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 subordinated bonds mandatorily convertible into shares of the company 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 General Meeting, 14th March 2008.

WARNING: *The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.*

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1. INTRODUCTION

1.1 Objective 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 Enterprises Act (consolidated text), in its prevailing drafting (the "**Corporate Enterprises Act**" or "**CEA"**), regarding the resolution to issue subordinated bonds mandatorily convertible into ordinary BBVA shares (the "**Bonds**" or the "**Subordinated Mandatory Convertible Bonds**") for a maximum nominal amount of €3,475m with exclusion of pre-emptive subscription rights (the "**Issue**"), and the corresponding share capital increase by the necessary amount that is adopted under the authority conferred by the BBVA General Meeting, 14th March 2008, under its agenda item six.

Said articles 414 and 417 of the Corporate Enterprise Act allow companies to issue bonds that can be converted into shares provided the General Meeting determines the bases and modalities of the conversion and resolves to increase the capital by the amount necessary.

To such end, the directors must draft a report explaining the bases and modalities of the conversion. This must be accompanied by another report from an accounts auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry.

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 value of the bonds.

For 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 corporate's interest so require. To such effects, the Notice of Meeting in which the proposal to confer authority on the directors to issue convertible bonds 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 General Meeting conferral of authority, the directors` report and the auditor's report mentioned above must refer to each specific issue.

Thus, the above-mentioned 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 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 the report put out by the BBVA Finance Department and the legal report of the external consultant, J&A Garrigues, S.L.P., legal counsel in Spanish law.

2. ON THE ISSUE OF SUBORDINATED MANDATORY CONVERTIBLE BONDS

2.1 Conferral of authority by the General Meeting under which to issue Subordinated Mandatory Convertible Bonds

The BBVA General Meeting of shareholders, 14th March 2008, duly called in time and form, under its agenda item six adopted the following resolution, the relevant part of which is transcribed below:

"Repealing the unavailed part of the authorisation conferred at the General Meeting, 1st March 2003, under agenda item three, delegate the power to the Board of Directors, pursuant to article 319 of the Companies Registry Regulations and under the general regulations on the issue of Bonds, and applying by analogy articles 153.1 b) and 159.2 of the Companies Act, to issue shares that may be converted into or exchanged for Company shares, in accordance with the following terms and conditions:

(…)

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

(…)

ii) The power to increase capital by the amount necessary to cover applications for conversion and re-write article 5 of the Company Bylaws. This power may only be exercised insofar as the Board, adding together the capital increase to meet with the requirements of the convertible securities issue and other capital increases that may have been resolved under the authorities conferred by the General Meeting, does not surpass the limit authorised from time to time by the General Meeting pursuant to article 153.1 b) in the Companies Act.

iii) The authority to exclude the pre-emptive subscription rights for shareholders and/or holders of convertible and/or exchangeable securities, when this is necessary to raise the funds on international markets or in another manner that the corporate best interest may require. Whatever the case, should the Board resolve to suppress the pre-emptive subscription right with respect to a specific issue of convertible and/or exchangeable securities that it may decide to make under this authority, it will at the same time as it approves the issue also issue a report detailing the specific grounds of corporate interest justifying such a measure. This will be subjected to a report by the auditor referred to in article 159.2 of the Companies Act.

(…)

Should the issue be made with a variable conversion and/or exhangeable 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 Mercado Continuo (Continuous Market) during a period to be determined by the Board of Directors, not exceeding three months and not less than five days before the conversion or exchange date, with a premium or, as applicable, a discount on said price per share. The premium/discount may *not be different for each date of conversion or exchange of the issues. However, if a discount is established on said price per share, it may not exceed 30%."*

2.2 Current situation that makes the Issue advisable

On 27th October 2011, the European authorities (the "European Banking Authority" or the "EBA") communicated the new capital requirements to reinforce the equity of the major European financial entities. Their application was extraordinary and temporary.

