

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., for the effects established in articles 414, 417 and 511 of the Corporate Enterprises Act, regarding the resolution to issue perpetual securities contingently convertible into ordinary shares of the entity itself with exclusion of pre-emptive subscription rights and the corresponding increase by the amount of share capital required, which is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012.

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1. INTRODUCTION

1.1 Subject of the report and applicable regulations

This report is filed by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**"), pursuant to articles 414, 417, and 511 of the Corporate Enterprises Act (consolidated text) as currently worded (the "**Corporate Enterprises Act**" or the "**CEA**"), with respect to the resolution to issue preferred securities contingently convertible into ordinary BBVA shares, which are issued pursuant to the additional second provision of Act 13/1985, 25th May, on lending ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**"), to the additional fourth provision of Royal Decree-law 14/2013, 29th November, on urgent measures to adapt the Spanish system to EU rules on supervision and solvency of financial institutions ("**Royal Decree-Law 14/2013**") and the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June 2013 on the prudential requirements for credit institutions and investment firms ("**Regulation EU 575/2013**") (hereinafter, the "**Securities**"), for a maximum nominal value of €1.5 bn (or its equivalent in any other currency, as established in the terms and conditions of the issue) and excluding pre-emptive subscription rights (the "**Issue**"), and the corresponding increase in share capital, which is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012 under its agenda item five.

Article 401.2 of the CEA stipulates that securities recognising or creating debt issued by a joint stock company, such as the Securities, will be subject to the regulations established for debentures under title XI of the Corporate Enterprises Act.

Said articles 414 and following of the CEA allow companies to issue debentures that can be converted into shares provided that the Annual General Meeting determines the terms and modalities of the conversion and resolves to increase the

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capital by the amount necessary. For this, the directors must draft a report explaining the terms and modalities of the conversion, which must be accompanied by another report from an auditor other than the auditor of the company accounts, appointed for this purpose by the Companies Registry.

The convertible debentures may not be issued for a sum below their nominal value, and may not be converted into shares when the nominal value of the shares is below the value of the debentures.

For publicly listed companies, article 511 of the CEA allows the General Meeting to delegate authority to the directors not just to issue convertible bonds, but also to exclude the pre-emptive subscription rights over the convertible debenture issues that are subject to the authority when the company's interests so require. To such effects, the announcement of the call to the General Meeting in which the proposal to confer authority to the directors to issue convertible debentures must also contain express reference to the proposal to exclude the right of pre-emptive subscription.

In the resolution to increase capital being made on the basis of the authority conferred by the General Meeting, the directors' report and the auditors' report mentioned above must refer to each specific issue.

Thus, pursuant to article 417 of the CEA, the aforementioned directors' report must give detailed substantiation of the grounds for the proposed suppression of pre-emptive subscription rights and the auditors' report will contain a technical judgement on the reasonableness of the data contained in the directors' report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae to offset any possible dilution of the economic value of shareholders' holdings.

These reports will be made available to the shareholders and communicated to the first General Meeting held after the increase resolution.

1.2 Advisory services received

This report is issued on the basis of (i) the report issued by the BBVA Finance Department, which in turn is based on the report drawn up by Morgan Stanley, world-class investment bank with recognised experience in this type of issuance, and (ii) the legal report from the external advisor, J&A Garrigues, S.L.P, legal consultant on Spanish law.

2. ON THE ISSUE OF THE SECURITIES

2.1 Conferral of authority by the General Meeting under which to issue the Securities

The BBVA Annual General Meeting, held on 16th March 2012, validly called in time and form, under its agenda item five adopted the following resolution, the relevant part of which is transcribed below:

“Repealing the unavailed part of the authorisation conferred by the Annual General Meeting, held on 14th March 2008, under agenda item six, to confer authority to the Board of Directors to issue securities convertible and/or exchangeable for Company shares, subject to applicable legal provisions and after obtaining the necessary authorisations, pursuant to the following conditions:

(...)

3. The authority to issue securities that may be converted into and/or exchanged for Company shares will be extended to the following aspects and will also comprise the following powers:

- i) Establishment of the various aspects and conditions of each issue, including, but not limited to: determining the amount of each issue or tranche within an issue, always within the overall quantitative limit established; the place of the issue (in or outside Spain) and the currency or exchange, plus its equivalent value in euros when denominated in another currency; the type of securities and their denomination, whether they are bonds, debentures (including subordinate debentures), preferred securities, warrants or any other admissible by law; the date(s) of issue; the number of securities and their nominal value; the issue price; in the case of warrants and similar securities, the issue price and/or premium, the strike price (which may be fixed or variable) and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right*

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over the underlying shares; the form and conditions of the yield and the fixed or variable interest rate, the dates and procedures for payment of the coupon; whether the issue is in perpetuity or redeemable, and if so, the redemption term and the maturity date; the reimbursement ratio, premiums and bundling, guarantees; whether to represent the issue in certificates or book entries; the regulations governing subscription; anti-dilution clauses; applicable legislation and, in general, any other condition for the issue. Also, where appropriate, to appoint a commissioner and approve the fundamental rules governing the legal relations between the Bank and the syndicate of security-holders, should it be necessary or advisable to constitute such a syndicate.

- ii) The power to increase capital by the amount necessary to meet applications for conversion or subscription with the limits that, should they be applicable, are in force and available at any one time, and re-state article 5 of the Company Bylaws.*
- iii) The power to exclude the pre-emptive subscription rights of shareholders, when this is necessary or when the corporate interest requires such exclusion. In any event, pursuant to article 511 of the Corporate Enterprises Act, should the Board resolve to exclude the pre-emptive subscription rights over a specific issue that it may resolve to implement under this authorisation, at the same time as the issue is approved, it will release a report giving the grounds for proposing such exclusion, which will be the subject of a parallel report from the auditor of accounts referred to in articles 417 and 511 of the Corporate Enterprises Act. These reports will be made available to shareholders and communicated to the first General Meeting held after the increase resolution.*
- iv) The power to determine the conversion and/or exchange ratio, which may be fixed or variable, within the limits established below, and the timing of the conversion and/or exchange; whether the conversion and/or exchange of the securities is mandatory or voluntary, and whether at the option of the Company or the securities holders or both, and in general, such limits and conditions as may be necessary or advisable for the issue.*

If the issue is made at a fixed conversion and/or exchange ratio, the corresponding share conversion and/or exchange price may not be lower than whichever is higher of (i) the arithmetic mean of the closing prices on the SIBE electronic trading platform over a period to be specified but not exceeding three months and not less than fifteen days prior to the date on which the issue of convertible and/or exchangeable securities is approved, and (ii) the closing share price on the SIBE electronic trading platform the day prior to the date on which the issue of convertible and/or exchangeable securities is approved.

Should the issue be made with a variable conversion and/or exchange ratio, the share price for the conversion and/or exchange must be the arithmetic mean of the closing prices of the Company's shares on the SIBE electronic trading platform during a period not exceeding three months and not less than five days prior to the conversion or exchange date with a premium or, as applicable, a discount on said price per share. The premium or discount may be different for every date of conversion or exchange of each issue. However, if a discount is established on said price per share, it may not exceed 30%.

(...)

For the purpose of conversion and/or exchange, the value of the share may never drop below its nominal value and securities may not be converted into shares when the nominal value of such securities is below that of the shares.

Likewise, the valuation for conversion and/or exchange of securities into shares will be for their nominal value and may or may not include interest accrued but unpaid at the time of their conversion and/or exchange."

2.2 Grounds for the Issue

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") published recommendations on the Basel 3 framework, containing reforms to shore up the international capital and liquidity standards applicable to credit institutions, in order to make the banking industry more resilient.

This Basel 3 framework was revised in June 2011 and, after including the latest recommendations from the Basel Committee and complying with due legislative requirements, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**Directive 2013/36/EU**") and the Regulation EU 575/2013 (jointly with Directive 2013/36/EU, "**CRD IV**") were approved, which comprise the Community regulations that implement Basel 3 in the Community Legal Order.

This new CRD IV framework has already been partially implemented in Spain under Act 9/2012, 14th November, on the restructuring and resolution of credit

institutions and under Royal Decree-Law 14/2013, and it is expected that, without prejudice to the direct applicability of Regulation EU 575/2013, CRD IV will be fully implemented in Spain during 2014.

CRD IV requires credit institutions to set aside certain percentages of different instruments in their regulatory capital composition in order to be considered adequately capitalised. Thus, apart from Common Equity Tier-1 Capital, CRD IV also includes two additional categories of regulatory capital, namely Additional Tier-1 Capital and Tier-2 Capital, which must be covered with specific instruments and, in their absence, with Common Equity Tier-1 Capital, which would always be less efficient and more burdensome.

In this respect, CRD IV establishes that instruments issued by credit institutions that have previously been eligible as Additional Tier-1 Capital and do not comply with the new requirements under Regulation EU 575/2013 will gradually lose their eligibility until 2023, after which they will not be eligible as Additional Tier-1 Capital instruments.

Therefore, despite BBVA's comfortable Common Equity Tier-1 Capital adequacy at present, the BBVA Finance Department considers that for a prudent and diligent management, the Bank should issue securities eligible as Additional Tier-1 Capital under CRD IV in order to anticipate the requirements for BBVA to have such instruments while at the same time effecting an orderly changeover of earlier instruments as they will cease to be eligible as Additional Tier-1 Capital. All this will be done making best use of the currently favourable conditions on financial markets and also considering the interest and demand detected among certain types of professional investors for such financial instruments, as reflected in the uptake of contingent convertible bonds that the Bank issued in May 2013.

In this context, in order to meet the regulatory requirements in the most efficient manner possible, the Finance Department proposes to issue a fixed-income instrument eligible as Additional Tier-1 Capital under CRD IV, to which purpose

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Regulation EU 575/2013 establishes the requirement for these securities to include the following features:

- (i) that they be issued in perpetuity;
- (ii) that they have a degree of subordination that places them just above the shares (such that their order of seniority is below that of Tier-2 Capital instruments in the event of insolvency);
- (iii) that the yield on the securities is paid solely against distributable items and that the entity has full discretionary powers at all times to cancel the yield for an indefinite period and without cumulative effects; and
- (iv) that they incorporate a contingent conversion mechanism into the entity's shares in the event of the conversion trigger established in the regulations (described in section 2.4.1 below) and that they can thus effectively absorb losses in a stress scenario for the issuer's solvency. However, this contingent conversion would only take place in a very specific situation in which the issuer or the issuer's group have an Common Equity Tier-1 Capital shortfall.

Consequently, the Securities are subordinate perpetual fixed-income securities with discretionary yield, convertible into ordinary BBVA shares in the event of an Common Equity Tier-1 Capital shortfall, and are eligible as Additional Tier-1 Capital, pursuant to CRD IV. In this manner, BBVA prepares itself for the progressive loss of eligibility of earlier Additional Tier-1 Capital instruments, making best use of the currently favourable conditions on financial markets, in the Company's best interests.

2.3 Financial conditions of the Issue

The Issue will be made for a maximum amount of €1.5 bn, each Security having a nominal value of €200,000.

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For the purposes of their eligibility as Additional Tier-1 Capital, the Securities must have the features established in CRD IV, in particular those listed in the previous section.

The yield that investors will collect will be determined in the final conditions of the Issue and will be in line with market prices for this type of instrument, as indicated in the Finance Department report. Payment of the yield will be conditional inter alia on the existence of distributable items, as indicated in the regulations on equity, which will be detailed in the Issue terms and conditions.

The Issuer may, at its own discretion when it deems this to be necessary, cancel the yield payment during an unlimited period, without cumulative effect.

Should any of the conversion triggers established in section 2.4.1 below occur, the Securities will be converted into ordinary BBVA shares pursuant to the following variable conversion ratio, which depends on the BBVA share price at the time of conversion:

$$Num_{Shrs} = Nom_{convertible} / P_{Shr}$$

Where:

Num_{Shrs} : Number of BBVA shares to be delivered against each Security.

$Nom_{convertible}$: Nominal value of the Security being converted (€200,000).

P_{Shr} : Conversion Price (as defined in section 2.4.2 below).

2.4 Terms and modalities of the Conversion

The terms and modalities of the conversion of the Securities, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

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2.4.1 Conversion triggers

The Securities will be converted into ordinary BBVA shares if the Issuer or its consolidable group or subgroup reports a Common Equity Tier-1 Capital ratio below 5.125%, calculated under Regulation EU 575/2013 or any other regulation on equity applicable to the Issuer at any time.

Likewise, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure whose consequence is the approval of a share capital reduction under the terms established in article 418.3 of the CEA.

Finally, the terms and conditions of the Issue may establish additional triggers for total mandatory conversion should this be necessary to safeguard the Issuer's solvency or so that the Securities can be eligible as Additional Tier-1 Capital.

2.4.2 Conversion Ratio

The ratio for converting the Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Securities (ie, €200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market price of BBVA shares at the time of the Securities conversion, subject to the limits established below.

Thus, the number of shares corresponding to each Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Securities held by the investor. If this transaction results in fractions, these will be subject to the stipulations of the Issue conditions.

The Conversion Price will be the arithmetic mean of the closing prices of the BBVA shares on the five trading days prior to the day of the conversion trigger, rounding off to the closest euro cent and where it is half a cent, rounding up to the next whole euro cent (the "**Reference Price**").

If the Reference Price is below €4.5, the Conversion Price will be €4.5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section.

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever is greater of:

- a) the Reference Price;
- b) €-4.5 (without prejudice to possible changes in this amount subject to application of the anti-dilution mechanism); and
- c) the nominal value of the BBVA shares at the time of conversion.

2.4.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, pursuant to the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

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2.5 Capital increase

Pursuant to article 414 of the Corporate Enterprises Act, the share capital increase must be resolved for the maximum amount necessary to be able to cover the contingent conversion of the Securities issued. To such purpose, the maximum number of shares to be issued to cover the conversion will be determined by dividing the amount of the Issue by the Conversion Price.

This capital increase will be executed by the Board of Directors, which may confer authority for its execution to the Executive Committee, with express powers of substitution, and empower those proxies that the Board of Directors may indicate, under the resolution to issue convertible securities adopted by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to cover the contingent conversion of the Securities, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date on which the corresponding capital increase is executed. Should the capital issue be executed, the corresponding article in the Company Bylaws will be restated to adapt it to the new amount of share capital.

It is not yet possible to determine the exact amount of share capital that will be necessary for the contingent conversion of the Securities, given that, pursuant to the terms and modalities of the conversion, it will depend on the market price of the BBVA shares at the time of conversion.

The above notwithstanding, considering that the Issue is for a maximum nominal amount of €1.5 bn, that the Conversion Price may not be below €4.5, and assuming there will be no anti-dilution adjustment prior to the date on which the Securities are converted, it is hereby stated that the maximum number of new shares it would be necessary to issue would be 333,333,333 ordinary shares.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no pre-emptive subscription rights over the resulting capital increase.

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3. GROUNDS FOR THE EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of pre-emptive subscription rights

As indicated above, the BBVA Annual General Meeting, held on 16th March 2012, resolved under agenda item five, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the share capital. It also resolved to empower the Board of Directors to exclude pre-emptive subscription rights over the convertible securities issues made under such authority.

To such end, when calling the aforementioned Annual General Meeting, BBVA Board of Directors approved and gave shareholders access to a report substantiating the grounds of the proposal to confer authority to exclude pre-emptive subscription rights.

Article 511 of the Corporate Enterprises Act requires that pre-emptive subscription rights only be excluded in case of convertible securities issues when corporate interests so require.

The BBVA Board of Directors, by virtue of the said authority and with due substantiation provided by the reports issued by the Finance Department, in turn substantiated by the Morgan Stanley report, and by the legal report from J&A Garrigues, S.L.P. as external legal advisor helping BBVA in the legal structure of this transaction, has resolved to exclude the pre-emptive subscription rights with respect to the issuance of the Securities, as it deems such exclusion to be fully substantiated and pursuant to the requirements established by law, as well as those necessary to achieve the corporate interests, as explained below.

In order to provide the Bank with Additional Tier-1 Capital instruments under CRD IV, and effect an orderly changeover of instruments as earlier instruments currently recorded as part of the Bank's Additional Tier-1 Capital cease to be

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eligible as such, the Finance Department has proposed that the Board of Directors makes a securities issue that will be eligible as Additional Tier-1 Capital in order to anticipate the aforementioned loss of eligibility and adequately satisfy prevailing regulatory requirements, making best use of the currently favourable conditions on financial markets and the demand detected among certain types of professional investors for such financial instruments.

In order to be eligible as Additional Tier-1 Capital under CRD IV, these fixed income instruments must be issued in perpetuity, subordinated, with a discretionary yield and convertible into ordinary BBVA shares in the contingency of Common Equity Tier-1 Capital shortfall (as indicated in the previous sections). The issue of the Securities is therefore proposed as the only securities that comply with the described characteristics.

The complex characteristics of this type of instruments, which are required under CRD IV, and their sophistication, as well as the latest regulatory changes (in particular with respect to the placement of such instruments), means that the Securities are currently a product only suited for placement among professional investors (to whom the Issue is targeted) and not among any kind of investors (of the type comprising the BBVA shareholding public), so that not excluding the pre-emptive subscription rights would mean offering a product that does not match the investment profile of all the Company shareholders and would consequently compromise the viability of the Issue due to the high risk of it not being subscribed within the period and at the amount initially expected.

