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Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., pursuant to articles 286, 297.1.b) and 506 of the Corporate Enterprises Act, regarding the proposed resolutions on conferring authority to the Board of Directors to increase share capital up to a maximum amount corresponding to 50% of the Bank's share capital at the time of the approval of the proposed authorisation, with the power to exclude pre-emptive subscription rights, albeit limited to no more than 20% of the Bank's share capital at the time of the approval of the proposed authorisation under the terms described in the proposed resolutions, referred to in agenda item four of the Annual General Shareholders' Meeting to be held on 16th and 17th March 2017, on first and second summons, respectively.

This report is drawn up by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Company**" or the "**Bank**") pursuant to articles 286, 297.1.b) and 506 of the consolidated text of the Corporate Enterprises Act, approved under Royal Legislative Decree 1/2010, 2nd July, in its current wording (the "**Corporate Enterprises Act**"), with respect to the proposed resolutions presented to the Annual General Shareholders' Meeting under agenda item four, to confer authority on the Board of Directors to resolve, on one or several occasions, to increase the share capital up to a maximum nominal amount corresponding to 50% of the Bank's share capital at the time of the approval of the proposed authorisation and to exclude pre-emptive subscription rights, this authority being limited to no more than 20% of the Bank's share capital at the time of the approval of the proposed authorisation, in line with the indications contained in this report.

1.- Applicable regulations

Article 297.1.b) of the Corporate Enterprises Act enables the general meeting, with the requirements established for the amendment of the company bylaws, to confer authority to the directors to resolve to increase share capital, on one or several occasions, up to a specific figure according to the timeliness and amount that they may decide, without first having to consult the general meeting. These increases may in no event be greater than half the company's share capital at the time of authorisation and must be paid up in cash within the maximum term of five years from the date on which the general meeting adopts the resolution.

In this respect, article 286 of the Corporate Enterprises Act establishes that in order to

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amend the company bylaws, directors are required to draft a written report explaining the reasons for the proposal.

Article 506 of the Corporate Enterprises Act provides that, in listed companies, when the general meeting confers on directors the authority to increase share capital, it may also empower them to exclude the pre-emptive subscription right over the share issues that are subject to such authority, should the company's interests so require. To such end, the announcement of the general meeting containing the proposal to confer authority on the directors to increase share capital must also contain express reference to the proposal to exclude rights of pre-emptive subscription. Likewise, from the date on which the general meeting has been called, a report from the directors substantiating the grounds for the conferral of such authority will be made available to the shareholders.

Likewise, on the occasion of each capital-increase resolution made under this authority, reports must be drawn up by the directors and an independent expert, pursuant to the requirements of article 308 of the Corporate Enterprises Act. These reports must refer to each specific increase and will be made available to shareholders and communicated to the first general meeting to be held after the increase resolution.

2.- Description of the proposal

It is proposed to the Annual General Shareholders' Meeting of BBVA to confer authority on the Board of Directors, with powers to delegate such authority, to increase the Bank's share capital within the five-year legal period, to be counted as from the

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date on which the proposed resolutions are adopted, by up to a maximum amount corresponding to 50% of the Bank's share capital at the time of the authority.

Likewise, it is proposed to authorise the Board of Directors such that, in the manner it deems most appropriate, it may:

- (i) Resolve to increase the share capital, on one or several occasions, by the amount and at the time it may decide, within the limits established in the proposed resolutions, by issuing new shares of any kind permitted by law, with or without issue premium; the countervalue of said shares comprising cash considerations. Also set the terms and conditions of the capital increase insofar as these are not set in the proposed resolutions, including the determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, as well as, where appropriate, the inclusion of the right to redeem the shares, along with the corresponding conditions and the exercise of such right by the Company.
- (ii) Freely offer the shares not subscribed within the period established for the exercise of pre-emptive subscription rights, should these be granted; to establish that, should the capital increase be undersubscribed, the share capital will be increased by the amount effectively subscribed, pursuant to article 311 of the Corporate Enterprises Act; and to redraft the corresponding article of the Company Bylaws.
- (iii) Where appropriate, request the listing of the shares issued under the authority for trading on any securities markets.

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- (iv) Pursuant to the Corporate Enterprises Act, totally or partially exclude shareholders' pre-emptive subscription rights in the capital increases made under the proposed authority, when corporate interest so requires.

The above notwithstanding, the power to exclude pre-emptive subscription rights will be limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of the authority and those that may be resolved or carried out to cover the conversion of Mandatory Convertible Issues that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority delegated under agenda item five of this General Meeting (without prejudice to anti-dilution adjustments) may not exceed the nominal maximum overall amount of 20% of the Company's share capital at the time of the authorisation.