The announced regulatory changes, albeit in a provisional stage, entail the need to increase the equity of the entities affected prior to 30th June 2012.

As explained in detail in the Finance Department report, although BBVA's current capital is adequate for the requirements established by prevailing regulations, the recapitalisation of the European banking system means that BBVA needs to reinforce its tier 1 equity ("core capital ratio") in order to bring its solvency into line with the new requirements announced by the EBA.

The current instability on the financial markets combined with regulatory uncertainty makes it advisable, as indicated by the Finance Department, to consider, evaluate and, where appropriate, take advantage of any opportunity that may enable the Bank to have access to a new contingent capital instrument granting it flexibility to generate capital to cover these possible additional requirements.

Meanwhile, the qualification as tier 1 equity given to the issues of preferred securities issued by subsidiary companies and guaranteed by BBVA and placed on the retail market has been affected by the new regulations on eligibility criteria under Basel III (BIS III/ CRD IV). This means that these instruments will gradually lose computability as tier 1 equity as of January 2013. Moreover, these retail preferred securities are being affected by new market and regulatory situations that must be considered at this time.

These facts (EBA increased capital requirements, new regulatory requirements on the BBVA retail preferred securities and loss of computability of said securities as tier 1 equity) have led the Finance Department to consider that the most favourable solution for the corporate interest is to reinforce BBVA's capital by purchasing said preferred securities with an irrevocable and unconditional commitment of their holders to subscribe the Subordinated Mandatory Convertible Bonds for an amount equal to the nominal and cash amount of the preferred securities sold. To do so requires the exclusion of the pre-emptive subscription rights.

This transaction makes it possible to obtain top quality capital without additional costs and without the need to incur the high risks of raising capital on the open market under current circumstances.

Additionally, the transaction makes it possible for current retail holders of preferred securities to be able to access more liquid securities that are better suited to the current regulatory and market circumstances.

2.3 Structures analysed

As indicated above, to meet the new EBA solvency requirements and to find a solution for the loss of eligibility of the Group's retail preferred securities issues under Basel III, the Finance Department considers it necessary for BBVA to reinforce its tier 1 equity (core capital).

As explained in the Finance Department report, the current circumstances of extreme market volatility and non-existent demand for capital transactions without major discounts does not at present offer alternatives to increase the Bank's equity at reasonable prices by issuing capital, either with pre-emptive rights or without such rights through an ABO (“Accelerated Book-building Offer”).

Thus, in light of this scenario, the only feasible alternative at present, according to the Finance Department, to reinforce the Bank's equity is to issue Subordinated Mandatory Convertible Bonds. This fact, along with the current situation of difficult access to markets and the new regulatory requirements for the retail preferred securities issued by BBVA, means that the most advisable alternative is to address the Issue to the retail preferred securities holders, mitigating the loss of eligibility on said instruments as of 2013 and covering the new EBA solvency requirements without needing to tap the markets under current conditions, although this requires excluding the shareholders' pre-emptive subscription rights.

Consequently, the optimal alternative to find a combined solution to the issues described without having to tap the markets is to issue Subordinated Mandatory Convertible Bonds with exclusion of pre-emptive subscription rights.

2.4 Financial terms and conditions of the Issue

The Issue proposed by the Finance Department would be for a maximum sum of €3,475m. This corresponds to the total amount of the retail preferred securities whose holders the Issue targets, the nominal value of each Bond being €100 with an approximate 18-month tenor.

The number of BBVA shares to be delivered against each Bond in the conversion is not known until the moment of redemption or any early conversion date that may be established, as there is a variable conversion ratio that depends on the share price at the moment of conversion. This ratio is based on the following formula:

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

Where:

$Nom_{convertible}$: Nominal value of Bond being converted (initially €100 or the nominal value resulting after partial conversion) or, in the event of partial conversion, the nominal sum being converted.

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

P_{Shr}: Conversion Price (as defined in section 2.5.2 below).