This would firstly have a very negative impact on the BBVA market position as an issuer, and would also make it necessary to carry out a subsequent additional placement among non-shareholder investors under conditions that would foreseeably be less favourable for the Bank, in terms of effective and operational costs, time of execution and capital, thereby clearly prejudicing BBVA's corporate interests.

However, as the Finance Department makes clear in its report, growing interest for this type of instruments has been detected among sophisticated foreign private banking customers and qualified investors (who know and habitually subscribe to this type of product). This was demonstrated by the success of the contingent convertible securities issue that the Bank made in May 2013 and the issues made in recent months by various domestic and international financial institutions, which only targeted these types of investors.

Thus, in order to ensure the success of the Issue and be able to target it directly at these types of investors, it is vital to exclude the pre-emptive subscription rights of BBVA shareholders.

The combination of the factors described above (shoring up BBVA equity, the characteristics of these securities, the market conditions and the investors to whom the Issue is targeted) have led the Finance Department to establish that the optimal alternative for corporate interests is to reinforce BBVA equity by issuing Securities, targeting the Issue solely at qualified investors and foreign private banking customers, as this is the suitable group for subscribing this kind of instrument and also the group in which most interest has been detected for such contingent convertible perpetual fixed-income instruments.

Consequently, the optimal alternative to meet the requirements of corporate interests and provide a complete and comprehensive solution to the matters raised herein is to issue the Securities, excluding the pre-emptive subscription rights.

Additionally, in line with the explanation given by the Bank's Finance Department in its report, the following circumstances should be taken into account:

- (i) The nature of the Securities is a fixed-income capital instrument in perpetuity, whose contingent convertibility is demanded under the regulations on equity and solvency in order to be eligible as Additional Tier-1 Capital, but which is only applicable for very specific circumstances in which there is a shortfall in regulatory capital. Likewise, it should be

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considered that, in line with the Finance Department's report, the BBVA solvency and equity ratios are currently very far from the conversion triggers, reinforcing the nature of the Securities as fixed-income instruments and the unlikely contingency of their conversion.

- (ii) The issue price of the Securities is in line with market prices for this type of instruments.
- (iii) The Conversion Price proposed to cover a contingent conversion corresponds to the market price of the share at the time of conversion, unless this price is below €4.5, in which case the Conversion Price would be €4.5 and the shares would be issued at a premium over the market price. In this manner, the maximum number of shares vesting is limited by setting a Conversion Price floor that guarantees that they are issued at a price equal to or above the market price.

Taking into account that the Securities are issued in perpetuity, that their issue price is aligned to the market price, that the conversion triggers are very specific and that the Conversion Price would be the market price or, where applicable, at a premium over the market price; in compliance with the Finance Department report, the theoretical value of the pre-emptive subscription rights stemming from the Issue is zero, such that the current shareholders do not lose any economic value due to their exclusion.

3.2 People to whom the Securities may be attributed

As indicated above, the Issue exclusively targets qualified investors and foreign private banking customers.

4. PROPOSED RESOLUTION

“ONE.- By virtue of the authorisation conferred by the Company's Annual General Meeting, held on 16th March 2012, under its agenda item five, to issue contingent convertible preferred securities into newly issued ordinary shares of Banco Bilbao Vizcaya Argentaria, S.A. (***“BBVA”***), issued pursuant to the second additional provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries (***“Act 13/1985”***); the fourth additional provision of Royal Decree-law 14/2013, 29th November, on urgent measures to adapt the Spanish system to EU rules on supervision and solvency of financial institutions (***“Royal Decree-law 14/2013”***); and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms (***“Regulation EU 575/2013”***) (hereinafter the ***“Securities”***); to a maximum nominal amount of one and a half billion euros (€1,500,000,000) (or its equivalent in any other currency, as established in the issue terms and conditions), with exclusion of pre-emptive subscription rights (the ***“Issue”***), pursuant to the following terms:

Nature of the Securities:

The securities to be issued will be contingent convertible preferred securities into newly issued ordinary BBVA shares, pursuant to the second additional provision of Act 13/1985, the fourth additional provision of Royal Decree-law 14/2013 and the Regulation EU 575/2013.

Issuer:

Banco Bilbao Vizcaya Argentaria, S.A.

Target investors:

Qualified investors and foreign private banking customers.

Maximum amount:

One billion, five hundred million euros (€1,500,000,000) (or its equivalent in any other currency, as established in the terms and conditions of the Issue)

Nominal value:

The Securities will have a nominal unit value of two hundred thousand euros (€200,000).

Number of Securities:

The maximum number of Securities to be issued is seven thousand, five hundred (7,500), all belonging to one single series and with the same terms and conditions.

Issue Price:

The Issue will be at par, i.e., at one hundred per

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cent of its nominal value.

Distribution:

*Holders of Securities may receive a predetermined non-cumulative distribution that will be determined as a function of the interest rate applicable to the nominal value of the Securities, provided they comply with the rest of the conditions established in the Issue terms (the “**Distribution**”).*

In particular, the Issuer may, at its own discretion, cancel the Distribution payment when it deems this to be necessary during an unlimited period, without cumulative effect, without prejudice other circumstances that may be included in the Issue terms and conditions.

Maturity date and early redemption:

The Issue is perpetual, such that it has no maturity date.

The Securities may be totally or partially redeemed at the Issuer's option, in accordance with the final terms and conditions of the Issue, provided that at least 5 years have elapsed from their issue and if, where applicable, authorisation has been given by the Bank of Spain or by the relevant supervisory authority.

The Issue conditions may include other circumstances for early redemption by the Issuer.

Form of the Securities:

The Securities will be represented by notes or by electronic book entries.

Status of the Securities:

The Securities will be ranked in the following order:

(i) behind all BBVA's common and subordinate creditors;

(ii) in the same rank (pari passu) as other issues of preferred securities, preferred shares or other securities with the same rank as the Securities that the Issuer may have issued (or guaranteed) or may issue

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(or guarantee);

(iii) ahead of those securities that the Issuer may have issued or may issue with a rank subordinated vis-à-vis the Securities; and

(iv) ahead of the BBVA ordinary shares.

TWO. - The terms and modalities for conversion of the Securities will be as follows:

a) Conversion triggers

The Securities will be converted into newly issued BBVA ordinary shares if the Issuer, or its consolidable group or subgroup, reports a ratio of common equity tier 1 capital below 5.125%, calculated pursuant to Regulation EU 575/2013 or any other regulation applicable to the Issuer's equity at any time.

Likewise, the Securities will be convertible into newly issued BBVA ordinary shares if the Issuer adopts any measures that may lead to the approval of a reduction of its share capital pursuant to article 418.3 of Corporate Enterprises Act.

Finally, the Issue terms and conditions may establish additional mandatory total conversion scenarios if this are necessary to safeguard the Issuer's solvency or to ensure that the Securities compute as additional tier 1 capital.

b) Conversion Ratio

*The ratio for converting the Securities into ordinary BBVA shares (the "**Conversion Ratio**"), will be the result of dividing its nominal unit value (i.e., €200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market value of the BBVA shares at the time of the Securities conversion, subject to the following limits.*

Thus, the number of shares corresponding to each Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Securities held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.

*The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the conversion trigger occurs, rounded up or down to the closest euro cent and, when it is half a cent, rounded up to the nearest euro cent (the "**Reference Price**").*

If the Reference Price is below 4.5 euros, the Conversion Price will be 4.5 euros per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section d).

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever the greater of:

- a) the Reference Price;*
- b) 4.5 euros (although this amount may vary due to application of the anti-dilution mechanism); and*
- c) the nominal value of the BBVA shares at the time of conversion.*

c) Procedures for Conversion

The procedures for conversion will be determined in the Issue terms and conditions.

d) Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, in compliance with the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

*Without prejudice to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr. Manuel González Cid, Spanish national, of legal age, with identity card number 51361870-H, Mr. Erik Schotkamp, Dutch national, of legal age, with foreign residency card number Y-2126590-R, Mr. Ignacio Echevarría Soriano, Spanish national, of legal age, with identity card number 837871-G, Mr. Raúl Moreno Carnero, Spanish national, of legal age, with identity card number 52473664-S, and Mr. Francisco Javier Colomer Betoret, Spanish national, of legal age, with identity card number 25418655-K; all domiciled for these effects at Paseo de la Castellana number 81, Madrid (the “**Proxies**”), to amend the terms and conditions of the Issue as well as to determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend,*

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adapt and/or to determine other conversion triggers, additional to those established in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the transaction.

THREE. - *On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Securities issue, which will be made available to shareholders along with the report issued by the auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first Annual General Meeting held after the increase resolution, expressly empowering the Company Secretary & Secretary to the Board of Directors to certify its text.*

FOUR. - *In line with the Finance Department report, which is reflected in the Directors' Report approved in the foregoing resolution, the corporate interests require suppression of pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the Annual General Meeting, held on 16th March 2012, under its agenda item five, and by virtue of article 511 of the Corporate Enterprises Act, hereby resolves to suppress said pre-emptive subscription rights in this Issue.*

FIVE. - *To increase the share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, pursuant to the Conversion Ratio.*

The maximum number of shares to be issued is 333,333,333 ordinary shares, assuming that no anti-dilution adjustment is made, expressly envisaging the possibility of the capital increase being implemented with an issue premium, by a lower number of shares and with the possibility of under-subscription.

*Should the Securities be converted, the newly issued shares issued to cover said conversion will be ordinary shares, equal to those outstanding at that time and will equally be represented in the same way as those ordinary shares (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") and its accountholders), granting their holders the same rights as are recognised for the ordinary shares outstanding at that time. On executing this resolution to increase share capital, the relevant Company Bylaws article will be reworded accordingly.*

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there will be no pre-emptive subscription rights on the resulting capital increase.

SIX. - *By virtue of the authority conferred on this Board of Directors by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to delegate to the Executive Committee, which may in turn delegate such authority, and to empower the Proxies in the broadest terms, jointly and severally, within the limits*

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herein established, such that they may carry out the Issue and therefore they may proceed to:

- a) Determine the timing on which the Issue is to take place, and refrain from going ahead with the Issue should this be deemed necessary or advisable.*
- b) Determine the characteristics of the Securities to be issued, including, but not limited to, the final amount of the Issue within the limits established under resolution ONE above, the currency of the Issue and the nominal unit value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods, include new conversion terms and modalities and/or amend them, including the Conversion Ratio or the terms and conditions of the anti-dilution mechanism; and any additional circumstances for early redemption and determine any matter not established hereunder that may be necessary for the successful outcome of the transaction, expressing the amount availed against the limit of the authority granted by the Annual General Meeting to the Board and the amount still available.*
- c) Declare the Distribution of the Securities, whether partially or completely, as well as declare no Distribution, as determined in the Issue terms and conditions.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the Issue terms and conditions.*
- e) Carry out any arrangement, request or appointment that may be legally necessary to achieve the Issue and/or filing the Issue with the Companies Registry or any other public or private bodies or entities.*
- f) Grant and execute any public and private documents required, appearing before a Notary Public and finalise the formalities on the preceding resolutions, including deeds of issue, correction, clarification or rectification, and deeds of the total or partial subscription of the Issue, as well as the total or partial redemption or amendment and, where applicable, any others that may have preceded it or may be resolved in the future. Where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Exchanges, should this be necessary.*
- g) Formalise or register the offering circulars that may be necessary and the documents in which the Issue is formalised, and any other documents that may be necessary before any bodies, regulators, registries, the Companies Registry and exchanges or markets in or outside Spain, including but not limited to any*

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regulated or non-regulated secondary markets and exchanges, organized or non-organized. Request, where appropriate, listing for trading of the Securities on regulated or non-regulated, organized or non-organized, secondary markets in or outside Spain.

- h) Proceed, where necessary, to constitute a syndicate of Securities holders, determine its characteristics and rules of operation, and to appoint its provisional commissioner, and the rules governing relations between the Company and the Syndicate.*
- i) Establish any other parameters not established by this Board with respect to the Issue and determine any other parameter for the Issue that may be necessary for its successful completion.*
- j) Negotiate, undersign and grant public and private documents, including but not limited to, offering circulars, liquidity contracts, subscription, placement and/or insurance contracts, payment agency contracts, and any other contracts that may be necessary for the issuance of the Securities under the conditions deemed most appropriate.*
- k) With respect to the contingent conversion of the Securities into BBVA shares, establish, where appropriate, the Conversion Price, the final conversion ratio for the Issue and, where applicable, the issue premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and engage in such acts as may be necessary, including but not limited to, granting any public or private documents that may be necessary to implement the capital increase and amend, where appropriate, the wording of the corresponding article of the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies, including but not limited to public notary or the Companies Registry.*
- l) Request, where appropriate, listing for trading on regulated or non-regulated, organized or non-organized, Spanish or non-Spanish secondary markets and take any actions they deem necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, where this is the case, in order to cover the contingent conversion of the Securities. By way of example:
 - (i) Write and file any offering circulars, requests, communications or notifications that may be required by applicable legislation in each**

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competent jurisdiction and agree later amendments to these that they deem advisable.

- (ii) *Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.*

Finally, and for the effects of the applicable regulations on the issue of securities, it is resolved to appoint Proxies to represent the Company before any public and/or private body. They will have joint and several powers and will bear responsibility for the content of the offering circulars. They are also empowered to sign any additional public and/or private documents and contracts that may be necessary for the successful completion of the transaction.”

* * *

Madrid, 30th January 2014

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Special report on the issue of perpetual securities contingent convertible into shares with the exclusion of the preferential subscription right in accordance with the provisions of articles 414, 417 and 511 of the Consolidated Text of the Capital Companies Act

Bilbao, 6 February 2014

SPECIAL REPORT ON THE ISSUE OF PERPETUAL SECURITIES CONTINGENT CONVERTIBLE INTO SHARES WITH EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 414, 417 AND 511 OF THE CONSOLIDATED TEXT OF THE CAPITAL COMPANIES ACT

To the Shareholders of **Banco Bilbao Vizcaya Argentaria, S.A.**

For the purposes set out in articles 414, 417 and 511 of the Consolidated Text of the Capital Companies Act (*Ley de Sociedades de Capital*, hereinafter LSC), and in accordance with the assignment received from Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA or the Company), by appointment made by the Commercial Registrar for Vizcaya, Mr. Carlos Alonso Olarra, we issue the following Special Report on the issue of perpetual securities contingent convertible into shares with exclusion of the preferential subscription right, accompanied by the attached report from the Company's Board of Directors (hereinafter the Report from the Board of Directors), which they put at the disposal of the Company's shareholders.

The purpose of our work is not that of certifying the price of issue or conversion of the perpetual securities contingent convertible into shares but to state, from the application of the procedures set out in the relevant Technical Standards relating to the preparation of this type of special reports in accordance with the provisions of article 414 of the LSC, whether the Report from the Board of Directors, dated 30 January 2014, and attached as appendix to this report, contains the required information, which includes the explanation of the bases and forms relating to the conversion, as well as with what is established in article 417 of the LSC on the issue of a technical opinion on the sufficiency and reasonability of the information contained in the attached Report from the Board of Directors and on the suitability of the conversion ratio and, as applicable, its adjustment formulas for compensating a possible dilution of the shareholders' economic participation.

The Company's Board of Directors have drawn up the attached report in which they provide a detailed description of the bases and forms relating to the conversion as well as the justification for the suppression of the preferential subscription right for the Company's shareholders.

In accordance with articles 414 and 417 of the LSC and the aforementioned Technical Standards, the following were the procedures applied in the performance of our work:

- a. Obtaining and analysing the following information:
 - Decision of the Company's Shareholders' General Meeting in respect of the delegation to the Directors of the power to issue convertible securities and to exclude the preferential subscription right.
 - Report from the Board of Directors in connection with the issue of perpetual securities contingent convertible into Company shares and the exclusion of the preferential subscription right.

- The Company's audited annual accounts, individual and consolidated, corresponding to the financial year ended 31 December 2013.
 - Minutes of the Company's Shareholders' meetings and of the meetings of the Board of Directors of the Company held between 1 January 2013 up until the date of this report.
 - Report from the Company's Financial Management in respect of the planned operation.
 - Other financial and legal reports issued by the Company's advisers in respect of the planned operation.
 - Other information considered to be of interest for the performance of our work.
- b. Meetings held with the Company's Management for the purpose of gathering other information considered to be of use in the performance of our work.
- c. Evaluation as to whether the Report from the Board of Directors contains the information considered to be necessary and sufficient for its adequately interpretation and understanding by its addressees.
- d. Verification of the calculations used by BBVA's Management in determining the bases and forms relating to the conversion and other rights for the securities' subscribers.
- e. Verification that the issue price for the perpetual securities contingent convertible into shares is not below their nominal value and that the conversion price for the perpetual securities contingent convertible over shares is not below the nominal value of the shares for which they have to be converted.
- f. Verification that the accounting information contained in the Report from the Board of Directors concurs, as applicable, with the Company's accounting data that served as a basis for preparing its audited annual accounts.
- g. Evaluation of the reasonability of the data contained in the Report from the Board of Directors justifying the suppression of the shareholders' preferential right.
- h. Evaluation of the suitability of the conversion ratio and, as applicable, of its adjustment formulas for compensating a possible dilution of the shareholders' economic participation.
- i. Review of events occurring subsequent to 31 December 2013 and up until the date of this report that might have a material effect on the issue of perpetual securities contingent convertible into Company shares.
- j. Obtaining a letter signed by the Company's Management in which it confirms to us that we have been provided with all the information necessary for preparing our report, as well as confirming that there have been no subsequent events between 31 December 2013 and the date of this report that have not been notified to us and which could have a significant effect on the results of our work.

