securities Market Commission (CNMV) (calle Edison, 4 Madrid - www.cnmv.es).
- “Transaction” means a transaction entered into, executed or agreed between us that in any such case is a financial instrument set out in points (4) to (10) of Section C of Annex 1 to MIFID 2, which can generally be categorised as options, swaps and forward rate agreements relating to one or various Underliers; and

- “Underlier” means “any rate (including interest and foreign exchange rates), currency, security, instrument of indebtedness, index, quantitative measure, occurrence or non- occurrence of an event, or other financial or economic interest, or property of any kind, or any interest therein or based on the value thereof, in or by reference to which any payment or delivery under a Transaction is to be made or determined”¹.

This Document shall not be considered in any circumstance as financial, legal, tax, accounting or any other type of advice. The provision of this Document should not be understood as the provision of investment advice (unless it has been agreed otherwise with BBVA and the Document is provided in the context of the provision of such investment service), as it does not contain a personal recommendation to invest, nor to enter into any Transaction. The information contained in the Document has not been produced in accordance with any rules aimed at promoting the independence of the investment reports and has not been verified on an independent basis.

Prior to entering into any Transaction, you should perform an independent assessment of the terms of the Transaction considering your specific circumstances and your exposure to risk. You should also consider whether the Transaction is appropriate for you in light of your experience, objectives, financial and operational resources and other relevant circumstances.

This Document is intended for eligible counterparties only. We inform you that we will not verify your compatibility with the target market defined as such for the Transactions.

THIS DOCUMENT, AS WELL AS THE DOCUMENTS INCLUDED IN THE LINKS PROVIDED IN THE DIFFERENT PARTS OF THIS DOCUMENT, DO NOT CONSTITUTE A CONTRACT BETWEEN THE PARTIES. SUCH DOCUMENTS DO NOT CREATE ANY OBLIGATIONS OR RIGHTS FOR YOU. THE INFORMATION PROVIDED THROUGHOUT THIS DOCUMENT CANNOT BE CONSIDERED AS AN AMENDMENT OR PREVAILING TO THE TERMS OF THE SPECIFIC TRANSACTIONS CONDUCTED BETWEEN YOU AND BBVA OR ANY RELATED GOVERNING DOCUMENTATION. All descriptions and consequences included in the Document are subject to the actual terms of the specific Transaction executed between you and BBVA and its governing documentation (whether or not it is expressly stated).

Should you decide to subscribe any Transaction, you must do it through any of the means that the Bank puts at your disposal for this purpose.

¹ General Disclosure Statement for Transactions published by ISDA, which can be accessed in the following link: <https://www.isda.org/2018/03/01/general-disclosure-statement/>

In order to communicate with you in an agile and simple way, we will do it by email to your validated email address or to the email address through which we communicate with you regularly. Additionally, we can send you communications either by courier or through our website (www.bbva.es).

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II. GENERAL CHARACTERISTICS

We refer to the General Characteristics in the most updated General Disclosure Statement for Transactions published by ISDA available in the following website:

<https://www.isda.org/2018/03/01/general-disclosure-statement/> (“**General Disclosure**”).

Summarily, the general characteristics of the financial instruments that you will find in the above link are:

- Arm’s length contractual counterparty to Transactions
- You should review carefully each Transaction’s particular structure, including terms incorporated by reference
- Transactions generally involve a variety of risks
- Value of the Transactions is derived from one or more Underliers and other market and economic factors
- Entering into a Transaction is not equivalent to investment in or ownership of the Underlier
- The economic return of a Transaction may not be the same as the return from the Underlier
- No assurance of Transactions providing you with a desired return or result
- No assurance of Transactions achieving your desired hedging objectives
- Termination of Transactions
- General characteristics of variance- and volatility-linked Transactions
- General characteristics of correlation-linked Transactions
- Leverage

Additionally, to the information published in the General Disclosure, BBVA informs you that you will have to consider that certain Transactions may allow acquiring a financial instrument with a higher value than the amount of capital needed ab initio to actually take position in such financial instrument. This entails that the return on an investment (calculated on the investment carried out), may be multiplied (positively or negatively) together with the risk and speed of the potential loss or gain, which will be calculated on the total investment carried out (including the part not disbursed).

III. ERISKS

The specific risks presented by a particular Transaction necessarily depend on the terms of the Transaction and your circumstances. In general, however, all Transactions may involve one or more of the following risks:

- Credit risk
- Market risk
- Liquidity risk
- Funding risk
- Operational risk
- Legal risk
- Documentation risk
- Regulatory risk
- Tax risk

For a full detail of the risks that may be associated with a Transaction, we refer to the “Risks” specified in the General Disclosure. Additionally to them, Transactions can also give rise to one or more of the following risks:

- Legislative and regulatory risk and uncertainty for persons engaged in Transactions

Despite the information and examples included in the General Disclosure, you should consider the following:

(i) MIFID 2 and the Markets in Financial Instruments Regulation (“**MIFIR**”) which, among others, establish specific requirements regarding the provision of investment services, disclosure of trade transparency and transaction data and the mandatory trading of derivatives on organized venues or (ii) the European Market Infrastructure Regulation (the “**EMIR**”) establishes a new regulatory framework for Transactions that, among other matters, imposes clearing and certain risk mitigation techniques for non-cleared Transactions and creates recordkeeping and reporting regimes. New requirements relating to capital, margin, registration, trading restrictions and myriad other aspects of engaging in Transactions have been enacted and are being implemented, while others are still being formulated. It is anticipated that promulgation of new rules will be followed by periods in which the meaning and application of rules will be evolving. Further and unforeseeable changes may result. The regulatory changes and resulting requirements of MIFID 2, MIFIR, the EMIR, the Dodd-Frank Act, the Basel III framework and similar international reform efforts may limit or restrict, or increase the costs of, engaging in Transactions and related activities for us, you (e.g., the costs to you of obtaining and maintaining a legal

entity identifier and complying with recordkeeping obligations, if applicable) and/or other market participants with which you may wish to transact.

You should be aware that, when entering into derivative product transactions, you are obliged to meet the obligations imposed by EMIR and its implementing regulations. Among these obligations, you have to notify, either directly or through a third party with whom you may have reached an agreement, the details of any derivative contract entered into and any modification or termination of such contracts, to a trade repository duly authorised; otherwise, you may be subject to sanctions for non-compliance. We inform you that BBVA offers its clients the possibility to make such communication in respect of those OTC derivatives entered into with BBVA, provided that the relevant contractual documentation is duly signed. In case you are interested in BBVA providing this service, please contact BBVA on the following address: emir.delegreporting.corp@bbva.com.

■ Legal Entity Identifier

MIFIR requires that, in order to buy, sell, exchange, etc., financial instruments (such as shares, investment funds, derivatives etc.), legal entities must have an identification code denominated “LEI: Legal Entity Identifier”. Therefore, in order to enter into derivative transactions, you must have the LEI code. You can find more information about it on the following link from the ESMA:

https://www.esma.europa.eu/sites/default/files/library/esma70-145-238_lei_briefing_note.pdf

■ Regulation and reform of benchmarks, including London Interbank Offered Rate (“LIBOR”) and Euro Interbank Offered Rate (“EURIBOR”) and other types of benchmarks

The LIBOR and EURIBOR and other interest rate, equity, foreign exchange rate, funds and other types of indices which are deemed to be “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform.

Such reforms include Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as “benchmarks” in financial instruments and financial contracts or to measure the performance of investment funds (“**Benchmark Regulation**”). The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities such as the issuer of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

In addition, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the

“**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Regarding risks related to Transactions which are linked to benchmarks, the potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Transaction linked to such benchmark. Any such consequence could have a material adverse effect on the value of and return on any such Transactions.

Investors should be aware that, if LIBOR or any other benchmark (including, for example, EURIBOR) were discontinued or otherwise unavailable, the rate of interest on Transactions which reference LIBOR (or such other benchmark) will be determined for the relevant period by the fall-back provisions applicable to such Transactions. These fall-backs could have an adverse effect on the value or liquidity of, and return on, any Transactions which reference LIBOR (or such other benchmark).

Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on Transactions referenced to benchmarks.

Any of the international, national or other proposals for reform, the discontinuing of or the general increased regulatory scrutiny of benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. The disappearance of a benchmark or changes in the manner of administration of a benchmark could result in adjustments to the Transactions, early redemption, discretionary valuation by the calculation agent or other consequence in relation to the Transactions. Any such consequence could have a material adverse effect on the value of and return on the Transactions.

For additional information, including related risks, see the most updated Disclosure Annex for Interest Rate Transactions published by ISDA, in the following link: <https://www.isda.org/2018/03/01/interest-rate-derivatives-disclosure-annex/> together with the most updated IBOR Alternative Reference Rates Disclosure Annex published by ISDA, in [the following link: https://www.isda.org/2018/03/09/ibor-alternative-reference-rates-disclosure-annex/](https://www.isda.org/2018/03/09/ibor-alternative-reference-rates-disclosure-annex/)

■ Internal recapitalization risk of the Bank

Spanish Law 11/2015, of June 18, on the Recovery and Resolution of Credit Institutions and Investment Services Companies ([Ley de recuperación y resolución de entidades de crédito y empresas de servicios de inversión](#)) establishes the possibility of the resolution authorities to apply, among others, a "bail-in" mechanism consisting on the partial or total write down and/or conversion of the rights that you may hold against the Bank. Accordingly, in the event of serious economic difficulty of BBVA, the resolution authorities may have the power to terminate and close out any Transaction (whether entered into under a netting agreement or not) and/or, among other actions, modify the terms of the Transactions (expiration date, notional amount, etc.) or reduce (including to zero) any amount due by the Bank. They could also convert the Transactions into ordinary BBVA shares and/or other capital instruments and/or arrange the transfer of assets to a bridge entity and / or the sale of any assets or business areas of the Bank, thus limiting the Bank's ability to comply with its future obligations (including those relating to the Transactions). The impact on the Transactions would depend on, among other things, your hierarchical position as creditor of the Bank according to applicable regulations.