At the time of conversion, the Bondholders will receive a number of shares that are valued at that moment at a similar level to the nominal value that the holder disbursed in cash when subscribing the Bonds, subject to the limits established in section 2.5.2. of this report.

The investor will collect a coupon of approximately 6.5% a year, payable quarterly in arrears, as determined in the final Issue terms and conditions (the "**Yield**"). The payment of the coupon will be conditional on various factors including the condition that payment must pass the mandatory payment test established by the equity regulations that will be described in detail in the Issue terms and conditions.

2.5 Bases and modalities of the Conversion

The bases and modalities of the conversion of the Subordinated Mandatory Convertible Bonds, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

2.5.1 Grounds for conversion

The Bonds will be convertible into BBVA Shares in the following scenarios:

1. Partial mandatory conversion

   On 30th June 2012, 50% of the nominal value of the Bonds outstanding at that date will be mandatorily converted into ordinary BBVA shares.

2. Total mandatory conversion

   The Bonds will mandatorily be converted into ordinary BBVA shares in the following cases:

   a) on the maturity date for the Issue as determined in the Issue terms and conditions;

   b) If the Issuer adopts any corporate measures (other than merger, spin-off and overall assignment of assets and liabilities) that could lead to the voluntary or involuntary winding up and liquidation of the Issuer;

   c) If the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 418.3 of the CEA;

   d) If the Issuer is declared bankrupt or goes into administration or its management and governance bodies are totally and completely replaced by the Bank of Spain;

   e) If, having a Tier 1 capital ratio below 6%, calculated pursuant to Circular 3/2008 or any other Spanish equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, reports significant losses on their financial accounts. "Significant losses on their financial accounts" will be deemed to exist when the cumulative loses over the last four quarters reported have reduced the previous reserves and capital of the Issuer, or its consolidable group or subgroup by one third; and

f) If the Bank of Spain (i) determines that the conversion of the Bond is necessary to improve the Issuer's solvency and financial situation in order to avoid its insolvency and/or (ii) if the Bank of Spain determines that the Bank needs public support to avoid the Issuer's insolvency, bankruptcy or inability to cope with significant amounts of debt or (iii) other similar circumstances.

Additional obligatory 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 solvency ratios that may result from any regulations at European or national level (even at draft stage) or published by the Bank of Spain, the EBA or any other regulatory body or authority.

3. <u>Total or partial mandatory conversion at the Issuer's option</u>

On any Yield Distribution Date, including 30th March 2012, the Issuer, at its sole discretion, may decide to mandatorily convert all or some of the Bonds, the conversion being mandatory for all Bondholders.

Should the conversion be partial, it will be carried out by reducing the nominal value of all the Bonds outstanding by the percentage that the Issuer establishes for the partial conversion.

4. Voluntary conversion by Bondholders:

On the Yield Distribution Date, 30th March 2012, the holders will have the option to convert all their Bonds into newly issued BBVA shares on a voluntary basis. They will not be able to only convert part of their Bond holdings.

2.5.2 Conversion ratio

The conversion ratio of the bonds ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Bonds at any moment (ie, initially €100 or the nominal value after partial conversion) or, in the event of partial conversion, the nominal amount to be converted, by the value attributed to the ordinary BBVA shares for the purposes of the conversion, which will correspond to the market value of the BBVA shares at the time of conversion of the Bonds (the "**Conversion Price**").

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

When calculating the Conversion Ratio, the Conversion Price will be the value attributed to the ordinary BBVA shares. This will be determined as a function of each of the conversion scenarios that may be applicable:

(i) Mandatory partial conversion on 30th June 2012: The arithmetic mean of the closing price of the BBVA share on the five trading days prior to 30th June 2012.

ii) Mandatory total conversion on the Issue's Maturity Date: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the Maturity Date.

(iii) In any other scenario of mandatory conversion other than those described in paragraphs (i) and (ii): The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the pertinent obligatory conversion scenario occurs.

