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**BBVA Group rules on the financing of the defense sector**

1. Since 20 October 2005, the BBVA Group has furnished itself with strict rules of mandatory compliance for all Group entities, both within the financial sphere and in all the other sectors in which the Group pursues its business, referred to as the “Principles, Criteria and Rules of Procedure for finance applications involving the defense sector”. These rules were approved at the highest executive level in the Risk Area.

2. Policy on finance applications in the defense sector has been subject to ongoing review to adapt it to the most stringent criteria. The latest review took place in January 2008, with the outcome being an extended ban on the Group’s involvement in those transactions related to cluster bombs and weapons of mass destruction, echoing and adapting to the content of Final Provision Five of the Law on Control of Foreign Trade Activity in Arms and Dual-Use Goods.

3. Group policy in this matter is governed by the general principle of compliance with the eight criteria of the European Union’s Code of Conduct, and therefore:

a) The approval of whatsoever application is to comply with current legislation in each jurisdiction, as well as with the principles of the BBVA Group’s Code of Conduct and its pledge to uphold Human Rights.

b) The BBVA Group shall have no part in finance operations when the borrower is a company belonging to the arms and munitions sector that is domiciled in a country or territory responding to any one of the following characteristics:

[1] The company’s location country appears on the list of those countries in which at least 1 out of every 100 people has sought refuge abroad

[2] The company’s location country appears on the list of those countries subject to Arms Embargoes by the UN, OSCE and EU

[3] The company’s location country appears on the list of those countries denounced by the UN/EU for Human Rights violations

[4] The company's location country appears on the list of those countries that use child soldiers and have not ratified the protocol on the Rights of Children regarding the involvement of minors in armed conflicts

[5] The company's location country appears on the list of those countries that have not ratified the UN's main legal instruments on Human Rights

[6] The company's location country appears on the list of those countries that do not cooperate in the prevention of money laundering, as identified by the Financial Action Task Force (FATF)

[7] The company's location country appears on the list of those countries that are not signatories to international treaties and agreements on the Non-Proliferation of Weapons of Mass Destruction

c) The BBVA Group shall have no part in the financing of those operations related to Arms or Double-Use Goods that respond to any one of the following characteristics:

I. Concerning those parties involved in the operation:

[1] The purchaser is an intermediary in this operation

[2] The purchaser is not a public body, a company with a majority public holding or a private security firm

II. Concerning the nature of the operation:

[1] The goods subject to the operation involve antipersonnel mines, cluster bombs or weapons of mass destruction

[2] The absence of Administrative Export and/or Import Licenses issued by the corresponding country

III. Concerning the countries involved (country of origin and/or country of destination of the goods): none of these countries may present any one of the characteristics listed in section b).

Following the implementation of these rules, numerous finance applications have been refused.

4. The BBVA Group likewise declares that one of its commitments is to regularly review these internal rules, at least once a year, in order to keep them permanently in line with the criteria that underscore the policy stated by local authorities and international organizations, whilst fully upholding the EU's Code of Conduct.