IV. CONFLICTS OF INTEREST

Conflicts of interest policy

BBVA aims to profit from entering into Transactions. This is something that has been raised, by certain courts, as a conflict of interest that has to be disclosed to investors so that they can make better investment decisions.

BBVA has adopted a Conflict of Interest Management Policy that is summarised as follows:

- **Conflict Identification:** The policy specifies certain potential situations where conflicts of interest may arise. A procedure has been defined to cover situations not included in the policy, so that employees may report a conflict prior to rendering such service in order to adopt any necessary measures for its resolution.
- **Management and prevention measures:** the following measures, among others, are in place: i) general and specific action guidelines that prohibit certain conducts or permit their resolution; ii) measures to avoid or control employees from exerting undue influence over other employees or departments that are providing the relevant services; (iii) measures to avoid or control the simultaneous or consecutive participation of an employee over different investment or ancillary services, when such participation may lead to a conflict; (iv) procedures and measures to avoid or control any exchange of information between people or departments which could be contrary to clients' interests; and (v) specific measures to ensure that the employees who produce investment reports are independent and objective.
- **Operating procedures for the resolution of conflicts:** BBVA has defined a specific operating procedure to resolve conflicts that arise in the context of the ordinary course of the business and that could not have been foreseen.

Finally, if the measures implemented to manage any specific conflict are not sufficient to guarantee, with reasonable certainty, that risks will be prevented, we will disclose to you the general nature or the origin of the conflict before acting on your behalf, so that you may take any decision you consider prudent in respect of the service we are rendering or offering you.

You can find more details about the policy in BBVA's website: www.bbva.es

V. COSTS AND ASSOCIATED EXPENSES

BBVA is required, pursuant to Article 24.4 of MiFID II and to Article 50 of Delegated Regulation 2017/565, to inform its clients of both the costs and charges of the services we offer and of the products traded with us when we deal as principal, whether we buy or sell, both in primary and secondary markets situations.

This information is intended solely for those clients that have been classified as an eligible counterparty under MiFID II Client Categorisation.

All the information related to BBVA ex-ante cost and charges disclosure can be accessed in the following link:

<https://www.bbvacib.com/documents/10524/0/BBVA+Costs+and+Charges+EN/4d5abbaa-43b9-4092-bec8-6e4cb9de2300>

VI. CROSS SELLING

In some cases, Transactions may be offered together with the provision of a loan agreement or any other debt instrument. In the scenario where the financing agreement is referred to a floating interest rate equal or similar to that of the Transaction, the risks of the relevant Transaction may be modified in respect of the part of the notional amount of the Transaction that is equal to the amount of the financing. For example:

- if you have to make payments to the Bank under the Transaction, it is possible that you may be benefiting from lesser payments under the loan agreement; and
- similarly, if you receive payments from the Bank under the Transaction, it is possible that you are paying higher interests under the loan agreement.

The combined effect would be the stabilization of payments. In these cases, the risk “No assurance of Transactions achieving your desired hedging objectives” is especially important for you. Its information can be accessed in the General Disclosure. Also see the Annex for Interest Rate Transactions.

In some cases, entering into a Transaction may require opening a cash or custody account in the Bank, with all the associated risks (e.g. credit risk).

VII. VII. ANNEXES

A. Annex for Interest Rate Transactions

Regarding Interest Rate Transactions, the parties can access all the information in the most updated Disclosure Annex for Interest Rate Transactions published by ISDA, in the following link: <https://www.isda.org/2018/03/01/interest-rate-derivatives-disclosure-annex/> and the most updated IBOR Alternative Reference Rates Disclosure Annex published by ISDA, in the following link: <https://www.isda.org/2018/03/01/interest-rate-derivatives-disclosure-annex/>

Also see “Risks – Regulation and reform of benchmarks including LIBOR and EURIBOR and other types of benchmarks”.

B. Annex for Foreign Exchange Transactions

Regarding Foreign Exchange Transactions, the parties can access all the information in the most updated Disclosure Annex for Foreign Exchange Transactions published by ISDA, in the following link: <https://www.isda.org/2018/10/30/updated-fx-disclosure-annex/>

C. Annex for Equity Derivative Transactions

Regarding Equity Derivative Transactions, the parties can access all the information in the most updated Disclosure Annex for Equity Derivative Transactions published by ISDA, in the following link: <https://www.isda.org/2018/11/09/updated-equity-derivatives-disclosure-annex/>

D. Annex for Credit Derivative Transactions

Regarding Credit Derivative Transactions, the parties can access all the information in the most updated Disclosure Annex for Credit Derivative Transactions published by ISDA, in the following link: <https://www.isda.org/2018/10/19/updated-credit-derivatives-disclosure-annex-2/>

E. Annex for Asset-Backed Security Derivative Transactions

Regarding Asset-Backed Security Derivative Transactions, the parties can access all the information in the most updated Disclosure Annex for Asset-Backed Security Derivative Transactions published by ISDA, in the following link: <https://www.isda.org/2019/02/16/abs-swaps-disclosure-annex/>