(iv) Mandatory conversion at the Issuer's option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the pertinent Yield Distribution Date, as determined in the Issue terms and conditions.

(v) Voluntary conversion at the Bondholders' option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

If the arithmetic means described above were equal to or less than €3.50, the Conversion Price will be €3.50 per share. Likewise, if the arithmetic means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 and (ii) the resulting arithmetic mean multiplied by 0.75.

2.5.3 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, in compliance with the Issue terms and conditions.

These anti-dilution measures must unfailingly take into account the bases and modalities of conversion referred to above.

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

2.6 Capital increase

According to article 414 of the Corporate Enterprises Act, the share capital must be increased by the maximum amount necessary to be able to convert the Bonds issued. To such end, the maximum amount by which it is resolved to increase the share capital will be determined by the ratio between the nominal value of the Bonds and the Conversion Price.

This capital increase will be executed under the authorisation conferred by the Annual General Meeting of BBVA, 14th March 2008, under agenda item six, totally or partially, by the Board of Directors expressly empowered to substitute itself by delegating authority on the Executive Committee or any other proxies the Board of Directors may appoint, to carry out the conversion of the Bonds by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date(s) of execution of the corresponding resolution to increase capital. Every time that the Board of Directors or its proxies execute this resolution, article 5 of the Company Bylaws relating to the capital, will be redrafted.

It is not possible yet to determine the exact amount of share capital that will be necessary for the conversion, given that, in accordance with the bases and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion. However, considering that the Conversion Price must not be below €3.50, and assuming that no anti-dilution mechanism is applied before the Bonds' Maturity Date, we can state that the maximum number of newly issued shares to be issued will be 992,857,142 ordinary shares, each with a nominal value of €0.49.

Pursuant to article 304.2of the Corporate Enterprises Act, there need be no pre-emptive subscription right on the capital increase(s) resulting from the conversion of the Subordinated Mandatory Convertible Bonds.

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

3.1 Grounds for the exclusion of pre-emptive subscription rights

As explained above, the BBVA General Meeting, 14th March 2008, resolved under agenda item six, 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 bond issues made under such authority.

To such end, when convening the aforementioned 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 when corporate interest 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 issue of Subordinated Mandatory Convertible Bonds, as it deems such exclusion to be substantiated on due grounds and in compliance with the requirements established by law, and necessary to achieve the corporate interest, as explained below.

In this respect, the greater capital requirements generated by the economic and regulatory scenario in the finance industry make it advisable to maintain the current policy of maximum prudence and anticipation in capital planning, along with current high volatility requires that the Bank has flexible, suitable instruments to adequately respond to the capital requirements at any time demanded by the Company's corporate interest.

As explained above, to meet the new EBA solvency requirements and find a solution to the loss of computability as tier 1 equity for the issues of the Group's retail preferred securities under Basel III, the Finance Department considers that the issuance of Bonds is the best alternative for BBVA, since it provides it with a contingent capital instrument that confers the flexibility to generate capital to cover these additional requirements.

Likewise, as explained in the Finance Department report, the current extreme volatility on the markets and non-existent demand for capital transactions without major discounts mean that there are no alternative means at present to reinforce the Bank's equity at reasonable prices through capital issues, either with pre-emptive subscription rights or without such rights through an ABO ("Accelerated Book-building Offer").

The combination of the factors described above (new capital requirements, regulatory situation for preferred securities and current market circumstances) mean that the Finance Department has considered the optimal alternative to achieve corporate interest that of reinforcing the Bank's equity through issuance of Subordinated Mandatory Convertible Bonds targeted solely at retail preferred securities holders. The Finance Departments deems that this mitigates the impact of the regulatory restrictions placed on such instruments, avoids their loss of eligibility as of 2013, and meets the new EBA solvency requirements without having to tap the capital markets.

The success of the proposed transaction therefore necessarily implies exclusion of the pre-emptive subscription rights, as otherwise the Bonds could not be specifically offered to the retail preferred securities holders and could not meet the corporate interest.

