REPORT OF THE DIRECTORS OF
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

ON

THE COMMON PLAN OF THE MERGER BETWEEN BANCO
BILBAO VIZCAYA ARGENTARIA, S.A. (as absorbing
company) AND CATALUNYA BANC, S.A.
(as absorbed company)

Madrid, March 31, 2016
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This Report has been prepared by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") in compliance with the provisions of Article 33 of Law 3/2009, of April 3, on structural modifications of companies ("Law 3/2009"), in order to explain and justify in detail, for the purposes required by the legislation in force, the common plan of merger (hereinafter, the “Common Plan of Merger” or the “Common Plan of Merger”) by absorption of Catalunya Banc, S.A. ("CX") by BBVA, drawn up by the Boards of Directors of both entities on this same date.

This report has been unanimously approved by all the members of the Board of Directors of BBVA at its meeting on March 31, 2016.

1. INTRODUCTION – JUSTIFICATION OF THE MERGER

As indicated in the report on Spain, the BBVA Group has carried out a review of its corporate structure—as regards the banks operating in Spain—with a view to optimizing it and adapting it to the new environment, within the framework of the new Single Supervisory Mechanism, while at the same time strengthening its business capacity.

The proposed merger of BBVA and CX derives from this review process and will enable customers of CX to benefit from BBVA’s value proposition and CX’s business to take advantage of the solid structure of BBVA in the areas of corporate governance, internal control, regulatory reporting, and policies and tools for the management and control of risks, capital and liquidity.

The merger will also help to maximize the advantages and capabilities of the BBVA Group, improving the commercial potential of the franchise in Cataluña, to expedite the harnessing of synergies and to simplify the corporate, organizational and operating structure of the BBVA Group in Spain, optimizing the use and management of the Group’s resources and reducing the operating risks associated with having two independent companies.

2. LEGAL ASPECTS OF THE MERGER

2.1 General characteristics

In accordance with the provisions of the Common Plan of Merger, the terms of which are deemed to be reproduced here insofar as necessary, the planned merger consists of the absorption of CX by BBVA with the dissolution without liquidation of CX and the transfer en bloc of all its assets and liabilities to BBVA, which will acquire, by universal succession, the rights and obligations of the absorbed company.

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Such universal transfer involves the acquisition in a single act of the total assets and liabilities of CX: therefore, all property, rights and obligations and, in general, all legal relations of the absorbed company which remain in force although the party to them is changed, are transferred.

At the same time, the merger means that the shareholders of CX other than BBVA will become shareholders of BBVA, by the allocation to them of shares representing part of the latter’s capital, in proportion to their respective stake in the capital of CX, under the terms established in the Common Plan of Merger.

2.2 Condition Precedent

The enforceability of the planned merger is subject to the authorization of the Ministry for Economy and Competitiveness, in accordance with the terms of the Twelfth Additional Provision of Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions, and to the obtainment of any other authorization which it may be necessary to obtain from the Directorate General of Insurance and Pension Funds, from the National Securities Market Commission or from any other administrative body or entity.

2.3 Legislation applicable

The transaction described herein, as well as all the procedures and acts necessary for the performance thereof, will be carried out in accordance with the provisions of Law 3/2009, the revised text of the Capital Enterprises Law, approved by Royal Legislative Decree 1/2010, of July 2 (“LSC”), the Mercantile Registry Regulations, approved by Royal Decree 1784/1996, of July 19, (“RRM”) and all other statutory provisions in force applicable.

2.4 Legal procedure of merger

2.4.1 Common Plan of Merger and exchange ratio

For the performance of the merger, Law 3/2009 requires the directors of the companies participating in the transaction to prepare Common Plan of Merger.

For these purposes, on March 31, 2016, the Boards of Directors of BBVA and of CX have approved the Common Plan of Merger, which have been signed by all their members.

The Common Plan of Merger provide an exchange ratio, calculated on the basis of the actual value of the corporate assets and liabilities of both entities, without any additional cash compensation, of one (1) share of
BBVA, a par value of forty-nine euro cents (€0.49), for every ten (10) shares of CX, each with a par value of one euro (€1.00).