With regard to the procedures applied we should mention that certain aspects of our work implicitly involve, in addition to objective factors, others that imply judgements and working hypotheses, compliance with which depends to a great extent on future events for which it is not possible at present to know the final outcome and, therefore, it is not possible to ensure that third

parties will necessarily be in agreement with the interpretation and opinions expressed in this report. We should state that, as set out in the Report from Board of Directors, the conversion ratio for the perpetual securities contingent convertible into Company shares with the exclusion of the preferential subscription right, would be determined by reference to the market value of the BBVA share at the time of conversion or at a fixed price per share of 4.5 euros were the market value to be lower, without the conversion price being, in any case, below the nominal value of the BBVA shares at the time of conversion. For this reason and taking into account the remaining characteristics of the proposed issue and its context, the theoretical value of the preferential subscription right associated with these securities would be null.

Based on the work performed, with the scope described in the previous paragraphs, in respect of the attached Report drawn up by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. in connection with the issue of perpetual securities contingent convertible into shares with exclusion of the preferential subscription right, we conclude that:

- The Report from the Board of Directors contains the required information as set out in the Technical Standards relating to the preparation of special reports of this type in accordance with the provisions of article 414.2 of the LSC.
- The information contained in the Report from the Board of Directors to justify the exclusion of the preferential subscription right is reasonable by being properly documented and presented.
- The conversion ratio for the perpetual securities contingent convertible into Company shares with the exclusion of the preferential subscription right and, as applicable, its adjustment formulas for compensating a possible dilution of the shareholders' economic participation is suitable, being null the theoretical value of the preferential subscription right associated with these securities, at the date of this report taking into account the characteristics and context of the proposed issue.

This special report has been prepared solely for the purposes set out in articles 414, 417 and 511 of the LSC, and so it may not be used for any other purpose.

BDO Auditores, S.L.

Alfonso Berganza Hernández
Partner: Auditor de Cuentas
Nº ROAC: 09501
Bilbao, 6 February 2014



Special report on the issue of perpetual securities contingent convertible into shares with exclusion of the preferential subscription right in accordance with the provisions of articles 414, 417 and 511 of the Consolidated Text of the Capital Companies Act

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APPENDIX:

**REPORT FROM THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ON
THE ISSUE OF PERPETUAL SECURITIES CONTINGENT CONVERTIBLE INTO SHARES WITH
EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHT**

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., for the effects established in articles 414, 417 and 511 of the Corporate Enterprises Act, regarding the resolution to issue perpetual securities contingently convertible into ordinary shares of the entity itself with exclusion of pre-emptive subscription rights and the corresponding increase by the amount of share capital required, which is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012.

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1. INTRODUCTION

1.1 Subject of the report and applicable regulations

This report is filed by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("BBVA", the "**Bank**" or the "**Issuer**"), pursuant to articles 414, 417, and 511 of the Corporate Enterprises Act (consolidated text) as currently worded (the "**Corporate Enterprises Act**" or the "**CEA**"), with respect to the resolution to issue preferred securities contingently convertible into ordinary BBVA shares, which are issued pursuant to the additional second provision of Act 13/1985, 25th May, on lending ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**"), to the additional fourth provision of Royal Decree-law 14/2013, 29th November, on urgent measures to adapt the Spanish system to EU rules on supervision and solvency of financial institutions ("**Royal Decree-Law 14/2013**") and the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June 2013 on the prudential requirements for credit institutions and investment firms ("**Regulation EU 575/2013**") (hereinafter, the "**Securities**"), for a maximum nominal value of €1.5 bn (or its equivalent in any other currency, as established in the terms and conditions of the issue) and excluding pre-emptive subscription rights (the "**Issue**"), and the corresponding increase in share capital, which is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012 under its agenda item five.

Article 401.2 of the CEA stipulates that securities recognising or creating debt issued by a joint stock company, such as the Securities, will be subject to the regulations established for debentures under title XI of the Corporate Enterprises Act.

Said articles 414 and following of the CEA allow companies to issue debentures that can be converted into shares provided that the Annual General Meeting determines the terms and modalities of the conversion and resolves to increase the

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capital by the amount necessary. For this, the directors must draft a report explaining the terms and modalities of the conversion, which must be accompanied by another report from an auditor other than the auditor of the company accounts, appointed for this purpose by the Companies Registry.

The convertible debentures may not be issued for a sum below their nominal value, and may not be converted into shares when the nominal value of the shares is below the value of the debentures.

For publicly listed companies, article 511 of the CEA allows the General Meeting to delegate authority to the directors not just to issue convertible bonds, but also to exclude the pre-emptive subscription rights over the convertible debenture issues that are subject to the authority when the company's interests so require. To such effects, the announcement of the call to the General Meeting in which the proposal to confer authority to the directors to issue convertible debentures must also contain express reference to the proposal to exclude the right of pre-emptive subscription.

In the resolution to increase capital being made on the basis of the authority conferred by the General Meeting, the directors' report and the auditors' report mentioned above must refer to each specific issue.

Thus, pursuant to article 417 of the CEA, the aforementioned directors' report must give detailed substantiation of the grounds for the proposed suppression of pre-emptive subscription rights and the auditors' report will contain a technical judgement on the reasonableness of the data contained in the directors' report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae to offset any possible dilution of the economic value of shareholders' holdings.

These reports will be made available to the shareholders and communicated to the first General Meeting held after the increase resolution.

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1.2 Advisory services received

This report is issued on the basis of (i) the report issued by the BBVA Finance Department, which in turn is based on the report drawn up by Morgan Stanley, world-class investment bank with recognised experience in this type of issuance, and (ii) the legal report from the external advisor, J&A Garrigues, S.L.P, legal consultant on Spanish law.

2. ON THE ISSUE OF THE SECURITIES

2.1 Conferral of authority by the General Meeting under which to issue the Securities

The BBVA Annual General Meeting, held on 16th March 2012, validly called in time and form, under its agenda item five adopted the following resolution, the relevant part of which is transcribed below:

“Repealing the unavailed part of the authorisation conferred by the Annual General Meeting, held on 14th March 2008, under agenda item six, to confer authority to the Board of Directors to issue securities convertible and/or exchangeable for Company shares, subject to applicable legal provisions and after obtaining the necessary authorisations, pursuant to the following conditions:

(...)

3. The authority to issue securities that may be converted into and/or exchanged for Company shares will be extended to the following aspects and will also comprise the following powers:

- i) Establishment of the various aspects and conditions of each issue, including, but not limited to: determining the amount of each issue or tranche within an issue, always within the overall quantitative limit established; the place of the issue (in or outside Spain) and the currency or exchange, plus its equivalent value in euros when denominated in another currency; the type of securities and their denomination, whether they are bonds, debentures (including subordinate debentures), preferred securities, warrants or any other admissible by law; the date(s) of issue; the number of securities and their nominal value; the issue price; in the case of warrants and similar securities, the issue price and/or premium, the strike price (which may be fixed or variable) and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right*

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over the underlying shares; the form and conditions of the yield and the fixed or variable interest rate, the dates and procedures for payment of the coupon; whether the issue is in perpetuity or redeemable, and if so, the redemption term and the maturity date; the reimbursement ratio, premiums and bundling, guarantees; whether to represent the issue in certificates or book entries; the regulations governing subscription; anti-dilution clauses; applicable legislation and, in general, any other condition for the issue. Also, where appropriate, to appoint a commissioner and approve the fundamental rules governing the legal relations between the Bank and the syndicate of security-holders, should it be necessary or advisable to constitute such a syndicate.

- ii) The power to increase capital by the amount necessary to meet applications for conversion or subscription with the limits that, should they be applicable, are in force and available at any one time, and re-state article 5 of the Company Bylaws.*
- iii) The power to exclude the pre-emptive subscription rights of shareholders, when this is necessary or when the corporate interest requires such exclusion. In any event, pursuant to article 511 of the Corporate Enterprises Act, should the Board resolve to exclude the pre-emptive subscription rights over a specific issue that it may resolve to implement under this authorisation, at the same time as the issue is approved, it will release a report giving the grounds for proposing such exclusion, which will be the subject of a parallel report from the auditor of accounts referred to in articles 417 and 511 of the Corporate Enterprises Act. These reports will be made available to shareholders and communicated to the first General Meeting held after the increase resolution.*
- iv) The power to determine the conversion and/or exchange ratio, which may be fixed or variable, within the limits established below, and the timing of the conversion and/or exchange; whether the conversion and/or exchange of the securities is mandatory or voluntary, and whether at the option of the Company or the securities holders or both, and in general, such limits and conditions as may be necessary or advisable for the issue.*

If the issue is made at a fixed conversion and/or exchange ratio, the corresponding share conversion and/or exchange price may not be lower than whichever is higher of (i) the arithmetic mean of the closing prices on the SIBE electronic trading platform over a period to be specified but not exceeding three months and not less than fifteen days prior to the date on which the issue of convertible and/or exchangeable securities is approved, and (ii) the closing share price on the SIBE electronic trading platform the day prior to the date on which the issue of convertible and/or exchangeable securities is approved.

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Should the issue be made with a variable conversion and/or exchange ratio, the share price for the conversion and/or exchange must be the arithmetic mean of the closing prices of the Company's shares on the SIBE electronic trading platform during a period not exceeding three months and not less than five days prior to the conversion or exchange date with a premium or, as applicable, a discount on said price per share. The premium or discount may be different for every date of conversion or exchange of each issue. However, if a discount is established on said price per share, it may not exceed 30%.

(...)

For the purpose of conversion and/or exchange, the value of the share may never drop below its nominal value and securities may not be converted into shares when the nominal value of such securities is below that of the shares.

Likewise, the valuation for conversion and/or exchange of securities into shares will be for their nominal value and may or may not include interest accrued but unpaid at the time of their conversion and/or exchange."

2.2 Grounds for the Issue

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") published recommendations on the Basel 3 framework, containing reforms to shore up the international capital and liquidity standards applicable to credit institutions, in order to make the banking industry more resilient.

This Basel 3 framework was revised in June 2011 and, after including the latest recommendations from the Basel Committee and complying with due legislative requirements, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**Directive 2013/36/EU**") and the Regulation EU 575/2013 (jointly with Directive 2013/36/EU, "**CRD IV**") were approved, which comprise the Community regulations that implement Basel 3 in the Community Legal Order.

This new CRD IV framework has already been partially implemented in Spain under Act 9/2012, 14th November, on the restructuring and resolution of credit

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institutions and under Royal Decree-Law 14/2013, and it is expected that, without prejudice to the direct applicability of Regulation EU 575/2013, CRD IV will be fully implemented in Spain during 2014.

CRD IV requires credit institutions to set aside certain percentages of different instruments in their regulatory capital composition in order to be considered adequately capitalised. Thus, apart from Common Equity Tier-1 Capital, CRD IV also includes two additional categories of regulatory capital, namely Additional Tier-1 Capital and Tier-2 Capital, which must be covered with specific instruments and, in their absence, with Common Equity Tier-1 Capital, which would always be less efficient and more burdensome.

In this respect, CRD IV establishes that instruments issued by credit institutions that have previously been eligible as Additional Tier-1 Capital and do not comply with the new requirements under Regulation EU 575/2013 will gradually lose their eligibility until 2023, after which they will not be eligible as Additional Tier-1 Capital instruments.

Therefore, despite BBVA's comfortable Common Equity Tier-1 Capital adequacy at present, the BBVA Finance Department considers that for a prudent and diligent management, the Bank should issue securities eligible as Additional Tier-1 Capital under CRD IV in order to anticipate the requirements for BBVA to have such instruments while at the same time effecting an orderly changeover of earlier instruments as they will cease to be eligible as Additional Tier-1 Capital. All this will be done making best use of the currently favourable conditions on financial markets and also considering the interest and demand detected among certain types of professional investors for such financial instruments, as reflected in the uptake of contingent convertible bonds that the Bank issued in May 2013.

In this context, in order to meet the regulatory requirements in the most efficient manner possible, the Finance Department proposes to issue a fixed-income instrument eligible as Additional Tier-1 Capital under CRD IV, to which purpose

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Regulation EU 575/2013 establishes the requirement for these securities to include the following features:

- (i) that they be issued in perpetuity;
- (ii) that they have a degree of subordination that places them just above the shares (such that their order of seniority is below that of Tier-2 Capital instruments in the event of insolvency);
- (iii) that the yield on the securities is paid solely against distributable items and that the entity has full discretionary powers at all times to cancel the yield for an indefinite period and without cumulative effects; and
- (iv) that they incorporate a contingent conversion mechanism into the entity's shares in the event of the conversion trigger established in the regulations (described in section 2.4.1 below) and that they can thus effectively absorb losses in a stress scenario for the issuer's solvency. However, this contingent conversion would only take place in a very specific situation in which the issuer or the issuer's group have an Common Equity Tier-1 Capital shortfall.

Consequently, the Securities are subordinate perpetual fixed-income securities with discretionary yield, convertible into ordinary BBVA shares in the event of an Common Equity Tier-1 Capital shortfall, and are eligible as Additional Tier-1 Capital, pursuant to CRD IV. In this manner, BBVA prepares itself for the progressive loss of eligibility of earlier Additional Tier-1 Capital instruments, making best use of the currently favourable conditions on financial markets, in the Company's best interests.

2.3 Financial conditions of the Issue

The Issue will be made for a maximum amount of €1.5 bn, each Security having a nominal value of €200,000.

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For the purposes of their eligibility as Additional Tier-1 Capital, the Securities must have the features established in CRD IV, in particular those listed in the previous section.

The yield that investors will collect will be determined in the final conditions of the Issue and will be in line with market prices for this type of instrument, as indicated in the Finance Department report. Payment of the yield will be conditional inter alia on the existence of distributable items, as indicated in the regulations on equity, which will be detailed in the Issue terms and conditions.

The Issuer may, at its own discretion when it deems this to be necessary, cancel the yield payment during an unlimited period, without cumulative effect.

Should any of the conversion triggers established in section 2.4.1 below occur, the Securities will be converted into ordinary BBVA shares pursuant to the following variable conversion ratio, which depends on the BBVA share price at the time of conversion:

$$Num_{Shrs} = Nom_{convertible} / P_{Shr}$$

Where:

Num_{Shrs} : Number of BBVA shares to be delivered against each Security.

$Nom_{convertible}$: Nominal value of the Security being converted (€200,000).

P_{Shr} : Conversion Price (as defined in section 2.4.2 below).

2.4 Terms and modalities of the Conversion

The terms and modalities of the conversion of the Securities, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

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2.4.1 Conversion triggers

The Securities will be converted into ordinary BBVA shares if the Issuer or its consolidable group or subgroup reports a Common Equity Tier-1 Capital ratio below 5.125%, calculated under Regulation EU 575/2013 or any other regulation on equity applicable to the Issuer at any time.

Likewise, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure whose consequence is the approval of a share capital reduction under the terms established in article 418.3 of the CEA.

Finally, the terms and conditions of the Issue may establish additional triggers for total mandatory conversion should this be necessary to safeguard the Issuer's solvency or so that the Securities can be eligible as Additional Tier-1 Capital.

2.4.2 Conversion Ratio

The ratio for converting the Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Securities (ie, €200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market price of BBVA shares at the time of the Securities conversion, subject to the limits established below.

Thus, the number of shares corresponding to each Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Securities held by the investor. If this transaction results in fractions, these will be subject to the stipulations of the Issue conditions.

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The Conversion Price will be the arithmetic mean of the closing prices of the BBVA shares on the five trading days prior to the day of the conversion trigger, rounding off to the closest euro cent and where it is half a cent, rounding up to the next whole euro cent (the "**Reference Price**").

If the Reference Price is below €4.5, the Conversion Price will be €4.5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section.

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever is greater of:

- a) the Reference Price;
- b) €-4.5 (without prejudice to possible changes in this amount subject to application of the anti-dilution mechanism); and
- c) the nominal value of the BBVA shares at the time of conversion.

2.4.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, pursuant to the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

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2.5 Capital increase

Pursuant to article 414 of the Corporate Enterprises Act, the share capital increase must be resolved for the maximum amount necessary to be able to cover the contingent conversion of the Securities issued. To such purpose, the maximum number of shares to be issued to cover the conversion will be determined by dividing the amount of the Issue by the Conversion Price.

This capital increase will be executed by the Board of Directors, which may confer authority for its execution to the Executive Committee, with express powers of substitution, and empower those proxies that the Board of Directors may indicate, under the resolution to issue convertible securities adopted by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to cover the contingent conversion of the Securities, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date on which the corresponding capital increase is executed. Should the capital issue be executed, the corresponding article in the Company Bylaws will be restated to adapt it to the new amount of share capital.

It is not yet possible to determine the exact amount of share capital that will be necessary for the contingent conversion of the Securities, given that, pursuant to the terms and modalities of the conversion, it will depend on the market price of the BBVA shares at the time of conversion.

The above notwithstanding, considering that the Issue is for a maximum nominal amount of €1.5 bn, that the Conversion Price may not be below €4.5, and assuming there will be no anti-dilution adjustment prior to the date on which the Securities are converted, it is hereby stated that the maximum number of new shares it would be necessary to issue would be 333,333,333 ordinary shares.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no pre-emptive subscription rights over the resulting capital increase.

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3. GROUNDS FOR THE EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of pre-emptive subscription rights

As indicated above, the BBVA Annual General Meeting, held on 16th March 2012, resolved under agenda item five, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the share capital. It also resolved to empower the Board of Directors to exclude pre-emptive subscription rights over the convertible securities issues made under such authority.