Consequently, the optimal alternative to meet the corporate interest and provide a complete and comprehensive solution to the matters raised is to issue Subordinated Mandatory Convertible Bonds excluding the pre-emptive subscription rights over the issue.

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

(i) The suggested conversion ratio for the Bonds is designed to comply with the corporate best interest, since by converting at a price equal to the share's listed or market price, BBVA maximises the funds obtained, such that the amount of the Issue is used wholly to increase BBVA's solvency ratio and enhances the corporate interest or the principal aim of the Issue in the most efficient manner possible.

(ii) The Conversion Price of ordinary shares issued to meet the requirements for the Bonds conversion will be done, unless the minimum value indicated in the following paragraph is reached, at the listed price at which the share is trading at the moment of conversion. Specifically, the Conversion Price will be established by virtue of the arithmetic mean of the closing prices of the BBVA share over the five (5) trading sessions prior to each conversion scenario.

Notwithstanding the above, if the market price at the time of conversion is below €3.50, the Conversion Price for the shares will be €3.50. This means they will be delivered with a premium against the market price. The maximum number of shares to be delivered will be limited by the establishment of said minimum Conversion Price.

(iii) As explained in the Finance Department report, the theoretical value of the pre-emptive subscription right stemming from the Issue is equal to zero. In effect, according to the conversion bases and modalities proposed, current shareholders do not lose any economic value with the exclusion of the pre-emptive subscription rights, as the mechanism proposed to establish the Conversion Price ensures that the issue necessary shares to meet the conversion will be made at market value, since they are benchmarked to the listed price of the Bank's share, avoiding distortions that might occur in the price on any one specific day.

The BBVA Finance Department demonstrates other advantages associated to the exclusion of the Bonds pre-emptive subscription rights to meet the Bank's best corporate interest:

(i) Should the Issue be made with pre-emptive subscription rights, there is a risk that the Issue may not be subscribed by the shareholders within the period and to the amount initially established. This would mean subsequently making an additional placement amongst non-shareholder investors under conditions likely to be more unfavourable to the Issuer, with the operations, time and capital that would be involved. This would effective cost be contrary to BBVA's best corporate interest.

(ii) The outcome of the Issue with exclusion of pre-emptive subscription rights will increase the base of retail and individual Bank shareholders with a less speculative profile and greater interest in maintaining their holding over a longer term. This will mitigate the price volatility on the share, which is clearly in BBVA's corporate interest, especially given current market circumstances.

3.2 People to whom the Bonds will be attributed

As explained above, the pre-emptive subscription rights will be excluded so that the Bonds can be offered exclusively to holders of the Group's retail preferred securities that BBVA is buying.

4. PROPOSED RESOLUTION

*"**ONE**.- By virtue of the authority conferred by the Company's Annual General Meeting, 14th March 2008, under its agenda item six, to issue bonds mandatorily convertible into ordinary shares newly issued by Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**") (hereinafter the "**Bonds**" or the "**Subordinated Mandatory Convertible Bonds**") to a maximum amount of three billion, four hundred and seventy-five million euros (€3,475,000,000), excluding the pre-emptive subscription rights (the "**Issue**"), pursuant to the following terms and conditions:*

Nature of the Bonds:	*The securities to be issued will be bonds mandatorily convertible into ordinary shares newly issued by BBVA.*
Issuer:	*Banco Bilbao Vizcaya Argentaria, S.A.*
Target Investors:	*The issue is addressed exclusively to holders of preferred securities series A, B, C and D issued by BBVA Capital Finance, S.A. Unipersonal and series F issued by BBVA International Limited, all guaranteed by BBVA, who accept BBVA's offer to purchase said preferred securities.*
***Maximum value**:*	*Three billion, four hundred and seventy-five million euros (€3,475,000,000).*
Nominal value:	*The Bonds will each have a nominal value of one hundred euros (€100).*
Number of Bonds:	*The maximum number of Bonds to be issued is thirty-four million, seven hundred and fifty thousand (€34,750,000), all belonging to one single series and with the same terms and conditions. The possibility of incomplete*

subscription is expressly foreseen.