2.4.2 Publicity of the Common Plan of Merger

In accordance with the provisions of Article 32 of Law 3/2009, it is envisaged that the Common Plan of Merger will be inserted on the website of BBVA (www.bbva.com) and on the website of CX (www.catalunya-caixa.com).

The insertion of the Common Plan of Merger on both websites will be published in the Official Gazette of the Mercantile Registry in accordance with the provisions of Law 3/2009.

2.4.3 Independent expert’s report

Pursuant to the provisions of Article 34 of Law 3/2009, an independent expert designated by Bizkaia Mercantile Registry will issue a single report on the Common Plan of Merger, explaining the methods followed by the directors to establish the exchange ratio for the shares and stating his opinion on whether or not the exchange ratio is justified.

2.4.4 The directors’ report

The directors of BBVA, following a favorable report by the Audit and Compliance Committee on the economic terms and accounting impact of the Merger and, in particular, on the proposed exchange ratio, issued in accordance with the provisions of article 3.9 of the Committee Regulations, approve and sign on the date hereof the directors’ report explaining and justifying in detail the legal and economic aspects of the Common Plan of Merger, with special reference to the share exchange ratio and to the particular valuation difficulties which may exist, as well as the implications of the merger for all the shareholders, the creditors and the workers, all of this in compliance with the provisions of Article 33 of Law 3/2009.

It is also envisaged that the Board of Directors of CX will also issue a report explaining and justifying in detail the legal and economic aspects of the Common Plan of Merger, all of this in compliance with the provisions of Article 33 of Law 3/2009.
2.4.5 **Calling of shareholders’ meetings to deliberate on and, if appropriate, approve the merger**

In accordance with the provisions of Article 51 of Law 3/2009, since BBVA is direct holder of more than 90% of the capital stock of CX, it is planned to carry out the merger without it being necessary to submit it for the approval of the Shareholders’ Meeting of BBVA, unless this is demanded by shareholders who represent at least 1% of its capital stock, under the terms provided in the law.

It is envisaged that the Board of Directors of CX will adopt a resolution to call its Shareholders’ Meeting for the purpose of deliberating on and, if appropriate, approving the planned merger.

In accordance with the provisions of Article 39 of Law 3/2009, before the publication on the corporate website of BBVA of the announcement required by Article 51 of Law 3/2009 in relation to the acquisition of CX, the following documents will be inserted on the website of BBVA ([www.bbva.com](http://www.bbva.com)), with the possibility to download and print them, and they will be made available to the shareholders, bondholders and holders of special rights other than the shares, and to the workers’ representatives, for examination at the registered office:

(a) The Common Plan of Merger.

(b) The independent expert’s report on the Common Plan of Merger.

(c) This report and the report of the directors of CX on the Common Plan of Merger.

(d) The financial statements and the management report of the last three financial years of BBVA and CX, with the relevant reports of the auditors.

(e) The merger balance sheet of BBVA and of CX, including the financial statements as of December 31, 2015, with the relevant auditors’ report.

(f) The current bylaws of BBVA and of CX.

(g) The list of first names, surnames, nationality and address of the members of the Boards of Directors of BBVA and of CX, as well as the date from which they hold their offices.

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In addition, in accordance with the provisions of Article 39.2 of Law 3/2009, the shareholders, bondholders, holders of special rights other than the shares and the workers’ representatives of BBVA may request the delivery or the dispatch free of charge of the documents listed above.

2.4.6 Application for administrative authorizations

Once the merger has been approved by the Shareholders’ Meeting of CX and by the Board of Directors or, where relevant, by the Shareholders’ Meeting of BBVA, the application for authorization will be submitted to the Ministry for Economy and Competitiveness in accordance with the terms of section 2.2 above, and for the rest of the administrative authorizations that may be necessary.

2.4.7 Publication of the merger resolutions and period of creditors’ opposition

In accordance with the provisions of Article 51 of Law 3/2009, the merger resolution of the Board of Directors of BBVA will be inserted on its corporate website and on the corporate website of CX.