To such end, when calling the aforementioned Annual General Meeting, BBVA Board of Directors approved and gave shareholders access to a report substantiating the grounds of the proposal to confer authority to exclude pre-emptive subscription rights.

Article 511 of the Corporate Enterprises Act requires that pre-emptive subscription rights only be excluded in case of convertible securities issues when corporate interests so require.

The BBVA Board of Directors, by virtue of the said authority and with due substantiation provided by the reports issued by the Finance Department, in turn substantiated by the Morgan Stanley report, and by the legal report from J&A Garrigues, S.L.P. as external legal advisor helping BBVA in the legal structure of this transaction, has resolved to exclude the pre-emptive subscription rights with respect to the issuance of the Securities, as it deems such exclusion to be fully substantiated and pursuant to the requirements established by law, as well as those necessary to achieve the corporate interests, as explained below.

In order to provide the Bank with Additional Tier-1 Capital instruments under CRD IV, and effect an orderly changeover of instruments as earlier instruments currently recorded as part of the Bank's Additional Tier-1 Capital cease to be

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eligible as such, the Finance Department has proposed that the Board of Directors makes a securities issue that will be eligible as Additional Tier-1 Capital in order to anticipate the aforementioned loss of eligibility and adequately satisfy prevailing regulatory requirements, making best use of the currently favourable conditions on financial markets and the demand detected among certain types of professional investors for such financial instruments.

In order to be eligible as Additional Tier-1 Capital under CRD IV, these fixed income instruments must be issued in perpetuity, subordinated, with a discretionary yield and convertible into ordinary BBVA shares in the contingency of Common Equity Tier-1 Capital shortfall (as indicated in the previous sections). The issue of the Securities is therefore proposed as the only securities that comply with the described characteristics.

The complex characteristics of this type of instruments, which are required under CRD IV, and their sophistication, as well as the latest regulatory changes (in particular with respect to the placement of such instruments), means that the Securities are currently a product only suited for placement among professional investors (to whom the Issue is targeted) and not among any kind of investors (of the type comprising the BBVA shareholding public), so that not excluding the pre-emptive subscription rights would mean offering a product that does not match the investment profile of all the Company shareholders and would consequently compromise the viability of the Issue due to the high risk of it not being subscribed within the period and at the amount initially expected.

This would firstly have a very negative impact on the BBVA market position as an issuer, and would also make it necessary to carry out a subsequent additional placement among non-shareholder investors under conditions that would foreseeably be less favourable for the Bank, in terms of effective and operational costs, time of execution and capital, thereby clearly prejudicing BBVA's corporate interests.

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However, as the Finance Department makes clear in its report, growing interest for this type of instruments has been detected among sophisticated foreign private banking customers and qualified investors (who know and habitually subscribe to this type of product). This was demonstrated by the success of the contingent convertible securities issue that the Bank made in May 2013 and the issues made in recent months by various domestic and international financial institutions, which only targeted these types of investors.

Thus, in order to ensure the success of the Issue and be able to target it directly at these types of investors, it is vital to exclude the pre-emptive subscription rights of BBVA shareholders.

The combination of the factors described above (shoring up BBVA equity, the characteristics of these securities, the market conditions and the investors to whom the Issue is targeted) have led the Finance Department to establish that the optimal alternative for corporate interests is to reinforce BBVA equity by issuing Securities, targeting the Issue solely at qualified investors and foreign private banking customers, as this is the suitable group for subscribing this kind of instrument and also the group in which most interest has been detected for such contingent convertible perpetual fixed-income instruments.

Consequently, the optimal alternative to meet the requirements of corporate interests and provide a complete and comprehensive solution to the matters raised herein is to issue the Securities, excluding the pre-emptive subscription rights.

Additionally, in line with the explanation given by the Bank's Finance Department in its report, the following circumstances should be taken into account:

- (i) The nature of the Securities is a fixed-income capital instrument in perpetuity, whose contingent convertibility is demanded under the regulations on equity and solvency in order to be eligible as Additional Tier-I Capital, but which is only applicable for very specific circumstances in which there is a shortfall in regulatory capital. Likewise, it should be

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considered that, in line with the Finance Department's report, the BBVA solvency and equity ratios are currently very far from the conversion triggers, reinforcing the nature of the Securities as fixed-income instruments and the unlikely contingency of their conversion.

- (ii) The issue price of the Securities is in line with market prices for this type of instruments.
- (iii) The Conversion Price proposed to cover a contingent conversion corresponds to the market price of the share at the time of conversion, unless this price is below €4.5, in which case the Conversion Price would be €4.5 and the shares would be issued at a premium over the market price. In this manner, the maximum number of shares vesting is limited by setting a Conversion Price floor that guarantees that they are issued at a price equal to or above the market price.

Taking into account that the Securities are issued in perpetuity, that their issue price is aligned to the market price, that the conversion triggers are very specific and that the Conversion Price would be the market price or, where applicable, at a premium over the market price; in compliance with the Finance Department report, the theoretical value of the pre-emptive subscription rights stemming from the Issue is zero, such that the current shareholders do not lose any economic value due to their exclusion.

3.2 People to whom the Securities may be attributed

As indicated above, the Issue exclusively targets qualified investors and foreign private banking customers.

4. PROPOSED RESOLUTION

"ONE.- By virtue of the authorisation conferred by the Company's Annual General Meeting, held on 16th March 2012, under its agenda item five, to issue contingent convertible preferred securities into newly issued ordinary shares of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), issued pursuant to the second additional provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**"); the fourth additional provision of Royal Decree-law 14/2013, 29th November, on urgent measures to adapt the Spanish system to EU rules on supervision and solvency of financial institutions ("**Royal Decree-law 14/2013**"); and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms ("**Regulation EU 575/2013**") (hereinafter the "**Securities**"); to a maximum nominal amount of one and a half billion euros (€1,500,000,000) (or its equivalent in any other currency, as established in the issue terms and conditions), with exclusion of pre-emptive subscription rights (the "**Issue**"), pursuant to the following terms:

<i>Nature of the Securities:</i>	<i>The securities to be issued will be contingent convertible preferred securities into newly issued ordinary BBVA shares, pursuant to the second additional provision of Act 13/1985, the fourth additional provision of Royal Decree-law 14/2013 and the Regulation EU 575/2013.</i>
<i>Issuer:</i>	<i>Banco Bilbao Vizcaya Argentaria, S.A.</i>
<i>Target investors:</i>	<i>Qualified investors and foreign private banking customers.</i>
<i>Maximum amount:</i>	<i>One billion, five hundred million euros (€1,500,000,000) (or its equivalent in any other currency, as established in the terms and conditions of the Issue)</i>
<i>Nominal value:</i>	<i>The Securities will have a nominal unit value of two hundred thousand euros (€200,000).</i>
<i>Number of Securities:</i>	<i>The maximum number of Securities to be issued is seven thousand, five hundred (7,500), all belonging to one single series and with the same terms and conditions.</i>
<i>Issue Price:</i>	<i>The Issue will be at par, i.e., at one hundred per</i>

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cent of its nominal value.

Distribution:

Holders of Securities may receive a predetermined non-cumulative distribution that will be determined as a function of the interest rate applicable to the nominal value of the Securities, provided they comply with the rest of the conditions established in the Issue terms (the “Distribution”).

In particular, the Issuer may, at its own discretion, cancel the Distribution payment when it deems this to be necessary during an unlimited period, without cumulative effect, without prejudice other circumstances that may be included in the Issue terms and conditions.

Maturity date and early redemption:

The Issue is perpetual, such that it has no maturity date.

The Securities may be totally or partially redeemed at the Issuer's option, in accordance with the final terms and conditions of the Issue, provided that at least 5 years have elapsed from their issue and if, where applicable, authorisation has been given by the Bank of Spain or by the relevant supervisory authority.

The Issue conditions may include other circumstances for early redemption by the Issuer.

Form of the Securities:

The Securities will be represented by notes or by electronic book entries.

Status of the Securities:

The Securities will be ranked in the following order:

- (i) behind all BBVA's common and subordinate creditors;*
- (ii) in the same rank (pari passu) as other issues of preferred securities, preferred shares or other securities with the same rank as the Securities that the Issuer may have issued (or guaranteed) or may issue*

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(or guarantee);

(iii) ahead of those securities that the Issuer may have issued or may issue with a rank subordinated vis-à-vis the Securities; and

(iv) ahead of the BBVA ordinary shares.

TWO. - The terms and modalities for conversion of the Securities will be as follows:

a) Conversion triggers

The Securities will be converted into newly issued BBVA ordinary shares if the Issuer, or its consolidable group or subgroup, reports a ratio of common equity tier 1 capital below 5.125%, calculated pursuant to Regulation EU 575/2013 or any other regulation applicable to the Issuer's equity at any time.

Likewise, the Securities will be convertible into newly issued BBVA ordinary shares if the Issuer adopts any measures that may lead to the approval of a reduction of its share capital pursuant to article 418.3 of Corporate Enterprises Act.

Finally, the Issue terms and conditions may establish additional mandatory total conversion scenarios if this are necessary to safeguard the Issuer's solvency or to ensure that the Securities compute as additional tier 1 capital.

b) Conversion Ratio

*The ratio for converting the Securities into ordinary BBVA shares (the "**Conversion Ratio**"), will be the result of dividing its nominal unit value (i.e., €200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market value of the BBVA shares at the time of the Securities conversion, subject to the following limits.*

Thus, the number of shares corresponding to each Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Securities held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.

*The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the conversion trigger occurs, rounded up or down to the closest euro cent and, when it is half a cent, rounded up to the nearest euro cent (the "**Reference Price**").*

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If the Reference Price is below 4.5 euros, the Conversion Price will be 4.5 euros per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section d).

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever the greater of:

- a) the Reference Price;*
- b) 4.5 euros (although this amount may vary due to application of the anti-dilution mechanism); and*
- c) the nominal value of the BBVA shares at the time of conversion.*

c) Procedures for Conversion

The procedures for conversion will be determined in the Issue terms and conditions.

d) Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, in compliance with the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

*Without prejudice to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr. Manuel González Cid, Spanish national, of legal age, with identity card number 51361870-H, Mr. Erik Schotkamp, Dutch national, of legal age, with foreign residency card number Y-2126590-R, Mr. Ignacio Echevarría Soriano, Spanish national, of legal age, with identity card number 837871-G, Mr. Raúl Moreno Carnero, Spanish national, of legal age, with identity card number 52473664-S, and Mr. Francisco Javier Colomer Betoret, Spanish national, of legal age, with identity card number 25418655-K; all domiciled for these effects at Paseo de la Castellana number 81, Madrid (the "**Proxies**"), to amend the terms and conditions of the Issue as well as to determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend,*

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adapt and/or to determine other conversion triggers, additional to those established in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the transaction.

THREE.- *On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Securities issue, which will be made available to shareholders along with the report issued by the auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first Annual General Meeting held after the increase resolution, expressly empowering the Company Secretary & Secretary to the Board of Directors to certify its text.*

FOUR.- *In line with the Finance Department report, which is reflected in the Directors' Report approved in the foregoing resolution, the corporate interests require suppression of pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the Annual General Meeting, held on 16th March 2012, under its agenda item five, and by virtue of article 511 of the Corporate Enterprises Act, hereby resolves to suppress said pre-emptive subscription rights in this Issue.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, pursuant to the Conversion Ratio.*

The maximum number of shares to be issued is 333,333,333 ordinary shares, assuming that no anti-dilution adjustment is made, expressly envisaging the possibility of the capital increase being implemented with an issue premium, by a lower number of shares and with the possibility of under-subscription.

Should the Securities be converted, the newly issued shares issued to cover said conversion will be ordinary shares, equal to those outstanding at that time and will equally be represented in the same way as those ordinary shares (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("Iberclear") and its accountholders), granting their holders the same rights as are recognised for the ordinary shares outstanding at that time. On executing this resolution to increase share capital, the relevant Company Bylaws article will be reworded accordingly.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there will be no pre-emptive subscription rights on the resulting capital increase.

SIX.- *By virtue of the authority conferred on this Board of Directors by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to delegate to the Executive Committee, which may in turn delegate such authority, and to empower the Proxies in the broadest terms, jointly and severally, within the limits*

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herein established, such that they may carry out the Issue and therefore they may proceed to:

- a) Determine the timing on which the Issue is to take place, and refrain from going ahead with the Issue should this be deemed necessary or advisable.*
- b) Determine the characteristics of the Securities to be issued, including, but not limited to, the final amount of the Issue within the limits established under resolution ONE above, the currency of the Issue and the nominal unit value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods, include new conversion terms and modalities and/or amend them, including the Conversion Ratio or the terms and conditions of the anti-dilution mechanism; and any additional circumstances for early redemption and determine any matter not established hereunder that may be necessary for the successful outcome of the transaction, expressing the amount availed against the limit of the authority granted by the Annual General Meeting to the Board and the amount still available.*
- c) Declare the Distribution of the Securities, whether partially or completely, as well as declare no Distribution, as determined in the Issue terms and conditions.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the Issue terms and conditions.*
- e) Carry out any arrangement, request or appointment that may be legally necessary to achieve the Issue and/or filing the Issue with the Companies Registry or any other public or private bodies or entities.*
- f) Grant and execute any public and private documents required, appearing before a Notary Public and finalise the formalities on the preceding resolutions, including deeds of issue, correction, clarification or rectification, and deeds of the total or partial subscription of the Issue, as well as the total or partial redemption or amendment and, where applicable, any others that may have preceded it of may be resolved in the future. Where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Exchanges, should this be necessary.*
- g) Formalise or register the offering circulars that may be necessary and the documents in which the Issue is formalised, and any other documents that may be necessary before any bodies, regulators, registries, the Companies Registry and exchanges or markets in or outside Spain, including but not limited to any*

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regulated or non-regulated secondary markets and exchanges, organized or non-organized. Request, where appropriate, listing for trading of the Securities on regulated or non-regulated, organized or non-organized, secondary markets in or outside Spain.

- h) Proceed, where necessary, to constitute a syndicate of Securities holders, determine its characteristics and rules of operation, and to appoint its provisional commissioner, and the rules governing relations between the Company and the Syndicate.*
- i) Establish any other parameters not established by this Board with respect to the Issue and determine any other parameter for the Issue that may be necessary for its successful completion.*
- j) Negotiate, undersign and grant public and private documents, including but not limited to, offering circulars, liquidity contracts, subscription, placement and/or insurance contracts, payment agency contracts, and any other contracts that may be necessary for the issuance of the Securities under the conditions deemed most appropriate.*
- k) With respect to the contingent conversion of the Securities into BBVA shares, establish, where appropriate, the Conversion Price, the final conversion ratio for the Issue and, where applicable, the issue premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and engage in such acts as may be necessary, including but not limited to, granting any public or private documents that may be necessary to implement the capital increase and amend, where appropriate, the wording of the corresponding article of the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies, including but not limited to public notary or the Companies Registry.*
- l) Request, where appropriate, listing for trading on regulated or non-regulated, organized or non-organized, Spanish or non-Spanish secondary markets and take any actions they deem necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, where this is the case, in order to cover the contingent conversion of the Securities. By way of example:
 - (i) Write and file any offering circulars, requests, communications or notifications that may be required by applicable legislation in each**

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competent jurisdiction and agree later amendments to these that they deem advisable.

- (ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.*

Finally, and for the effects of the applicable regulations on the issue of securities, it is resolved to appoint Proxies to represent the Company before any public and/or private body. They will have joint and several powers and will bear responsibility for the content of the offering circulars. They are also empowered to sign any additional public and/or private documents and contracts that may be necessary for the successful completion of the transaction."

* * *

Madrid, 30th January 2014



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Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., for the effects established in articles 414, 417 and 511 of the Corporate Enterprises Act, regarding the resolution to issue contingent convertible perpetual securities into shares of the entity itself with exclusion of pre-emptive subscription rights and the corresponding share capital increase by the necessary amount, that is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012.

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1. INTRODUCTION

1.1 Aim of this Report; Applicable regulations

This report is filed by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**"), pursuant to articles 414, 417 and 511 of the Corporate Enterprise Act (consolidated text), in its prevailing drafting (the "**Corporate Enterprises Act**" or "**CEA**"), regarding the resolution to issue contingent convertible perpetual securities into shares of BBVA itself, which are issued pursuant to the Second Additional Provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**") (hereinafter the "**Preferred Securities**") for a maximum nominal amount of US\$2 billion and with exclusion of pre-emptive subscription rights (the "**Issue**"), and the corresponding share capital increase, which is adopted under the authority conferred by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five.

Article 401.2 of the CEA stipulates that the securities recognising or creating debt issued by a public limited company, such as the Preferred Securities, will be subject to the regulations established for bonds under title XI of the Corporate Enterprises Act.

Said articles 414 and following of the CEA allow public limited companies to issue bonds that can be converted into shares provided the Annual General Meeting determines the terms and modalities of the conversion and resolves to increase the capital by the necessary amount. For this, the directors must draft a report explaining the terms and modalities of the conversion. This must be accompanied by another report from an auditor other than the auditor of the Company accounts, appointed for this purpose by the Companies Registry.

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The convertible bonds may not be issued for a sum below their nominal value, and may not be converted into shares when the nominal value of the shares is below the nominal value of the bonds.

For listed companies, article 511 of the CEA allows the Annual General Meeting to delegate authority to the directors not just to issue convertible bonds, but also to exclude the pre-emptive subscription rights over the convertible bond issues that are subject to the authority when the company's interest so require. To such effects, the Notice of Annual General Meeting in which the proposal to confer authority on the directors to issue convertible bonds is included, must also contain express reference to the proposal to withdraw the right of pre-emptive subscription.