3.- Grounds for the proposal to confer authority to increase share capital

The proposed resolutions for conferral of authority are substantiated on the grounds that it is advisable for the Company to have a mechanism, expressly established in prevailing corporate legislation, that enables it to resolve to increase share capital as necessary or appropriate, on one or several occasions, in an agile and flexible manner, without needing to call and hold a General Shareholders' Meeting on the occasion of each capital increase, providing the issuance is within the limits, terms and conditions established by the Corporate Enterprises Act and by the General Meeting when conferring such authority. All this must be done in accordance with the Bank's needs

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and the situation with respect to regulations and the financial markets on which it operates.

Regulations on solvency and equity establish the requirement that financial institutions endow different capital instruments to cover the different categories of regulatory capital that, in certain proportions, make up their equity requirements, always in line with the size and composition of their balance sheets. Thus, it should be taken into account that, within the various instruments that may constitute an institution's regulatory capital, share capital and issue premiums are included in the highest tier, and are suitable for meeting any solvency requirement.

Although BBVA's current consolidated and individual capital ratios significantly exceed the regulatory requirements applicable to it, it must be taken into account that any organic or inorganic evolution and growth of the risk-weighted assets of the Company and its Group (on which the applicable capital requirements are calculated and established), as well as any regulatory change in the regulatory framework applicable to the Bank, especially with regard to solvency and resolution, could entail the need for new issues of instruments that comply with these new requirements.

Thus, the current regulatory situation and the performance of the Company make it necessary to have the widest possible range of instruments enabling the Bank to efficiently take up opportunities that may arise in order to meet any present and future requirements on solvency and own funds in an efficient and agile manner.

Consequently, the proposed authority allows the Company to have the adequate

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mechanisms in order to obtain finance and shore up its solvency ratios when it deems most appropriate, according to the conditions at any given time, having enough agility of execution and avoiding the delays and cost increases that would be entailed by the need to take such matters to the General Shareholders' Meeting.

The General Meeting has habitually conferred such authority and it has been used by the Company over the last years to successfully meet the Bank's capital requirements at all times.

On the grounds of all the above, and given the expiry of the authority conferred by the General Meeting held on 16 March 2012 in similar terms to those in the proposed resolutions being presented to the Shareholders' Annual General Meeting under its agenda item four, the Board of Directors deems that the conferral of authority to it so that it may resolve to increase share capital, on one or several occasions, up to the maximum permitted by law (50% of the share capital at the time authority is conferred), without first having to consult the General Meeting, is an appropriate and flexible mechanism in order to suitably deal with its equity requirements in an agile and efficient manner, as these arise at any time.

4.- Grounds for the proposal to confer authority to exclude pre-emptive subscription rights

To ensure the Board of Directors can efficiently use the authority to increase share capital, in many cases speed and the selection of the source of funding becomes important. When there is limited time and availability must be immediate, it may

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become necessary to exclude pre-emptive subscription rights to thereby maximise corporate's interests, which the Board of Directors consider to be a fundamental goal.

Likewise, this authority to exclude pre-emptive subscription rights can serve to address specific transactions, such as, for example (i) finance corporate expansion transactions that entail purchasing strategic assets for BBVA's inorganic growth; or (ii) capital increases to deal with an unexpected shortfall in the Bank's solvency ratios. Both such transactions require rapid execution to reduce the risks stemming from both market volatility and uncertainty regarding corporate transactions to which the share could be exposed between the announcement and the closing of a capital increase. This period is shorter in a capital increase where the pre-emptive subscription rights are excluded, than the period required by law for an increase with pre-emptive subscription rights.

On these grounds, it is proposed that, alongside the conferral of authority to increase the Bank's share capital, on one or several occasions, the Board of Directors also be conferred power to totally or partially exclude pre-emptive subscription rights with respect to the capital increases made under such authority, pursuant to article 506 of the Corporate Enterprises Act.

However, the Board of Directors has deemed it appropriate, in line with international standards and recommended best practices, for the sake of protecting shareholders' interests, that this power be limited so that the nominal amount of the capital increases resolved or carried out with exclusion of pre-emptive subscription rights under the authority and of those resolved or carried out to cover the conversion of Mandatory Convertible Issues, likewise with exclusion of pre-emptive subscription rights in use of

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the authority conferred under this General Meeting's agenda item five (without prejudice to anti-dilution adjustments), do not exceed the maximum nominal amount, overall, of 20% of the Bank's share capital at the moment when this proposed authorisation is adopted.

Similarly, it should be taken into account that the power to exclude pre-emptive subscription rights may only be exercised: (i) in those cases in which the Board of Directors deems that the measure of suppressing the pre-emptive subscription right is proportional to the benefits that the Company will obtain in the final instance and that consequently, they are suppressed because corporate's interests so demand; and (ii) providing the nominal value of the shares to be issued plus, where applicable, the amount of the issue premium, correspond to their fair value, i.e., their value on the market, which is presumed, unless it can be proven otherwise, to be indexed to the price listed on the stock exchange. Whatever the case, it is always possible to make issues with pre-emptive subscription rights under the authorisation resolution.