In accordance with the provisions of Article 43 of Law 3/2009, the merger resolution which may be adopted by the Shareholders’ Meeting of CX will be published in the Official Gazette of the Mercantile Registry and in one of the large-circulation daily newspapers in the provinces in which each of the companies has its registered office.

In both cases, the following, inter alia, will be stated: (i) the right of the shareholders and the creditors to obtain the full text of the resolutions approved and of the merger balances sheets, as well as (ii) the right of opposition of the creditors of CX and BBVA, all of this in accordance with the provisions of Article 43 of Law 3/2009.

The planned merger may not be carried out until one month has elapsed from the date of publication of the last announcement of the resolutions approved, during which period the creditors of CX and BBVA may object to it in accordance with the provisions of Article 44.3 of Law 3/2009.

In accordance with the provisions of Article 44.4 of Law 3/2009, if the merger has been carried out despite the exercise, in due time and manner, of the right of opposition by a lawful creditor in accordance with the provisions of the law, without observing the provisions of Article 44.3 of Law 3/2009, the creditor that has opposed may request the Mercantile
Registry in which the merger has been registered to place on record the exercise of the right of opposition, by a note in the margin of the entry made. The registrar will make the marginal note if the applicant proves that he has exercised, in due time and manner, the right of opposition by duly informing the company of which he is a creditor. The marginal note will be canceled ex officio six months from the date thereof, unless the filing of a claim in the Mercantile Court against BBVA, as absorbing company, in which the provision of security for payment of the claim in accordance with the provisions of Law 3/2009 is sought, has been previously placed on record by a preventive annotation.

2.4.8 Approval by the National Securities Market Commission of the equivalent document in accordance with the provisions of securities market legislation

Prior to the execution of the merger deed and the performance of the exchange, it is planned to submit for the approval of the National Securities Market Commission a document containing information which such body considers equivalent to that of a prospectus of a public offering due to the merger of BBVA and CX, in accordance with the provisions of Article 41.1.c) of Royal Decree 1310/2005, partially implementing the Securities Market Law, on the listing of securities on official secondary markets, public offerings or initial public offerings and the prospectus which may be required for such purposes.

2.4.9 Merger deed and submission for registration

When the merger has been approved, the relevant announcements have been published, the statutory period has elapsed without any creditor having exercised his right of opposition or, where relevant, the claims of those that have exercised such right have been duly paid or secured and the relevant administrative authorizations have been obtained and the equivalent document referred to in the previous section has been approved by the National Securities Market Commission, the relevant merger deed will be executed and submitted to the Mercantile Registries of Bizkaia and of Barcelona.

2.4.10 Performance of the exchange

When the merger deed has been registered at the Mercantile Registry of Bizkaia, the shares of CX will be exchanged for shares of BBVA under
the terms established in the Common Plan of Merger, as explained in the next section.

2.5 Share exchange procedure

The procedure for the exchange of the shares of CX for shares of BBVA is described in section 4 of the Common Plan of Merger.

The exchange will take place when the appropriate administrative procedures have been observed and the merger deed has been registered at the Mercantile Registry of Bizkaia, and will be performed through the entities that are depositories of the shares of CX, in accordance with the procedures established for the book-entry system.

Any holders of a number of shares of CX which, in accordance with the agreed exchange ratio, does not allow them to receive a whole number of shares of BBVA, may acquire or transfer shares in order to proceed to exchange them according to such exchange ratio.

Without prejudice to the foregoing, the companies involved in the merger may establish mechanisms aimed at facilitating the performance of the exchange of the shares of CX for shares of BBVA, by means of the appointment of an odd-lot dealer.

As a result of the merger, all the shares of CX will be retired and cancelled.

2.6 Bylaw amendments at the absorbing company

Due to the merger it will not be necessary to amend the corporate bylaws of BBVA, the current text of which is that published on its corporate website (www.bbva.com).

2.7 Tax regime applicable

In accordance with the provisions of Article 89 of Corporate Income Tax Law 27/2014, of November 27, it is placed on record that the merger will be subject to the special tax regime provided in Chapter VII of Title VII.
3. ECONOMIC ASPECTS

3.1 Merger balance sheet

In accordance with the provisions of Article 36 of Law 3/2009, the annual balance sheets of BBVA and CX as of December 31, 2015 will be considered as merger balance sheets. Such balance sheets have been audited by the auditors of both companies.