In the resolution to increase capital being made on the basis of Annual General Meeting conferral of authority, the Directors' Report and the Auditor's Report mentioned above must refer to each specific issue.

Thus, pursuant to article 417 of the CEA, the aforementioned Directors' Report must give detailed substantiation of the grounds for the proposed suppression of pre-emptive subscription rights and the Auditor's Report will contain a technical judgement as to the reasonableness of the information contained in the Directors' Report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae to offset any possible dilution of the economic value of shareholders' holdings.

These reports will be made available to the shareholders and communicated to the first Annual General Meeting held after the increase resolution.

1.2 Advisory services received

This report, issued on the basis of (i) the report issued by the BBVA Finance Department, which is in turn supported by a report from a top-level investment

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bank, with recognised expertise in this type of issuances; and (ii) the legal report of the external consultant, J&A Garrigues, S.L.P., legal consultant on Spanish law.

2. ON THE ISSUANCE OF PREFERRED SECURITIES

2.1 Conferral of authority by the Annual General Meeting under which to issue Preferred Securities

The BBVA Annual General Meeting, held on 16th March 2012, validly called in time and form, adopted the following resolution under its agenda item five, the relevant part of which is transcribed below:

“Repealing the unavailed part of the authorisation conferred by the Annual General Meeting, 14th March 2008, under agenda item six, to confer authority on the Board of Directors to issue securities convertible and/or exchangeable for Company shares, subject to applicable legal provisions and after obtaining the necessary authorisations, pursuant to the following conditions:

(...)

3. The authority to issue securities convertible and/or exchangeable for Company shares will be extended to the following aspects and will also comprise the following powers:

- i) Establishment of the various aspects and conditions of each issue, including, but not limited to: determining the amount of each issue or tranche within an issue, always within the overall quantitative limit established; the place of the issue (in or outside Spain) and the currency or exchange, plus its equivalent value in euros when denominated in another currency; the type of securities and their denomination, whether they are bonds, (including subordinated bonds), preferred securities, warrants or any other admissible by law; the date(s) of issue; the number of securities and their nominal value; the issue price; in the case of warrants and similar securities, the issue price and/or premium, the strike price (which may be fixed or variable) and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the form and conditions of the yield and the fixed or variable interest rate, the dates and procedures for payment of the coupon; whether the issue is in perpetuity or repayable, and if so, the repayment term and the maturity date; the reimbursement ratio, premiums and bundling,*

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guarantees; whether to represent the issue in certificates or book entries; the regulations governing subscription; anti-dilution clauses; applicable legislation and, in general, any other condition for the issue. Also, where applicable, to appoint a commissioner and approve the fundamental rules governing the legal relations between the Bank and the syndicate of security-holders, should it be necessary to constitute such a syndicate.

- ii) The power to increase capital as much as necessary to meet applications for conversion or subscription with the limits that may be applicable, in force and available at any time, and re-draft article 5 of the Company Bylaws.*
- iii) The power to exclude the pre-emptive subscription rights of shareholders, when this is necessary or when the Company's best interest may require such exclusion. Whatever the case, pursuant to article 511 of the Corporate Enterprises Act, should the Board resolve to exclude the pre-emptive subscription rights over a specific issue that it may decide to implement under this authorisation, at the same time as the issue is approved, it will issue a report giving the grounds for proposing such exclusion, which will be subject of a parallel report from the auditor of the accounts referred to in articles 417 and 511 of the Corporate Enterprises Act. These reports will be made available to the shareholders and communicated to the first Annual General Meeting held after the increase resolution.*
- iv) The power to determine the conversion and/or exchange ratio, which may be fixed or variable, within the limits established below, as well as the moment of conversion and/or exchange; whether the conversion and/or exchange of the securities is mandatory or voluntary, and whether at the option of the Company or the securities holders or both, and in general, such limits and conditions as may be necessary or advisable for the issue.*

If the issue is made at a fixed conversion and/or exchange ratio, the corresponding share conversion and/or exchange price may not be lower than whichever is higher of (i) the arithmetic mean of the closing prices on the continuous market over a period to be specified but not exceeding three months and not less than fifteen days prior to the date on which the issue of convertible and/or exchangeable securities is approved, and (ii) the closing share price on the SIBE platform the day prior to the date on which the issue of convertible and/or exchangeable securities is approved.

Should the issue be made with a variable conversion and/or exchange ratio, the share price for the conversion and/or exchange must be the arithmetic mean of the closing prices of the Company's shares on the Continuous Market during a period not exceeding three months and not less than five days prior to the conversion or exchange date with a premium or, as applicable, a discount on said price per share. The premium/discount may

be different for every date of conversion or exchange of each issue. However, if a discount is established on said price per share, it may not exceed 30%.

(...)

For the purpose of conversion and/or exchange, the value of the share must never drop below its nominal value and securities may not be converted into shares when the nominal value of the securities is below that of the shares.

Likewise, the valuation for conversion and/or exchange of securities into shares will be for their nominal value and may or may not include interest accrued but unpaid at the time of their conversion and/or exchange.”

2.2 Rationale for the Issuance

In December 2010, and in response to the financial crisis that began in 2007, the Basel Committee on Banking Supervision (the "**Basel Committee**") published recommendations on the Basel III framework, containing reforms to reinforce the international capital and liquidity standards applicable to credit entities, in order to make the banking industry more resilient.

This Basel III framework was revised in June 2011 and, after including the latest recommendations from the Basel Committee, a draft Capital Requirements Directive was published in July 2011 ("**CRD IV**") containing proposals for legislative amendments to implement Basel III within Community legislation.

This new Basel III / CRD IV framework has been partially implemented in Spain under Act 9/2012, 14th November, on restructuring and resolution of credit entities, amending Royal Legislative Decree 2/2011, 18th February, to reinforce the financial system ("**RLD 2/2011**"), which established the requirement for Spanish credit entities to hold core capital of at least 9%. BBVA is compliant with this ratio, and also compliant with the capital adequacy requirements established by the European Banking Authority ("**EBA**").

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The above notwithstanding, and despite the fact that BBVA has adequate core capital, Basel III and CRD IV require credit entities to endow their regulatory capital composition with various other proportional instruments, over and above their core capital, in order to be deemed well capitalized. Thus, apart from core capital, Basel III / CRD IV require credit entities to endow themselves with two additional categories of regulatory capital: additional tier-1 capital and tier-2 capital.

Although Basel III / CRD IV are not yet implemented with respect to additional tier-1 capital in Spain, the application of their criteria would mean that BBVA has not currently reached the percentage of additional tier-1 capital that Basel III and CRD IV will require in the future.

Thus, the BBVA Finance Department deems that, for the sake of diligent, prudent management, it is necessary to issue securities that may be eligible as additional tier-1 capital. It considers the Bank should take advantage of the current favourable situation of the financial markets in general and for the issue of this type of instrument in particular, which could alter in the future, and also the interest and demand detected amongst some institutional investors.

In this context, the Finance Department proposes to issue a perpetual fixed-income instrument that is eligible as EBA/core capital as of day one, pursuant to the current legislation and the capital adequacy requirements for credit entities, and which may also, in turn, be eligible as additional tier-1 capital, pursuant to the expected standards under CRD IV.

However, although the instrument proposed for issuance is essentially a perpetual fixed-income instrument, the Second Additional Provision of Act 13/1985 and its implementing regulations, as well as CRD IV, establish that in order to be eligible these securities must contain a mechanism for eventual or contingent conversion

into BBVA shares when the conversion triggers established in these regulations and described in following section 2.4.1 occur.

These eventual conversion triggers required by the legislation would only occur in very specific situations of regulatory capital shortfall in the Issuer or in its Group, such that, given situations of significant accounting losses or relevant falls in equity ratios, these could improve their core capital levels by converting these perpetual fixed-income instruments into shares of the entity.

Consequently, the Preferred Securities proposed for issuance would be perpetual fixed-income instruments, convertible into BBVA shares should there be an impairment in the capital adequacy of the Entity or its Group that, in such event, could reinforce the BBVA regulatory capital immediately under the current capital adequacy regulations (EBA and RLD 2/2011), and that could be eligible as additional tier-1 capital under CRD IV.

2.3 Financial conditions of the Issue

The Issue will be made for a maximum amount of two billion US dollars (\$2,000,000,000), the nominal value of each Preferred Security being US\$200,000.

Investors will collect a coupon, which will be determined in the final terms and conditions of the Issue. The payment of the coupon will be conditional on various factors. The payment must pass the mandatory payment test established by the equity regulations that will be described in detail in the Issue terms and conditions. The Issuer may, at its own discretion when it deems this to be necessary, cancel the distribution payment during an unlimited period, without cumulative effect. Likewise, the Bank of Spain may demand the cancellation of the distribution payment on the basis of the Issuer's financial situation and capital adequacy.

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Should any of the conversion triggers established in section 2.4.1 below occur, the Preferred Securities will be converted into ordinary BBVA shares pursuant to the following variable conversion ratio, which depends on the BBVA share price at the time of conversion:

$$Num_{Shrs} = Nom_{convertible} / P_{Shr}$$

Where:

Num_{Shrs} : Number of BBVA shares to be delivered against each Preferred Security.

$Nom_{convertible}$: Nominal value of the Preferred Security being converted (US\$200,000).

P_{Shr} : Conversion Price (as defined in section 2.4.2 below).

2.4 Terms and modalities of the Conversion

The terms and modalities of the conversion of the Preferred Securities, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

2.4.1 Conversion triggers

The Preferred Securities will be converted into ordinary BBVA shares under the following trigger events:

- a) if the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to article 418.3 of the CEA;
- b) if the consolidable BBVA Group Capital Principal ratio or EBA CT1 ratio calculated pursuant to the definition used by EBA has fallen below 7%;

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- c) if the Issuer, or its consolidable group or subgroup, reports a Common Equity Tier 1 ratio below 5.125%, calculated pursuant to Bank of Spain Circular 3/2008 or any other regulation applicable to the Issuer's equity at any time;
- d) if the tier-1 ratio has fallen below 6%, calculated pursuant to Bank of Spain Circular 3/2008, or any other equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on its financial accounts; and
- e) if the Bank of Spain (or the authority that may substitute it in the future) (i) determines that BBVA is not viable without the conversion of the Preferred Securities; and/or (ii) decides to reinforce the Bank's equity by injecting capital or through any other equivalent measure of financial support, without which it deems that BBVA would not be viable.

Likewise, additional mandatory total conversion triggers may be included in the Issue documents, if this is necessary to safeguard the Issuer's solvency as a consequence of the final establishment of the criteria to determine the capital adequacy ratios that may result from any regulations at European or national level or published by the Bank of Spain, the EBA or any other regulatory body or authority.

2.4.2 Conversion Ratio

The ratio for converting the Preferred Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Preferred Securities (ie, US\$200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market price of the BBVA shares at the moment of conversion of the

Preferred Securities, converted into US dollars, subject to the minimums established below:

Thus, the number of shares corresponding to each Preferred Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Preferred Securities held by the investor. If this transaction results in fractions, these will be subject to the stipulations in the Issue conditions.

The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the corresponding conversion trigger occurs, converted into US dollars at the euro/US dollar conversion rate published on the Bloomberg or Reuters website at 12:00 London time on that day, and if it cannot be determined on that day, it will be the exchange rate published at 12:00 London time on the day immediately prior to when it can be determined. The amount will be rounded up or down to the closest US dollar cent and, when it is half a cent, rounded up to the nearest US dollar cent (the "**Reference Price**").

If the Reference Price is below US\$5, the Conversion Price will be US\$5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section.

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever is greater of:

- a) the Reference Price;

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- b) US\$5 (without prejudice to the changes in this amount subject to the application of the anti-dilution mechanism); and
- c) the nominal value of the BBVA shares at the time of conversion.

2.4.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, pursuant to the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

Finally, the Board of Directors may determine or develop in the Issue conditions, or confer on the Executive Committee and empower any other proxies, to determine or develop any aspect not established by the Board of Directors, and to amend and/or determine other conversion triggers that may be necessary for the successful conclusion of the transaction.

2.5 Capital increase

According to article 414 of the Corporate Enterprises Act, the share capital increase must be resolved for the maximum amount necessary to be able to cover the eventual conversion of the Preferred Securities issued. To such purpose, the number of shares to be issued to cover the conversion will be determined by dividing the amount of the Issue by the Conversion Price.

This capital increase will be executed by the Board of Directors, with express powers of substitution and delegation to the Executive Committee and those

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proxies that the Board of Directors may empower, under the authority regarding convertible securities issuance resolved by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to cover the eventual conversion of the Preferred Securities, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date of execution of the corresponding resolution to increase capital. Should the capital increase be executed the corresponding article in the Company Bylaws will be reworded to adapt it to the new figure for share capital.

It is not yet possible to determine the amount of share capital that would be necessary for the eventual conversion of the Preferred Securities, given that, pursuant to the terms and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion.

The above notwithstanding, considering that the issue is for a nominal maximum amount of US\$2 billion, that the Conversion Price may not be below US\$5, and assuming there will be no anti-dilution adjustment prior to the date on which the Preferred Securities are converted, it is hereby stated that the maximum number of new shares it would be necessary to issue would be 400,000,000 ordinary shares.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Preferred Securities be converted, there would be no pre-emptive subscription rights on the resulting capital increase.

3. GROUNDS FOR THE EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of pre-emptive subscription rights

As indicated above, the BBVA Annual General Meeting, held on 16th March 2012, resolved under agenda item five, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the

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share capital. It also resolved to empower the Board of Directors to exclude pre-emptive subscription rights over the convertible securities issues made under such authority.

To such end, when convening the aforementioned Annual General Meeting, the BBVA Board of Directors approved and gave shareholders access to a report substantiating the grounds of the proposal to confer authority to exclude pre-emptive subscription rights.

Article 511 of the Corporate Enterprises Act requires that pre-emptive subscription rights only be excluded in the event of convertible bonds issuances when corporate interests so require.

The BBVA Board of Directors, by virtue of said authority and with due substantiation provided by the reports issued by the Finance Department and by J&A Garrigues, S.L.P. as external legal advisor helping BBVA in the legal structure of this transaction, has resolved to exclude the pre-emptive subscription rights with respect to the issuance of Preferred Securities, as it deems such exclusion to be fully substantiated and in compliance with the requirements established by law, and necessary to achieve the corporate interests, as explained below.

Pursuant to the Finance Department's report to the Board of Directors, BBVA would not currently achieve the additional tier-1 capital ratios that Basel III / CRD IV will require, once implemented. Thus, taking advantage of the current favourable market conditions, the Finance Department has proposed that the Board of Directors issue an instrument that would be eligible as EBA/core capital from day one pursuant to current legislation on equity and capital adequacy of credit entities, and which could in turn be eligible as additional tier-1 capital pursuant to the regulations established under CRD IV.

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In order to be eligible as additional tier-1 capital, these perpetual fixed-income instruments must provide a conditional distribution and be contingently convertible into ordinary BBVA shares under the circumstances indicated in section 2.4.1. above (although other conversion triggers may be established later). The eventual conversion is an essential characteristic in order for them to be eligible.

As the Bank Finance Department has explained, the characteristics and complexity of this type of instrument (perpetuity, conditional distribution payment and eventual convertibility into ordinary BBVA shares) and the latest regulatory changes mean that this is not a suitable product for placement on the Spanish retail market (which is the majority percentage in the BBVA shareholding structure) under current conditions. Consequently it would not be viable not to exclude pre-emptive subscription rights due to the very high risk that the current shareholders would not subscribe in the time and to the amount initially established.

This would firstly have a very negative impact for BBVA on the market as Issuer, and would also make it necessary to carry out a subsequent additional placement amongst non-shareholder investors under conditions that would foreseeably be more unfavourable for the Bank, with the money, operational, time and capital costs that it would entail, thereby clearly prejudicing BBVA's corporate interests.

However, as the Finance Department states in its report, growing interest in this type of instrument has been detected among qualified investors and sophisticated foreign private banking customers (who know and habitually subscribe this type of product). This is demonstrated by the success of various issues of instruments similar to the Preferred Securities made over recent months by various international credit entities, which have mainly been directed at these types of investors. In order to direct the Issue directly at these types of investors, it is vital to exclude the pre-emptive subscription rights of BBVA shareholders.

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The combination of the factors described above (reinforcing BBVA equity, the characteristics of these securities, the market conditions and the investors to whom the Issue is directed) have led the Finance Department to consider that the optimal alternative for corporate interests is to reinforce BBVA equity by issuing Preferred Securities, and directing the Issue solely to qualified investors and foreign private banking customers, as this is the group in which most interest has been detected for instruments similar to the Preferred Securities.

Consequently, the optimal alternative to meet the requirements of corporate interests and provide a complete and comprehensive solution to the matters raised is to issue Preferred Securities excluding the pre-emptive subscription rights over the Issue.

Additionally, in line with the explanation given by the Bank's Finance Department in its report, the following circumstances should be taken into account:

- (i) The nature of the Preferred Securities is that of a perpetual fixed-income instrument, whose eventual convertibility is determined by the regulations on equity and capital adequacy for their eligibility, but which is only foreseen for a very reduced number of very specific cases in which there is a regulatory capital shortfall or distressed capital adequacy. Likewise, it should be considered that, in line with the Finance Department's report, the BBVA capital adequacy and equity ratios are very far from the conversion triggers, reinforcing the nature of the Preferred Securities as fixed-income instruments and the eventuality of their conversion.
- (ii) The Conversion Price proposed to cover an eventual conversion corresponds to the market price of the share at the time of conversion, except in the event of such price being less than US\$5, in which case the Conversion Price will be US\$5 and the shares would be issued with a premium over the market price. In this manner, the maximum number of shares deliverable is limited

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by establishing the minimum Conversion Price, maximising the resource allocation efficiency.