Type of Issue:	*The Issue will be made at par, ie, at one-hundred per cent of nominal value, without commission fees or costs for the subscriber.*
Issue Subscription:	*The Target Investors accepting BBVA's purchase offer undertake, unconditionally and irrevocably, to subscribe a nominal amount of Subordinated Mandatory Convertible Bonds equal to the total nominal and cash amount of all the preferred securities that they hold that BBVA finally acquires.*
***Yield**:*	*Bondholders may receive a predetermined non-cumulative yield that will be determined as a function of the interest rate applicable to the nominal value of the Bonds, provided they comply with the rest of the Issue terms and conditions (the "**Yield**").*
Maturity Date:	*The Maturity Date will be 30th June 2013 or such date as determined in the Issue terms and conditions.*
***Representation of the Bonds**:*	*The Bonds will be represented by book entries.*
Order of priority:	*The order of priority for the Bonds will be:* *(i) behind all BBVA's common and subordinated creditors;* *(ii) behind the preferred securities, preferred shares and equivalent securities that the Issuer may have issued (or guaranteed) or may issue (or guaranteed);* *(iii) in the same order of precedence (pari passu) as other issues of convertible bonds, or other securities equivalent to the Bonds that the Bank may issue directly or through a subsidiary, guaranteed by BBVA; and* *(iv) senior to the BBVA ordinary shares.*

TWO.- *The bases and modalities for conversion of the Bonds will be as follows:*

a) Conversion scenarios

The Bonds will be convertible into newly issued BBVA ordinary shares in the following scenarios:

1. *Partial mandatory conversion*

   On 30th June 2012, 50% of the nominal value of the Bonds outstanding at that date will be mandatorily converted into newly issued BBVA ordinary shares.

2. *Total mandatory conversion*

   The Bonds will mandatorily be converted into newly issued ordinary BBVA shares under any of the following scenarios:

   a) *on the Issue Maturity Date as determined in the Issue terms and conditions;*

   b) *If the Issuer adopts any corporate measures (other than merger, spin-off and overall assignment of assets and liabilities) that could lead to the voluntary or involuntary winding up and liquidation of the Issuer;*

   c) *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; and*

   d) *If the Issuer is declared bankrupt or goes into administration or its management and governance bodies are totally and completely replaced by the Bank of Spain.*

   e) *If, having a tier 1 capital ratio below 6%, calculated pursuant to Circular 3/2008, or any other Spanish equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on their financial accounts. "Significant losses on their financial accounts" will be deemed to exist when the cumulative losses over the last four quarters reported have reduced the previous reserves and capital of the Issuer, or its consolidable group or subgroup by one third; and*

   f) *If the Bank of Spain (i) determines that the conversion of the Bond is necessary to improve the Issuer's solvency and financial situation in order to avoid its insolvency and/or (ii) if the Bank of Spain* *determines that the Bank needs public support to avoid the Issuer's insolvency, bankruptcy or inability to cope with significant amounts of debt or (iii) other similar circumstances.*

Additional obligatory 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 solvency ratios that may result from any regulations at European or national level (even at draft stage) or published by the Bank of Spain, the EBA or any other regulatory body or authority.

3. Total or partial mandatory conversion at the Issuer's option

On any Yield Distribution Date, including 30th March 2012, the Issuer, at its sole discretion, may decide to mandatorily convert all or some of the Bonds, the conversion being mandatory for all the Bondholders.

Should the conversion be partial, it will be done by reducing the nominal value of all the Bonds outstanding by the percentage that the Issuer establishes for the partial conversion.