3.2 Exchange ratio

The exchange ratio proposed in the Common Plan of Merger, which has been calculated on the basis of the actual value of the corporate assets and liabilities of BBVA and CX, is, without any additional cash compensation, one (1) share of BBVA, with a par value of forty-nine euro cents (€0.49), for every ten (10) shares of CX, each with a par value of one euro (€1.00).

It is placed on record that BBVA is holder of 1,947,166,809 shares of CX and that, on March 23, 2016, CX was holder of 12.846.375 treasury shares.

Pursuant to the provisions of Article 26 of Law 3/2009, both the shares of CX held by BBVA and those held by CX as treasury shares will not be exchanged for shares of BBVA, such shares being retired.

3.3 Valuation of BBVA and CX

3.3.1 Determination of the actual value of BBVA and CX

In accordance with the provisions of the report by the Global Accounting and Management information Area, the exchange ratio proposed in the Common Plan of Merger has been calculated on the basis of the actual value of the corporate assets and liabilities of BBVA and CX.

The actual value of the corporate assets and liabilities of BBVA and CX should be obtained by using a valuation method that is homogenous and comparable, since the ratio of these values will give rise to the exchange ratio.

BBVA is a listed company, meaning there is evidence of its share value and this reference is habitually used as the actual value of its assets. This value fluctuates on a daily basis and it is common practice to establish an average value according to a reference period.

CX is not a listed company. However, there is a reference of what some duly informed market players were willing to pay for CX. This would be...
the result of the public competitive process carried out by the Fund for the Orderly Restructuring of the Banking Sector (“FROB”) for the acquisition of CX. As a result of the process, BBVA was awarded the entity with a bid of 1,187 million euros for 100%, giving a unit price per share of approximately 0.60 euro cents per share of CX.

These values, the average share price of BBVA and the result of the auction for CX, although they are not entirely homogenous, other comparison methods have been used in order to ensure the reasonability of such values.

3.3.2 Valuation methods

There are various generally accepted methods to approximate the value of entities, including: the share price on the market, multiples of comparable listed companies, estimated valuations from analyst reports, discounted dividends or the underlying book value.

The method closest to the share value was considered the most appropriate. The other methods were used for comparison. Of these, the method of multiples of market prices over the book value of comparable entities was the method that best matches market value to the assets and liabilities of both entities.

3.3.3 Valuation methods applied

For BBVA, the share price was taken into consideration. To do so, the data from the last price available, the average in the last 3 months, the average of the last 6 months and the average of the last 12 months were observed, adjusted for the 2016 interim dividends to be distributed to BBVA shareholders but not to CX shareholders.

With respect to the price on a specific day, this reference may be impacted, upwards or downwards, by ad hoc events that may distort the value, and it is common practice to take an average of the share price.

This is more relevant and justified in this case given the high volatility generally experienced in the market in recent months and the fact that a share price will not be used for CX but rather a reference to a transaction performed in the second quarter of 2015. Lastly, it was considered adequate to take as the most representative references the averages of the last 3 months and of the last 6 months, since these were closer in time and more generally applied.

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With respect to the reference for CX, the price per share offered by BBVA in the competitive auction has been used. The price offered for 100% was 1,187 million euros which, after deducting treasury stock, gives a unit price of 0.60213 euros cents per share.

On the one hand, market prices have fallen since that date; however, a number of uncertainties surrounding the transaction have also been resolved since that date, reducing its possible value: close of the agreement with Mapfre and collection of the FROB guarantee, progress with the restructuring plan, sale of the Hércules portfolio, result of the asset quality review (AQR), greater predictability of business performance, etc., therefore not making any adjustments and using this valuation is reasonable.

The exchange ratios when comparing the different observations of the BBVA share price give rise to a reasonable range of exchange ratios for CX and BBVA shares of between 0.0909 and 0.1038 shares of BBVA for each share of CX, with an average value of 0.0974 shares of BBVA shares for each share of CX, which correspond to estimates based on the average share price of BBVA excluding dividends for the 3- and 6-month periods prior to March 24, 2016 (€6.62/share and €5.80/share).