Taking into account that the Preferred Securities are issued as perpetual securities, that the conversion triggers are limited in number and very specific, and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, pursuant to the Finance Department report, the theoretical value of the pre-emptive subscription rights stemming from the Issue is nil.

Therefore, taking into account the terms and conditions of the Preferred Securities and the proposed conversion terms and modalities, the current shareholders do not lose any economic value with the exclusion of pre-emptive subscription rights.

3.2 Investors to whom the Preferred Securities should be attributed

As indicated above, the Issue is exclusively directed to qualified investors and foreign private banking customers.

4. PROPOSED RESOLUTION

***"ONE.-** By virtue of the authorisation conferred by the Company's Annual General Meeting, held on 16th March 2012, under its agenda item five, to issue contingent convertible perpetual securities into newly issued ordinary shares of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), issued pursuant to the Second Additional Provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**"), (hereinafter the "**Preferred Securities**") to a maximum nominal amount of two billion US dollars (US\$2,000,000,000), with exclusion of pre-emptive subscription rights (the "**Issue**"), pursuant to the following terms:*

Nature of the Preferred Securities

The securities to be issued will be contingent convertible preferred securities into newly issued ordinary BBVA shares, pursuant to the Second Additional Provision of Act 13/1985.

Issuer:

Banco Bilbao Vizcaya Argentaria, S.A.

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Target investors: *Qualified investors and foreign private banking customers.*

Maximum amount: *Two billion US dollars (US\$2,000,000,000).*

Nominal value: *The Preferred Securities will have a nominal unit value of two hundred thousand US dollars (US\$200,000).*

Number of Preferred Securities: *The maximum number of Preferred Securities to be issued is ten thousand (10,000), all belonging to one single series and with the same terms and conditions.*

Issue Price: *The Issue will be at par, ie, at one hundred per cent of its nominal value.*

Distribution: *Holders of Preferred Securities may receive a predetermined non-cumulative distribution that will be determined as a function of the interest rate applicable to the nominal value of the Preferred Securities, provided they comply with the rest of the conditions established in the Issue terms (the “**Distribution**”).*

In particular, the Issuer may, at its own discretion, cancel the Distribution payment when it deems this to be necessary during an unlimited period, without cumulative effect. Likewise, the Bank of Spain may demand cancellation of the Distribution payment on the basis of the Issuer's financial situation and capital adequacy.

Maturity date and early redemption: *The Issue is perpetual, such that it has no maturity date.*

The Preferred Securities may be totally or partially redeemed at the Issuer's option, in accordance with the final terms and conditions of the issue, provided that at least 5 years have elapsed from their issue, and always if

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authorisation has been given by the Bank of Spain.

The issue conditions may include other circumstances for early redemption by the Issuer.

Form of the Preferred Securities:

The Preferred Securities will be represented by notes or electronic book entries.

Status of the Preferred Securities:

The Preferred Securities will be ranked in the following order:

- (i) behind all BBVA's common and subordinate creditors;*
- (ii) in the same rank (pari passu) as other issues of preferred securities, preferred shares or other securities with the same rank as the Preferred Securities that the Issuer may have issued (or guaranteed) or may issue (or guarantee);*
- (iii) ahead of mandatory convertible bonds or other securities that the Issuer may have issued or may issue; and which have a subordinated status with respect to the Preferred Securities, and*
- (iv) ahead of the BBVA ordinary shares.*

TWO.- *The terms and modalities for conversion of the Preferred Securities will be as follows:*

a) Conversion triggers

The Preferred Securities will be converted into newly issued BBVA ordinary shares under the following trigger events:

- a) if the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to article 418.3 of the CEA;*
- b) if the consolidable BBVA group Capital Principal ratio or EBA CT1 ratio calculated pursuant to the definition used by European Banking Authority (the "**EBA**") has fallen below 7%;*

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- c) *if the Issuer, or its consolidable group or subgroup, reports a Common Equity Tier 1 ratio below 5.125%, calculated pursuant to Bank of Spain circular 3/2008 or any other regulation applicable to the Issuer's equity at any time;*
- d) *if the tier-I ratio has fallen below 6%, calculated pursuant to Bank of Spain Circular 3/2008, or any other equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on its financial accounts; and*
- e) *if the Bank of Spain (or the authority that may substitute it in the future) (i) determines that BBVA is not viable without the conversion of the Preferred Securities; and/or (ii) decides to reinforce the Bank's equity by injecting capital or through any other equivalent measure of financial support, without which it deems that BBVA would not be viable.*

Additional mandatory total conversion scenarios may be included in the Issue documents, if this is necessary to safeguard the Issuer's solvency as a consequence of the final establishment of the criteria to determine the capital adequacy ratios that may result from any regulations at European or national level or published by the Bank of Spain, the EBA or any other regulatory body or authority.

b) Conversion Ratio

*The ratio for converting the Preferred Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Preferred Securities (ie, US\$200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market value of the BBVA shares converted into U.S. dollars at the time of the Preferred Securities conversion.*

Thus, the number of shares corresponding to each Preferred Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Preferred Securities held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.

The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the corresponding conversion trigger occurs, converted into US dollars at the euro/dollar conversion rate published on the Bloomberg or Reuters website at 12:00 London time on that day, and if it cannot be determined on that day, it will be the exchange rate published at 12:00 London time on the day immediately prior to when it can be determined. The amount will be rounded up or down to the closest

*US dollar cent and, when it is half a cent, rounded up to the nearest US dollar cent (the "**Reference Price**").*

If the Reference Price is below US\$5, the Conversion Price will be US\$5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section d).

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever the greater of:

- a) the Reference Price;*
- b) US\$5 (although this amount may vary due to application of the anti-dilution mechanism); and*
- c) the nominal value of the BBVA shares at the time of conversion.*

c) Procedures for Conversion

The procedures for conversion will be determined in the Issue terms and conditions.

d) Anti-dilution Mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, in compliance with the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

*Without prejudice to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr Manuel González Cid, Spanish national, of legal age, with identity card number 51361870-H, Mr Erik Schotkamp, Dutch national, of legal age, with foreign residency card number Y-2126590-R, Mr Ignacio Echevarría Soriano, Spanish national, of legal age, with identity card number 837871-G and Mr Juan Isusi Garteiz Gogearco, Spanish national, of legal age, with identity card number 44679846-T, all domiciled for these effects at Paseo de la Castellana number 81, Madrid (the "**Proxies**"), to determine or*

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develop in the Issue conditions any matter not established by this resolution, including but not limited to, sufficient powers to amend, adapt and/or to determine other conversion triggers, additional to those established in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the transaction.

THREE.- *On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Preferred Securities Issue, which will be made available to shareholders along with the report issued by the auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first Annual General Meeting held after the increase resolution, expressly empowering the Company Secretary & Secretary of the Board of Directors to certify the text.*

FOUR.- *In line with the Finance Department report, which is reflected in the Directors' Report approved in the foregoing resolution, the corporate interests require suppression of pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the Annual General Meeting, held on 16th March 2012 and by virtue of article 511 of the Corporate Enterprises Act, hereby resolves to suppress said pre-emptive subscription rights in this Issue.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to cover the eventual conversion of the Preferred Securities, pursuant to the Conversion Ratio.*

The maximum number of shares to be issued is 400,000,000 ordinary shares, assuming that no anti-dilution adjustment is made, expressly envisaging the possibility of the capital increase being implemented with an issue premium, by a lower number of shares and with the possibility of under-subscription.

*Should the Preferred Securities be converted, the newly issued shares issued to cover said conversion will be ordinary shares, equal to those that at the time are outstanding and will equally be represented in the same way as those ordinary shares (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") and its accountholders), granting their holders the same rights as are recognised for the ordinary shares outstanding at the time. On executing this resolution to increase share capital, the Company Bylaws article regarding share capital will be reworded accordingly.*

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Preferred Securities be converted, there would be no pre-emptive subscription rights on the resulting capital increase.

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SIX- By virtue of the authority conferred on this Board of Directors by the BBVA Annual General Meeting, held on 16th March 2012, to delegate to the Executive Committee, which may in turn delegate such authority, and to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, can carry out the above mentioned Issue, such that they may:

- a) Determine the timing on which the Issue is to take place, and refrain from going ahead with the Issue should this be deemed necessary or advisable.
- b) Determine the characteristics of the Preferred Securities to be issued, including but not limited to the final amount of the Issue within the limits established under resolution ONE, the nominal interest rate applicable to the Preferred Securities, the interest accrual periods, include new conversion terms and modalities and/or amend them, determine the terms and conditions of the anti-dilution mechanism and any additional triggers for mandatory conversion or early redemption and determine any matter not established hereunder that may be necessary for the successful outcome of the transaction. Also express the amount availed against the limit of the authority granted by the Annual General Meeting to the Board and the amount still available.
- c) Declare the Distribution of the Preferred Securities, whether partially or completely, and declare no Distribution, as determined in the Issue conditions.
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the Issue conditions.
- e) Carry out any arrangement, request or appointment that may be legally necessary to achieve the filing of the Preferred Securities Issue with the Companies Registry or any other public or private bodies or entities.
- f) Grant any public and private documents required and, where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Exchanges, should this be necessary, appear before a Notary Public and finalise the formalities on the preceding resolutions, including deeds to issue, correct, clarify or rectify them, and deeds of the total or partial subscription of the issue, as well as the total or partial redemption or amendment and, where applicable, any others that may have preceded it of may be resolved in the future.
- g) Formalise or register the offering circulars that may be necessary and the documents in which the Issue is formalised and any other documents that may be necessary before any bodies, regulators, registries, the Companies Registry and exchanges or markets in or outside Spain, including but not limited to any regulated and non-regulated, secondary markets and exchanges, organized or

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non-organized. Request, where appropriate, listing for trading of the Preferred Securities on regulated and non-regulated, organized or non-organized, secondary markets in or outside Spain.

- h) Proceed, where necessary, to constitute a Syndicate of the Preferred Securities holders, determine its characteristics and rules of operation, and to appoint its Provisional Commissioner, and the fundamental rules governing relations between the Company and the Syndicate.*
- i) Establish any other parameters not established by this Board with respect to the Issue and determine any other parameter for the issue that may be necessary for its successful completion.*
- j) Negotiate, undersign and grant public and private documents, including but not limited to, liquidity contracts, subscription, placement and/or insurance contracts, payment agency contracts, and any other contracts that may be necessary for the issuance of the Preferred Securities under the conditions deemed most appropriate.*
- k) With respect to the conversion of the Preferred Securities into BBVA shares, establish, where appropriate, the final conversion ratio for the Issue and, if applicable, the Issue Premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and engage in such acts as may be necessary, including but not limited to: granting any public or private documents that may be necessary to implement the capital increase and amend the wording of corresponding article in the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies, including but not limited to public notary or the Companies Registry.*
- l) Request, where appropriate, listing for trading on regulated and non-regulated, organized or non-organized, Spanish and non-Spanish secondary markets and take any actions they deem necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, where this is the case, in order to cover the eventual conversion of the Preferred Securities. By way of example:
 - (i) Write and file any offering circulars, requests, communications or notifications that may be required by applicable legislation in each competent jurisdiction and agree later amendments to these that they deem advisable.*
 - (ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private**

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documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.

- m) Finally, and for the effects of the applicable regulations on the issue of securities, it is resolved to appoint Proxies to represent the Company before any public and/or private body. They will have joint and several powers and will bear responsibility for the content of the offering circulars. They are also empowered to sign any additional public and/or private documents and contracts that may be necessary for the successful completion of the transaction.”*

* * *

Madrid, 3rd April 2013

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SPECIAL REPORT ON THE ISSUANCE OF PERPETUAL SECURITIES CONTINGENT CONVERTIBLE INTO SHARES OF THE ENTITY BANCO BILBAO VIZCAYA ARGENTARIA, S.A., WITH EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHTS IN THE CASES OF ARTICLES 414, 417 AND 511 OF THE CORPORATE ENTERPRISES ACT (CONSOLIDATED TEXT)

To the Annual General Meeting of
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

1. INTRODUCTION

For the purposes established under articles 414, 417 and 511 of the Corporate Enterprises Act (Consolidated Text) adopted by Royal Legislative Decree 1/2010, 2nd July, and pursuant to the remit received from Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "BBVA" or the "Bank"), at the appointment of the Companies Registrar for the Province of Vizcaya, Mr Carlos Alonso Olarra, we hereby issue this Special Report on the issuance of perpetual securities contingent convertible into shares in the Bank itself to a maximum amount of US\$2 billion, with exclusion of pre-emptive subscription rights, accompanied by the attached Report by the Bank Directors. These reports will be made available to BBVA shareholders.

The Bank's Annual General Meeting, held on 16th March 2012, resolved to confer authority on the Board of Directors to issue securities convertible and/or exchangeable into shares of the entity itself (bonds, preferred securities, warrants or any other form admissible by law) which may be issued on one or various occasions within the maximum period of five years, up to a maximum amount of €12 billion or its equivalent in any other currency, and to establish various aspects and conditions of each issue. It also empowered the Board of Directors to suppress pre-emptive subscription rights pursuant to the Corporate Enterprises Act, to determine the terms and modalities for conversion and to increase the share capital by the necessary amount. By virtue of this authority, the Board of Directors, on its meeting held on 3rd April 2013, resolved to issue perpetual securities contingent convertible into shares of the Bank, which are issued pursuant to the Second Additional Provision of Act 13/1985 (hereinafter the "Preferred Securities"), to a maximum amount of US\$2 billion, with the exclusion of pre-emptive subscription rights, and the corresponding increase in the Bank's share capital to meet the contingent conversion of said Preferred Securities.

By virtue of the aforementioned authority, the Bank directors have drawn up the attached report (Annex I) explaining the grounds and conditions of the proposed issuance, the terms and modalities of conversion, and identifying the reasons of corporate interest justifying the proposal to suppress the pre-emptive subscription rights.

2. PURPOSE OF OUR SPECIAL REPORT

The purpose of our work is not to certify the issue price or the conversion price of the Preferred Securities, but exclusively to set out, by application of the procedures established in the Technical Standard for preparation of special reports on the Issue of Convertible Bonds on the basis of article 414 of the Corporate Enterprises Act (Consolidated Text), whether the report drafted by the Bank Directors, dated 3rd April 2013 and attached as Annex I, contains the information required, consolidated in said Technical Standard, which includes the explanation of the bases and modalities of the conversion. Likewise, and pursuant to article 417 of the Corporate Enterprises Act (Consolidated Text), and by analogy, wherever applicable, the Technical Standard for drafting special reports on the exclusion of pre-emptive subscription rights, the aim of our work is to issue a technical judgement on the reasonable nature of the data contained in the attached Directors' Report and on the suitability of the conversion ratio, and, where applicable, its adjustment formulae, to compensate a possible dilution of the economic value of shareholders' holdings.

3. PROCEDURES EMPLOYED IN OUR WORK

Pursuant to the said Technical Standards on the drafting of this special report, our work has consisted in applying the following procedures:

- a) Obtaining the following information, which has been facilitated by the Bank Management:
 - Resolution of the Bank Annual General Meeting, held on 16th March 2012, regarding the conferral of authority on the Directors to issue convertible securities and to exclude pre-emptive subscription rights.
 - Bank Directors' Report regarding the issuance of Preferred Securities and the exclusion of pre-emptive subscription rights (attached as Annex I).
 - Individual and consolidated annual financial statements of the Bank, along with the corresponding auditor's report for the year ending 31st December 2012, issued by Deloitte, S.L. with an unqualified opinion.
 - Individual and consolidated interim financial statements of the Bank at 28th February, 2013, which are the following available financial statements.
 - Report issued by the legal advisor of the Bank and by the Bank's Finance Department, with respect to the transaction.
 - Other information that was deemed necessary to carry out our work.

- b) Evaluating that the Directors' Report contains the information deemed necessary and sufficient for its adequate comprehension and interpretation by those to whom it is addressed.
- c) Verifying the calculations used to determine the conversion bases and modalities and other rights of the Preferred Securities subscribers.
- d) Establishing that the Directors' Report clearly indicates that the issue price of the Preferred Securities may not be below their nominal value, and that they may not be converted into shares if their nominal value is below the nominal value of the shares.
- e) Evaluating the reasonableness of the data contained in the Directors' Report to substantiate the suppression of shareholders' pre-emptive subscription rights.
- f) Verifying that the accounting information contained in the Directors' Report is in concordance with the Bank's accounting data.
- g) Evaluating the suitability of the conversion ratio and, where applicable, its adjustment formulae to compensate possible dilution of the economic value of the shareholders' holdings.
- h) Verifying the subsequent events occurred between 31st December, 2012 and the date of this report, that could have a significant effect on the issue of the Preferred Securities, which has included, where applicable, obtaining information from the auditor of the Bank accounts, about the subsequent events that may have been known after the latest auditors report facilitated to us.
- i) Obtaining a representation letter signed by the Bank Management, advising us that we have been informed of all those relevant aspects that may impact the issue of Preferred Securities, and that no events have occurred subsequent to 31st December 2012 and until the date of this report that may affect the issue.
- j) Holding various meetings with the Bank Management in order to gather the information considered of use in carrying out our work, and to evaluate the reasonableness of the conversion terms and modalities for the conversion of the Preferred Securities issuance.
- k) Reading the minutes of the Bank's Annual General Meeting and of its Board of Directors and Executive Committee meetings held since 1st January 2012 until the date of this report.