Thus, it should be taken into account that, on the occasion of each resolution to increase share capital with exclusion of pre-emptive subscription rights made under the authorisation, the directors must issue a report specifying the value of the Company shares and substantiating the details behind the exclusion of pre-emptive subscription rights and the consideration payable for the new shares, indicating the persons to which these shall be attributed. This will be accompanied by a report from an independent expert, appointed for such purpose by the Companies Registry regarding the fair value of the Company shares, the theoretical value of the pre-emptive rights whose exercise it is being proposed to suppress or limit and on the fairness of the data contained in the

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directors' report. All this will be done pursuant to articles 308 and 506 of the Corporate Enterprises Act.

These reports must refer to each specific increase and will be made available to shareholders and notified to the first General Meeting to be held after the increase resolution.

5.- Use made by the Board of Directors of the authority conferred by the Annual General Shareholders' Meeting, 16 March 2012 under agenda item three

It is hereby declared that the authority conferred by the Annual General Shareholders' Meeting, 16 March 2012, under agenda item three, which it is proposed to repeal insofar as unavailed, has been used by the Board of Directors only at its meeting, 19 November 2014, in which it resolved to increase the share capital by a maximum amount of €152,136,114.83, by issuing a maximum of 310,481,867 ordinary BBVA shares, with exclusion of pre-emptive subscription rights. It finally implemented the capital increase on 20 November 2014 for a nominal amount of €118,787,879.56 by issuing 242,424,244 BBVA shares, with a nominal value of €0.49 and an issue premium of €7.76 each, giving a total effective amount of €2,000,000,013.

6.- Proposed resolution

The full text of the proposed resolutions conferring authority on the Board of Directors

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to resolve to increase share capital and exclude pre-emptive subscription rights, pursuant to articles 297.1.b) and 506 of the Capital Enterprises Act, which is submitted to approval by the General Shareholders' Meeting, is as follows:

“One.- To confer authority on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (the “Company” or the “Bank”) , as broad as necessary by law, to increase the Company's share capital, subject to provisions in the law and in the Company Bylaws that may be applicable at any time and prior obtaining of the authorisations that may be necessary to such end, within the legal term of five (5) years to be counted as from the date on which this resolution is adopted, up to the maximum amount corresponding to 50% of the Bank's share capital at the time of this authorisation.

Likewise, to confer authority on the Board of Directors, as broad as necessary by law, such that, in the manner it deems most appropriate, it may:

- (i) Resolve to increase the share capital, on one or several occasions, by the amount and at the time that the Board of Directors may decide within the limits established herein, by issuing new shares, with or without voting rights, ordinary or preferred, including redeemable shares or shares of any other type permitted by law, with or without issue premium; the countervalue of said shares comprising cash considerations. Also set the terms and conditions of the capital increase insofar as these are not set in this resolution, including the determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, as well as, where appropriate, the inclusion of the right to redeem the shares, along with the*

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corresponding conditions and the exercise of such right by the Company.

- (ii) Freely offer the shares not subscribed within the period established for the exercise of pre-emptive subscription rights, should these be granted; to establish that, should the capital increase be undersubscribed, the capital will be increased by the amount effectively subscribed, pursuant to article 311 of the Corporate Enterprises Act; and to redraft the corresponding article of the Company Bylaws.*
- (iii) Where appropriate, request the listing of the shares issued under this authority for trading on official or unofficial, regulated or unregulated, Spanish and non-Spanish, secondary markets, performing the necessary and appropriate actions and formalities for this purpose before the corresponding public and/or private bodies, including any action, statement or arrangement before the competent authorities of the United States of America for the admission to trading of the shares represented by ADSs (American Depositary Shares), or before any other competent authority.*

It is expressly recognised that the Company is subject to any rules existing now or in the future regarding negotiation, and especially trading, listing and delisting of the securities, and the commitment that, should application be made for subsequent delisting of the securities, this will be adopted pursuant to the formal requirements under applicable regulations.

- (iv) Pursuant to the Corporate Enterprises Act, totally or partially exclude shareholders' pre-emptive subscriptions rights over any specific share issue that may be made hereunder, when the corporate interest so requires, in*

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compliance with any legal requirements established to this end.

The above notwithstanding, the power to exclude pre-emptive subscription rights will be limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of this authority and those that may be resolved or carried out to cover the conversion of Mandatory Convertible Issues that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority delegated under the following agenda item five of this General Meeting (without prejudice to anti-dilution adjustments) may not exceed the nominal maximum overall amount of 20% of the Bank's share capital at the time of this authorisation.

Two.- *To repeal the authority conferred by the Annual General Shareholders' Meeting held on 16 March 2012, under its agenda item three, in the unused part.*

Three.- *In relation to the foregoing resolutions, to empower the Board of Directors to delegate the authority to the Executive Committee (in turn, with express powers to delegate such authority); to the Chairman of the Board of Directors; to the Chief Executive Officer; to any other Director; and to any other person the Board may expressly empower for such purpose; with respect to the delegations and the powers conferred under the above resolutions."*

Madrid, 9 February 2017.

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