The exchange ratio is established at one (1) share of BBVA for every ten (10) shares of CX, equal to 0.10 shares of BBVA for every share of CX and constitutes a simple ratio that facilitates comprehension for the minority shareholder and the performance of the exchange, minimizing share fractions.

This exchange ratio falls within the reasonable range and is very close to the ratio obtained using the last known share price of BBVA.

### 3.3.4 Result of other valuation methods

The exchange ratios resulting from the application of the other valuation methods fall within or are close to the range estimated in the preceding point.

In order to establish the value of CX in methods other than the price resulting from its acquisition by BBVA, an acquisition premium of 15% has been added. This premium is in line with market transactions in which an offer is made to minority shareholders, by means of a delisting tender offer.
3.4 Information regarding the valuation of the assets and liabilities of CX transferred

As stated in section 12 of the Common Plan of Merger, it is placed on record that (i) as a consequence of the planned merger CX will be dissolved without being liquidated, its assets and liabilities being transferred en bloc to BBVA and (ii) the principal figures of the assets and liabilities of CX are those which are shown in the individual and consolidated balance sheets of that entity as of December 31, 2015.

3.5 Valuation report issued by BDO Auditores, S.L.P

BBVA and CX have hired the services of BDO Auditores S.L.P. (“BDO”) to advise them on the estimated exchange ratio for the CX and BBVA shares in the Merger.

In its report addressed to BBVA, BDO considers a reasonable range of exchange ratios for CX and BBVA shares of between 0.0909 and 0.1038 shares of BBVA for each share of CX, with an average value of 0.0974 shares of BBVA shares for each share of CX, a value very similar to that resulting from the exchange ratio (0.1 BBVA shares for each share of CX).

3.6 Date of effect for accounting purposes

In accordance with the provisions of the National Chart of Accounts, the transactions of CX will be deemed to be performed for accounting purposes on behalf of BBVA from January 1, 2016 onwards.

3.7 Date on which the shares delivered to perform the exchange will confer a right to share in corporate profits

The shares delivered by BBVA in order to perform the exchange will confer on the holders thereof, from the date on which the latter become shareholders of BBVA, a right to share in its corporate profits under the same terms as the rest of the holders of shares of BBVA in circulation on that date.

3.8 Conclusion

In the light of the foregoing, the directors of BBVA conclude that the exchange ratio has been calculated according to the actual values of the companies involved in the merger and is considered fair for the shareholders of BBVA.
4. OTHER ASPECTS

4.1 Contributions of labor or ancillary obligations

Since there are no contributions of labor nor have ancillary obligations been established at either of the companies participating in the transaction, no compensation will be granted for this reason.

4.2 Securities and special rights

Since there are no special shares nor holders of special rights other than the shares at either of the companies participating in the transaction, no right will be granted and no option will be offered in this respect.

4.3 Benefits conferred on independent experts and on the directors

No benefit of any kind will be conferred on the directors of either of the entities participating in the merger, nor on the independent expert that issues the relevant report in relation to these Common Plan of Merger.

4.4 Consequences of the merger on employment and possible gender impact

In accordance with the provisions of Article 44 of the revised Workers’ Statute, approved by Royal Legislative Decree 2/2015, of October 23, regulating transfers of undertakings, BBVA will be subrogated to the labor rights and obligations in relation to the workers of CX.

In the second half of 2015, a negotiation process was begun at CX that culminated in two preliminary agreements for restructuring and authorization of working conditions, giving rise to the agreement of November 16, 2015 and the presentation to the competent labor authorities of the collective dismissal procedure and certificate of final agreement. Said agreement fulfils the provisions of the Decision by the European Commission on the CX restructuring process dated December 17, 2014.

Since the above-mentioned collective agreement has been reached, which is in the process of being implemented, it is placed on record that no other consequence regarding employment is envisaged as a result of the merger.

Since it is not envisaged that, as a consequence of the merger, any change will occur in the membership of the absorbing company’s management body, the merger will not have any gender impact on the management bodies.

The merger will not affect the social responsibility of BBVA.

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