In the course of our work, we have carried out objective tests and also made evaluations and judgements on the information contained in the Directors' Report, and established working hypotheses, whose accuracy largely depends on future events, regarding which it is not currently possible to know the final outcome.

4. CONVERSION PRICE AND ISSUANCE OF THE SHARES IN THE EVENT OF CONVERSION TRIGGERS BEING OCCURRED

As established in the Directors' Report, the conversion price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior on which the corresponding conversion trigger occurs, converted into US dollars. Should the conversion price resulting from the aforementioned process be less than US\$5, the conversion price will be US\$5 per share, although this amount may be subject to modification in application of the anti-dilution mechanism established. The above notwithstanding, the conversion price may not be below the nominal value of the BBVA shares at the time of conversion.

Should the conversion be triggered, it will be carried out as a function of the trading prices of the BBVA share at the time of the conversion or at the minimum price established. Consequently, the Directors deem the theoretic value of the pre-emptive subscription right to be nil.

As indicated in the Directors' Report, attached as Annex I:

- a) Preferred Securities may not be issued for a value less than their nominal value, and
- b) Preferred Securities may not be converted into shares when their nominal value is less than that of the shares.

5. CONCLUSIONS.

On the basis of the work carried out within the scope described in the above paragraphs on the attached Report prepared by the Bank Directors regarding the issue of Preferred Securities contingent convertible into shares with exclusion of pre-emptive subscription rights, we can conclude that:

- a) The Report drafted by the Bank Directors contains the required information, consolidated in the Technical Standard for preparation of special reports on the issuance of convertible bonds on the basis of article 414 of the Corporate Enterprises Act (Consolidated Text).
- b) The data contained in the Bank Directors' Report to substantiate the exclusion of the pre-emptive subscription rights are reasonable and adequately expressed.
- c) The conversion ratio of the Preferred Securities into shares of the Bank with exclusion of pre-emptive subscription rights and, as applicable, its adjustment formulae to compensate a possible dilution of the economic value of shareholders' holdings is suitable, with the theoretical value of the pre-emptive subscription rights associated to the said Preferred Securities being nil.

This special report has been exclusively prepared pursuant to articles 414, 417 and 511 of the Corporate

Enterprises Act (Consolidated Text) approved by Royal Legislative Decree 1/2010, 2nd July. Thus, it may not be used for any other purpose.

MOORE STEPHENS AMS, S.L.

Alfonso Gómez Bilbao

Bilbao, 11th April 2013

Annex I

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., for the effects established in articles 414, 417 and 511 of the Corporate Enterprises Act, regarding the resolution to issue contingent convertible perpetual securities into shares of the entity itself with exclusion of pre-emptive subscription rights and the corresponding share capital increase by the necessary amount, that is adopted under the authority conferred by the Annual General Meeting, held on 16th March 2012.

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1. INTRODUCTION

1.1 Aim of this Report; Applicable regulations

This report is filed by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**"), pursuant to articles 414, 417 and 511 of the Corporate Enterprise Act (consolidated text), in its prevailing drafting (the "**Corporate Enterprises Act**" or "**CEA**"), regarding the resolution to issue contingent convertible perpetual securities into shares of BBVA itself, which are issued pursuant to the Second Additional Provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**") (hereinafter the "**Preferred Securities**") for a maximum nominal amount of US\$2 billion and with exclusion of pre-emptive subscription rights (the "**Issue**"), and the corresponding share capital increase, which is adopted under the authority conferred by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five.

Article 401.2 of the CEA stipulates that the securities recognising or creating debt issued by a public limited company, such as the Preferred Securities, will be subject to the regulations established for bonds under title XI of the Corporate Enterprises Act.

Said articles 414 and following of the CEA allow public limited companies to issue bonds that can be converted into shares provided the Annual General Meeting determines the terms and modalities of the conversion and resolves to increase the capital by the necessary amount. For this, the directors must draft a report explaining the terms and modalities of the conversion. This must be accompanied by another report from an auditor other than the auditor of the Company accounts, appointed for this purpose by the Companies Registry.

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The convertible bonds may not be issued for a sum below their nominal value, and may not be converted into shares when the nominal value of the shares is below the nominal value of the bonds.

For listed companies, article 511 of the CEA allows the Annual General Meeting to delegate authority to the directors not just to issue convertible bonds, but also to exclude the pre-emptive subscription rights over the convertible bond issues that are subject to the authority when the company's interest so require. To such effects, the Notice of Annual General Meeting in which the proposal to confer authority on the directors to issue convertible bonds is included, must also contain express reference to the proposal to withdraw the right of pre-emptive subscription.

In the resolution to increase capital being made on the basis of Annual General Meeting conferral of authority, the Directors' Report and the Auditor's Report mentioned above must refer to each specific issue.

Thus, pursuant to article 417 of the CEA, the aforementioned Directors' Report must give detailed substantiation of the grounds for the proposed suppression of pre-emptive subscription rights and the Auditor's Report will contain a technical judgement as to the reasonableness of the information contained in the Directors' Report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae to offset any possible dilution of the economic value of shareholders' holdings.

These reports will be made available to the shareholders and communicated to the first Annual General Meeting held after the increase resolution.

1.2 Advisory services received

This report, issued on the basis of (i) the report issued by the BBVA Finance Department, which is in turn supported by a report from a top-level investment

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bank, with recognised expertise in this type of issuances; and (ii) the legal report of the external consultant, J&A Garrigues, S.L.P., legal consultant on Spanish law.

2. ON THE ISSUANCE OF PREFERRED SECURITIES

2.1 Conferral of authority by the Annual General Meeting under which to issue Preferred Securities

The BBVA Annual General Meeting, held on 16th March 2012, validly called in time and form, adopted the following resolution under its agenda item five, the relevant part of which is transcribed below:

“Repealing the unavailed part of the authorisation conferred by the Annual General Meeting, 14th March 2008, under agenda item six, to confer authority on the Board of Directors to issue securities convertible and/or exchangeable for Company shares, subject to applicable legal provisions and after obtaining the necessary authorisations, pursuant to the following conditions:

(...)

3. The authority to issue securities convertible and/or exchangeable for Company shares will be extended to the following aspects and will also comprise the following powers:

- i) Establishment of the various aspects and conditions of each issue, including, but not limited to: determining the amount of each issue or tranche within an issue, always within the overall quantitative limit established; the place of the issue (in or outside Spain) and the currency or exchange, plus its equivalent value in euros when denominated in another currency; the type of securities and their denomination, whether they are bonds, (including subordinated bonds), preferred securities, warrants or any other admissible by law; the date(s) of issue; the number of securities and their nominal value; the issue price; in the case of warrants and similar securities, the issue price and/or premium, the strike price (which may be fixed or variable) and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the form and conditions of the yield and the fixed or variable interest rate, the dates and procedures for payment of the coupon; whether the issue is in perpetuity or repayable, and if so, the repayment term and the maturity date; the reimbursement ratio, premiums and bundling,*

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guarantees; whether to represent the issue in certificates or book entries; the regulations governing subscription; anti-dilution clauses; applicable legislation and, in general, any other condition for the issue. Also, where applicable, to appoint a commissioner and approve the fundamental rules governing the legal relations between the Bank and the syndicate of security-holders, should it be necessary to constitute such a syndicate.

- ii) The power to increase capital as much as necessary to meet applications for conversion or subscription with the limits that may be applicable, in force and available at any time, and re-draft article 5 of the Company Bylaws.*
- iii) The power to exclude the pre-emptive subscription rights of shareholders, when this is necessary or when the Company's best interest may require such exclusion. Whatever the case, pursuant to article 511 of the Corporate Enterprises Act, should the Board resolve to exclude the pre-emptive subscription rights over a specific issue that it may decide to implement under this authorisation, at the same time as the issue is approved, it will issue a report giving the grounds for proposing such exclusion, which will be subject of a parallel report from the auditor of the accounts referred to in articles 417 and 511 of the Corporate Enterprises Act. These reports will be made available to the shareholders and communicated to the first Annual General Meeting held after the increase resolution.*
- iv) The power to determine the conversion and/or exchange ratio, which may be fixed or variable, within the limits established below, as well as the moment of conversion and/or exchange; whether the conversion and/or exchange of the securities is mandatory or voluntary, and whether at the option of the Company or the securities holders or both, and in general, such limits and conditions as may be necessary or advisable for the issue.*

If the issue is made at a fixed conversion and/or exchange ratio, the corresponding share conversion and/or exchange price may not be lower than whichever is higher of (i) the arithmetic mean of the closing prices on the continuous market over a period to be specified but not exceeding three months and not less than fifteen days prior to the date on which the issue of convertible and/or exchangeable securities is approved, and (ii) the closing share price on the SIBE platform the day prior to the date on which the issue of convertible and/or exchangeable securities is approved.

Should the issue be made with a variable conversion and/or exchange ratio, the share price for the conversion and/or exchange must be the arithmetic mean of the closing prices of the Company's shares on the Continuous Market during a period not exceeding three months and not less than five days prior to the conversion or exchange date with a premium or, as applicable, a discount on said price per share. The premium/discount may

be different for every date of conversion or exchange of each issue. However, if a discount is established on said price per share, it may not exceed 30%.

(...)

For the purpose of conversion and/or exchange, the value of the share must never drop below its nominal value and securities may not be converted into shares when the nominal value of the securities is below that of the shares.

Likewise, the valuation for conversion and/or exchange of securities into shares will be for their nominal value and may or may not include interest accrued but unpaid at the time of their conversion and/or exchange.”

2.2 Rationale for the Issuance

In December 2010, and in response to the financial crisis that began in 2007, the Basel Committee on Banking Supervision (the "**Basel Committee**") published recommendations on the Basel III framework, containing reforms to reinforce the international capital and liquidity standards applicable to credit entities, in order to make the banking industry more resilient.

This Basel III framework was revised in June 2011 and, after including the latest recommendations from the Basel Committee, a draft Capital Requirements Directive was published in July 2011 ("**CRD IV**") containing proposals for legislative amendments to implement Basel III within Community legislation.

This new Basel III / CRD IV framework has been partially implemented in Spain under Act 9/2012, 14th November, on restructuring and resolution of credit entities, amending Royal Legislative Decree 2/2011, 18th February, to reinforce the financial system ("**RLD 2/2011**"), which established the requirement for Spanish credit entities to hold core capital of at least 9%. BBVA is compliant with this ratio, and also compliant with the capital adequacy requirements established by the European Banking Authority ("**EBA**").

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The above notwithstanding, and despite the fact that BBVA has adequate core capital, Basel III and CRD IV require credit entities to endow their regulatory capital composition with various other proportional instruments, over and above their core capital, in order to be deemed well capitalized. Thus, apart from core capital, Basel III / CRD IV require credit entities to endow themselves with two additional categories of regulatory capital: additional tier-1 capital and tier-2 capital.

Although Basel III / CRD IV are not yet implemented with respect to additional tier-1 capital in Spain, the application of their criteria would mean that BBVA has not currently reached the percentage of additional tier-1 capital that Basel III and CRD IV will require in the future.

Thus, the BBVA Finance Department deems that, for the sake of diligent, prudent management, it is necessary to issue securities that may be eligible as additional tier-1 capital. It considers the Bank should take advantage of the current favourable situation of the financial markets in general and for the issue of this type of instrument in particular, which could alter in the future, and also the interest and demand detected amongst some institutional investors.

In this context, the Finance Department proposes to issue a perpetual fixed-income instrument that is eligible as EBA/core capital as of day one, pursuant to the current legislation and the capital adequacy requirements for credit entities, and which may also, in turn, be eligible as additional tier-1 capital, pursuant to the expected standards under CRD IV.

However, although the instrument proposed for issuance is essentially a perpetual fixed-income instrument, the Second Additional Provision of Act 13/1985 and its implementing regulations, as well as CRD IV, establish that in order to be eligible these securities must contain a mechanism for eventual or contingent conversion

into BBVA shares when the conversion triggers established in these regulations and described in following section 2.4.1 occur.

These eventual conversion triggers required by the legislation would only occur in very specific situations of regulatory capital shortfall in the Issuer or in its Group, such that, given situations of significant accounting losses or relevant falls in equity ratios, these could improve their core capital levels by converting these perpetual fixed-income instruments into shares of the entity.

Consequently, the Preferred Securities proposed for issuance would be perpetual fixed-income instruments, convertible into BBVA shares should there be an impairment in the capital adequacy of the Entity or its Group that, in such event, could reinforce the BBVA regulatory capital immediately under the current capital adequacy regulations (EBA and RLD 2/2011), and that could be eligible as additional tier-1 capital under CRD IV.

2.3 Financial conditions of the Issue

The Issue will be made for a maximum amount of two billion US dollars (\$2,000,000,000), the nominal value of each Preferred Security being US\$200,000.

Investors will collect a coupon, which will be determined in the final terms and conditions of the Issue. The payment of the coupon will be conditional on various factors. The payment must pass the mandatory payment test established by the equity regulations that will be described in detail in the Issue terms and conditions. The Issuer may, at its own discretion when it deems this to be necessary, cancel the distribution payment during an unlimited period, without cumulative effect. Likewise, the Bank of Spain may demand the cancellation of the distribution payment on the basis of the Issuer's financial situation and capital adequacy.

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Should any of the conversion triggers established in section 2.4.1 below occur, the Preferred Securities will be converted into ordinary BBVA shares pursuant to the following variable conversion ratio, which depends on the BBVA share price at the time of conversion:

$$Num_{Shrs} = Nom_{convertible} / P_{Shr}$$

Where:

Num_{Shr} : Number of BBVA shares to be delivered against each Preferred Security.

$Nom_{convertible}$: Nominal value of the Preferred Security being converted (US\$200,000).

P_{Shr} : Conversion Price (as defined in section 2.4.2 below).

2.4 Terms and modalities of the Conversion

The terms and modalities of the conversion of the Preferred Securities, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

2.4.1 Conversion triggers

The Preferred Securities will be converted into ordinary BBVA shares under the following trigger events:

- a) if the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to article 418.3 of the CEA;
- b) if the consolidable BBVA Group Capital Principal ratio or EBA CT1 ratio calculated pursuant to the definition used by EBA has fallen below 7%;

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- c) if the Issuer, or its consolidable group or subgroup, reports a Common Equity Tier 1 ratio below 5.125%, calculated pursuant to Bank of Spain Circular 3/2008 or any other regulation applicable to the Issuer's equity at any time;
- d) if the tier-1 ratio has fallen below 6%, calculated pursuant to Bank of Spain Circular 3/2008, or any other equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on its financial accounts; and
- e) if the Bank of Spain (or the authority that may substitute it in the future) (i) determines that BBVA is not viable without the conversion of the Preferred Securities; and/or (ii) decides to reinforce the Bank's equity by injecting capital or through any other equivalent measure of financial support, without which it deems that BBVA would not be viable.

Likewise, additional mandatory total conversion triggers may be included in the Issue documents, if this is necessary to safeguard the Issuer's solvency as a consequence of the final establishment of the criteria to determine the capital adequacy ratios that may result from any regulations at European or national level or published by the Bank of Spain, the EBA or any other regulatory body or authority.

2.4.2 Conversion Ratio

The ratio for converting the Preferred Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Preferred Securities (ie, US\$200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market price of the BBVA shares at the moment of conversion of the

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Preferred Securities, converted into US dollars, subject to the minimums established below:

Thus, the number of shares corresponding to each Preferred Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Preferred Securities held by the investor. If this transaction results in fractions, these will be subject to the stipulations in the Issue conditions.

The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the corresponding conversion trigger occurs, converted into US dollars at the euro/US dollar conversion rate published on the Bloomberg or Reuters website at 12:00 London time on that day, and if it cannot be determined on that day, it will be the exchange rate published at 12:00 London time on the day immediately prior to when it can be determined. The amount will be rounded up or down to the closest US dollar cent and, when it is half a cent, rounded up to the nearest US dollar cent (the "**Reference Price**").

If the Reference Price is below US\$5, the Conversion Price will be US\$5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section.

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever is greater of:

- a) the Reference Price;

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- b) US\$5 (without prejudice to the changes in this amount subject to the application of the anti-dilution mechanism); and
- c) the nominal value of the BBVA shares at the time of conversion.

2.4.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, pursuant to the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

Finally, the Board of Directors may determine or develop in the Issue conditions, or confer on the Executive Committee and empower any other proxies, to determine or develop any aspect not established by the Board of Directors, and to amend and/or determine other conversion triggers that may be necessary for the successful conclusion of the transaction.

2.5 Capital increase

According to article 414 of the Corporate Enterprises Act, the share capital increase must be resolved for the maximum amount necessary to be able to cover the eventual conversion of the Preferred Securities issued. To such purpose, the number of shares to be issued to cover the conversion will be determined by dividing the amount of the Issue by the Conversion Price.

This capital increase will be executed by the Board of Directors, with express powers of substitution and delegation to the Executive Committee and those

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proxies that the Board of Directors may empower, under the authority regarding convertible securities issuance resolved by the BBVA Annual General Meeting, held on 16th March 2012, under its agenda item five, to cover the eventual conversion of the Preferred Securities, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date of execution of the corresponding resolution to increase capital. Should the capital increase be executed the corresponding article in the Company Bylaws will be reworded to adapt it to the new figure for share capital.

It is not yet possible to determine the amount of share capital that would be necessary for the eventual conversion of the Preferred Securities, given that, pursuant to the terms and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion.

The above notwithstanding, considering that the issue is for a nominal maximum amount of US\$2 billion, that the Conversion Price may not be below US\$5, and assuming there will be no anti-dilution adjustment prior to the date on which the Preferred Securities are converted, it is hereby stated that the maximum number of new shares it would be necessary to issue would be 400,000,000 ordinary shares.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Preferred Securities be converted, there would be no pre-emptive subscription rights on the resulting capital increase.

3. GROUNDS FOR THE EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of pre-emptive subscription rights

As indicated above, the BBVA Annual General Meeting, held on 16th March 2012, resolved under agenda item five, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the

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share capital. It also resolved to empower the Board of Directors to exclude pre-emptive subscription rights over the convertible securities issues made under such authority.

To such end, when convening the aforementioned Annual General Meeting, the BBVA Board of Directors approved and gave shareholders access to a report substantiating the grounds of the proposal to confer authority to exclude pre-emptive subscription rights.

Article 511 of the Corporate Enterprises Act requires that pre-emptive subscription rights only be excluded in the event of convertible bonds issuances when corporate interests so require.

The BBVA Board of Directors, by virtue of said authority and with due substantiation provided by the reports issued by the Finance Department and by J&A Garrigues, S.L.P. as external legal advisor helping BBVA in the legal structure of this transaction, has resolved to exclude the pre-emptive subscription rights with respect to the issuance of Preferred Securities, as it deems such exclusion to be fully substantiated and in compliance with the requirements established by law, and necessary to achieve the corporate interests, as explained below.

Pursuant to the Finance Department's report to the Board of Directors, BBVA would not currently achieve the additional tier-1 capital ratios that Basel III / CRD IV will require, once implemented. Thus, taking advantage of the current favourable market conditions, the Finance Department has proposed that the Board of Directors issue an instrument that would be eligible as EBA/core capital from day one pursuant to current legislation on equity and capital adequacy of credit entities, and which could in turn be eligible as additional tier-1 capital pursuant to the regulations established under CRD IV.

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In order to be eligible as additional tier-1 capital, these perpetual fixed-income instruments must provide a conditional distribution and be contingently convertible into ordinary BBVA shares under the circumstances indicated in section 2.4.1. above (although other conversion triggers may be established later). The eventual conversion is an essential characteristic in order for them to be eligible.

As the Bank Finance Department has explained, the characteristics and complexity of this type of instrument (perpetuity, conditional distribution payment and eventual convertibility into ordinary BBVA shares) and the latest regulatory changes mean that this is not a suitable product for placement on the Spanish retail market (which is the majority percentage in the BBVA shareholding structure) under current conditions. Consequently it would not be viable not to exclude pre-emptive subscription rights due to the very high risk that the current shareholders would not subscribe in the time and to the amount initially established.

This would firstly have a very negative impact for BBVA on the market as Issuer, and would also make it necessary to carry out a subsequent additional placement amongst non-shareholder investors under conditions that would foreseeably be more unfavourable for the Bank, with the money, operational, time and capital costs that it would entail, thereby clearly prejudicing BBVA's corporate interests.

However, as the Finance Department states in its report, growing interest in this type of instrument has been detected among qualified investors and sophisticated foreign private banking customers (who know and habitually subscribe this type of product). This is demonstrated by the success of various issues of instruments similar to the Preferred Securities made over recent months by various international credit entities, which have mainly been directed at these types of investors. In order to direct the Issue directly at these types of investors, it is vital to exclude the pre-emptive subscription rights of BBVA shareholders.

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The combination of the factors described above (reinforcing BBVA equity, the characteristics of these securities, the market conditions and the investors to whom the Issue is directed) have led the Finance Department to consider that the optimal alternative for corporate interests is to reinforce BBVA equity by issuing Preferred Securities, and directing the Issue solely to qualified investors and foreign private banking customers, as this is the group in which most interest has been detected for instruments similar to the Preferred Securities.

Consequently, the optimal alternative to meet the requirements of corporate interests and provide a complete and comprehensive solution to the matters raised is to issue Preferred Securities excluding the pre-emptive subscription rights over the Issue.

Additionally, in line with the explanation given by the Bank's Finance Department in its report, the following circumstances should be taken into account:

- (i) The nature of the Preferred Securities is that of a perpetual fixed-income instrument, whose eventual convertibility is determined by the regulations on equity and capital adequacy for their eligibility, but which is only foreseen for a very reduced number of very specific cases in which there is a regulatory capital shortfall or distressed capital adequacy. Likewise, it should be considered that, in line with the Finance Department's report, the BBVA capital adequacy and equity ratios are very far from the conversion triggers, reinforcing the nature of the Preferred Securities as fixed-income instruments and the eventuality of their conversion.
- (ii) The Conversion Price proposed to cover an eventual conversion corresponds to the market price of the share at the time of conversion, except in the event of such price being less than US\$5, in which case the Conversion Price will be US\$5 and the shares would be issued with a premium over the market price. In this manner, the maximum number of shares deliverable is limited

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by establishing the minimum Conversion Price, maximising the resource allocation efficiency.

Taking into account that the Preferred Securities are issued as perpetual securities, that the conversion triggers are limited in number and very specific, and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, pursuant to the Finance Department report, the theoretical value of the pre-emptive subscription rights stemming from the Issue is nil.

Therefore, taking into account the terms and conditions of the Preferred Securities and the proposed conversion terms and modalities, the current shareholders do not lose any economic value with the exclusion of pre-emptive subscription rights.

3.2 Investors to whom the Preferred Securities should be attributed

As indicated above, the Issue is exclusively directed to qualified investors and foreign private banking customers.

4. PROPOSED RESOLUTION

***"ONE.-** By virtue of the authorisation conferred by the Company's Annual General Meeting, held on 16th March 2012, under its agenda item five, to issue contingent convertible perpetual securities into newly issued ordinary shares of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), issued pursuant to the Second Additional Provision of Act 13/1985, 25th May, on investment ratios, equity and reporting obligations of financial intermediaries ("**Act 13/1985**"), (hereinafter the "**Preferred Securities**") to a maximum nominal amount of two billion US dollars (US\$2,000,000,000), with exclusion of pre-emptive subscription rights (the "**Issue**"), pursuant to the following terms:*

Nature of the Preferred Securities

The securities to be issued will be contingent convertible preferred securities into newly issued ordinary BBVA shares, pursuant to the Second Additional Provision of Act 13/1985.

Issuer:

Banco Bilbao Vizcaya Argentaria, S.A.

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Target investors: *Qualified investors and foreign private banking customers.*

Maximum amount: *Two billion US dollars (US\$2,000,000,000).*

Nominal value: *The Preferred Securities will have a nominal unit value of two hundred thousand US dollars (US\$200,000).*

Number of Preferred Securities: *The maximum number of Preferred Securities to be issued is ten thousand (10,000), all belonging to one single series and with the same terms and conditions.*

Issue Price: *The Issue will be at par, ie, at one hundred per cent of its nominal value.*

Distribution: *Holders of Preferred Securities may receive a predetermined non-cumulative distribution that will be determined as a function of the interest rate applicable to the nominal value of the Preferred Securities, provided they comply with the rest of the conditions established in the Issue terms (the “**Distribution**”).*

In particular, the Issuer may, at its own discretion, cancel the Distribution payment when it deems this to be necessary during an unlimited period, without cumulative effect. Likewise, the Bank of Spain may demand cancellation of the Distribution payment on the basis of the Issuer's financial situation and capital adequacy.

Maturity date and early redemption: *The Issue is perpetual, such that it has no maturity date.*

The Preferred Securities may be totally or partially redeemed at the Issuer's option, in accordance with the final terms and conditions of the issue, provided that at least 5 years have elapsed from their issue, and always if

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authorisation has been given by the Bank of Spain.

The issue conditions may include other circumstances for early redemption by the Issuer.

Form of the Preferred Securities:

The Preferred Securities will be represented by notes or electronic book entries.

Status of the Preferred Securities:

The Preferred Securities will be ranked in the following order:

- (i) behind all BBVA's common and subordinate creditors;*
- (ii) in the same rank (pari passu) as other issues of preferred securities, preferred shares or other securities with the same rank as the Preferred Securities that the Issuer may have issued (or guaranteed) or may issue (or guarantee);*
- (iii) ahead of mandatory convertible bonds or other securities that the Issuer may have issued or may issue; and which have a subordinated status with respect to the Preferred Securities, and*
- (iv) ahead of the BBVA ordinary shares.*

TWO.- *The terms and modalities for conversion of the Preferred Securities will be as follows:*

a) Conversion triggers

The Preferred Securities will be converted into newly issued BBVA ordinary shares under the following trigger events:

- a) if the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to article 418.3 of the CEA;*
- b) if the consolidable BBVA group Capital Principal ratio or EBA CT1 ratio calculated pursuant to the definition used by European Banking Authority (the "**EBA**") has fallen below 7%;*

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- c) *if the Issuer, or its consolidable group or subgroup, reports a Common Equity Tier 1 ratio below 5.125%, calculated pursuant to Bank of Spain circular 3/2008 or any other regulation applicable to the Issuer's equity at any time;*
- d) *if the tier-I ratio has fallen below 6%, calculated pursuant to Bank of Spain Circular 3/2008, or any other equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on its financial accounts; and*
- e) *if the Bank of Spain (or the authority that may substitute it in the future) (i) determines that BBVA is not viable without the conversion of the Preferred Securities; and/or (ii) decides to reinforce the Bank's equity by injecting capital or through any other equivalent measure of financial support, without which it deems that BBVA would not be viable.*

Additional mandatory total conversion scenarios may be included in the Issue documents, if this is necessary to safeguard the Issuer's solvency as a consequence of the final establishment of the criteria to determine the capital adequacy ratios that may result from any regulations at European or national level or published by the Bank of Spain, the EBA or any other regulatory body or authority.

b) Conversion Ratio

*The ratio for converting the Preferred Securities into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Preferred Securities (ie, US\$200,000) by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond to the market value of the BBVA shares converted into U.S. dollars at the time of the Preferred Securities conversion.*

Thus, the number of shares corresponding to each Preferred Securities holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Preferred Securities held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.

The Conversion Price will be the arithmetic mean of the closing prices of the BBVA share on the five trading days prior to the day on which the corresponding conversion trigger occurs, converted into US dollars at the euro/dollar conversion rate published on the Bloomberg or Reuters website at 12:00 London time on that day, and if it cannot be determined on that day, it will be the exchange rate published at 12:00 London time on the day immediately prior to when it can be determined. The amount will be rounded up or down to the closest

US dollar cent and, when it is half a cent, rounded up to the nearest US dollar cent (the "**Reference Price**").

If the Reference Price is below US\$5, the Conversion Price will be US\$5 per share, although this amount may vary subject to the application of the anti-dilution mechanism established in the following section d).

The above notwithstanding, the Conversion Price may never be lower than the nominal value of the BBVA shares at the time of conversion, such that in all events the transaction will be compliant with article 415 of the Corporate Enterprises Act.

Consequently, the Conversion Price will be whichever the greater of:

- a) the Reference Price;
- b) US\$5 (although this amount may vary due to application of the anti-dilution mechanism); and
- c) the nominal value of the BBVA shares at the time of conversion.

c) Procedures for Conversion

The procedures for conversion will be determined in the Issue terms and conditions.

d) Anti-dilution Mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Conversion Price in line with habitual practices in this type of transactions, in compliance with the terms and conditions of the Issue.

These anti-dilution mechanisms must take into account the conversion terms and modalities established above and that the Conversion Price may never be less than the nominal value of the BBVA shares at the time of conversion.

Without prejudice to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr Manuel González Cid, Spanish national, of legal age, with identity card number 51361870-H, Mr Erik Schotkamp, Dutch national, of legal age, with foreign residency card number Y-2126590-R, Mr Ignacio Echevarría Soriano, Spanish national, of legal age, with identity card number 837871-G and Mr Juan Isusi Garteiz Gogearco, Spanish national, of legal age, with identity card number 44679846-T, all domiciled for these effects at Paseo de la Castellana number 81, Madrid (the "**Proxies**"), to determine or

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develop in the Issue conditions any matter not established by this resolution, including but not limited to, sufficient powers to amend, adapt and/or to determine other conversion triggers, additional to those established in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the transaction.

THREE.- *On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Preferred Securities Issue, which will be made available to shareholders along with the report issued by the auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first Annual General Meeting held after the increase resolution, expressly empowering the Company Secretary & Secretary of the Board of Directors to certify the text.*

FOUR.- *In line with the Finance Department report, which is reflected in the Directors' Report approved in the foregoing resolution, the corporate interests require suppression of pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the Annual General Meeting, held on 16th March 2012 and by virtue of article 511 of the Corporate Enterprises Act, hereby resolves to suppress said pre-emptive subscription rights in this Issue.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to cover the eventual conversion of the Preferred Securities, pursuant to the Conversion Ratio.*

The maximum number of shares to be issued is 400,000,000 ordinary shares, assuming that no anti-dilution adjustment is made, expressly envisaging the possibility of the capital increase being implemented with an issue premium, by a lower number of shares and with the possibility of under-subscription.

*Should the Preferred Securities be converted, the newly issued shares issued to cover said conversion will be ordinary shares, equal to those that at the time are outstanding and will equally be represented in the same way as those ordinary shares (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") and its accountholders), granting their holders the same rights as are recognised for the ordinary shares outstanding at the time. On executing this resolution to increase share capital, the Company Bylaws article regarding share capital will be reworded accordingly.*

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Preferred Securities be converted, there would be no pre-emptive subscription rights on the resulting capital increase.

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SIX- By virtue of the authority conferred on this Board of Directors by the BBVA Annual General Meeting, held on 16th March 2012, to delegate to the Executive Committee, which may in turn delegate such authority, and to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, can carry out the above mentioned Issue, such that they may:

- a) Determine the timing on which the Issue is to take place, and refrain from going ahead with the Issue should this be deemed necessary or advisable.
- b) Determine the characteristics of the Preferred Securities to be issued, including but not limited to the final amount of the Issue within the limits established under resolution ONE, the nominal interest rate applicable to the Preferred Securities, the interest accrual periods, include new conversion terms and modalities and/or amend them, determine the terms and conditions of the anti-dilution mechanism and any additional triggers for mandatory conversion or early redemption and determine any matter not established hereunder that may be necessary for the successful outcome of the transaction. Also express the amount availed against the limit of the authority granted by the Annual General Meeting to the Board and the amount still available.
- c) Declare the Distribution of the Preferred Securities, whether partially or completely, and declare no Distribution, as determined in the Issue conditions.
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the Issue conditions.
- e) Carry out any arrangement, request or appointment that may be legally necessary to achieve the filing of the Preferred Securities Issue with the Companies Registry or any other public or private bodies or entities.
- f) Grant any public and private documents required and, where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Exchanges, should this be necessary, appear before a Notary Public and finalise the formalities on the preceding resolutions, including deeds to issue, correct, clarify or rectify them, and deeds of the total or partial subscription of the issue, as well as the total or partial redemption or amendment and, where applicable, any others that may have preceded it of may be resolved in the future.
- g) Formalise or register the offering circulars that may be necessary and the documents in which the Issue is formalised and any other documents that may be necessary before any bodies, regulators, registries, the Companies Registry and exchanges or markets in or outside Spain, including but not limited to any regulated and non-regulated, secondary markets and exchanges, organized or

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non-organized. Request, where appropriate, listing for trading of the Preferred Securities on regulated and non-regulated, organized or non-organized, secondary markets in or outside Spain.

- h) Proceed, where necessary, to constitute a Syndicate of the Preferred Securities holders, determine its characteristics and rules of operation, and to appoint its Provisional Commissioner, and the fundamental rules governing relations between the Company and the Syndicate.*
- i) Establish any other parameters not established by this Board with respect to the Issue and determine any other parameter for the issue that may be necessary for its successful completion.*
- j) Negotiate, undersign and grant public and private documents, including but not limited to, liquidity contracts, subscription, placement and/or insurance contracts, payment agency contracts, and any other contracts that may be necessary for the issuance of the Preferred Securities under the conditions deemed most appropriate.*
- k) With respect to the conversion of the Preferred Securities into BBVA shares, establish, where appropriate, the final conversion ratio for the Issue and, if applicable, the Issue Premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and engage in such acts as may be necessary, including but not limited to: granting any public or private documents that may be necessary to implement the capital increase and amend the wording of corresponding article in the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies, including but not limited to public notary or the Companies Registry.*
- l) Request, where appropriate, listing for trading on regulated and non-regulated, organized or non-organized, Spanish and non-Spanish secondary markets and take any actions they deem necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, where this is the case, in order to cover the eventual conversion of the Preferred Securities. By way of example:
 - (i) Write and file any offering circulars, requests, communications or notifications that may be required by applicable legislation in each competent jurisdiction and agree later amendments to these that they deem advisable.*
 - (ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private**

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documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.

- m) Finally, and for the effects of the applicable regulations on the issue of securities, it is resolved to appoint Proxies to represent the Company before any public and/or private body. They will have joint and several powers and will bear responsibility for the content of the offering circulars. They are also empowered to sign any additional public and/or private documents and contracts that may be necessary for the successful completion of the transaction.”*

* * *

Madrid, 3rd April 2013

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