4. Voluntary conversion by Bondholders:

On the Yield Distribution Date, 30th March 2012, the Bondholders will have the option to convert all their Bonds into newly issued BBVA shares on a voluntary basis. They will not be able to only convert part of their Bondholdings. The conversion will be done according to the requirements determined in the Issue terms and conditions.

b Conversion Ratio

*The conversion ratio of the Bonds into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Bonds at any moment (ie, initially €100 or the nominal value after partial conversion) or, in the event of partial conversion, the nominal amount to be converted, by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). Thus, the number of shares corresponding to each Bondholder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.*

When calculating the Conversion Ratio, the Conversion Price will be the value attributed to the ordinary BBVA shares. This will be determined as a function of each of the conversion scenarios that may be applicable, as follows:

(i) *<u>Mandatory partial conversion on 30th June 2012</u>: The arithmetic mean of the closing price of the BBVA share on the five trading days prior to 30th June 2012.*

(ii) *<u>Mandatory total conversion on the Issue's Maturity Date</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the Maturity Date.*

(iii) *<u>In any other scenario of mandatory conversion other than those described in paragraphs (i) and (ii)</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the pertinent obligatory conversion scenario occurs.*

(iv) *<u>Mandatory conversion at the Issuer's option</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the pertinent Yield Distribution Date, as determined in the Issue terms and conditions.*

(v) *<u>Voluntary conversion at the Bondholders' option</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.*

If the arithmetic means described above were equal to or less than €3.50, the Conversion Price will be €3.50 per share. Likewise, if the arithmetic means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 or (ii) the resulting arithmetic mean multiplied by 0.75.

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 Issue terms and conditions.

These anti-dilution measures must unfailingly take into account the bases and modalities of conversion referred to above.

Without detriment 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, married, with identity card number 51361870-H, Mr Erik Schotkamp, Dutch national, of legal age, unmarried, with foreign residency card *number Y2126590-R, Mr Ignacio Echevarría Soriano, Spanish national, of legal age, married, with identity card number 837871-G and Mr Juan Isusi Garteiz Gogeascoa, Spanish national, of legal age, married, with identity card number 44679846-T, all domiciled for these effects at Paseo de la Castellana 81, Madrid (the "**Proxies**"), to determine or develop in the Issue terms and conditions any matter not established by this resolution. They may also determine the terms and conditions they deem necessary and 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 Subordinated Mandatory Convertible Bonds Issue, which will be made available to shareholders along with the report issued by the accounts auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first General Meeting held after the issue resolution, expressly empowering the Company and Board Secretary to certify the text.*

FOUR.- *As stated in the Finance Department report included in the Directors' Report approved in the preceding resolution, corporate interest require the Issue to be targeted exclusively at the Target Investors, making it necessary to exclude the pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the General Meeting, 14th March 2008 and by virtue of article 511 of the Corporate Enterprises Act, resolves to exclude said pre-emptive subscription rights in this issue of convertible bonds.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to be able to convert the Bonds. The maximum number of newly issued shares to be issued will be 992,857,142 shares, assuming that no anti-dilution mechanism is applied before the Bonds' Maturity Date, expressly envisaging the possibility that the capital increase is made in one or several issues, with issue premium, for a lesser number of shares and with the possibility of undersubscription in each of said increases.*

*The newly issued shares will be ordinary shares, equal to those that are currently outstanding. They will be represented by book entries, and the books will be managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**IBERCLEAR**") and participating entities.*

The new shares into which the Bonds will be converted will confer on their holders the same rights as the current outstanding shares confer on theirs.

By virtue of article 304.2 of the Corporate Enterprises Act, there will be no pre-emptive subscription right over the capital increase, as it will be due to the conversion of the Bonds into shares.

SIX.- *By virtue of the authority conferred on this Board of Directors by the BBVA General Meeting, 14th March 2008, to delegate to the Executive Committee, which may* *in turn delegate such authority, all powers necessary to effectively implement the above-mentioned Bond Issue. Likewise, to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, such that they may:*

a) *Determine the characteristics of the Bonds 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 Bonds, the timing of the Issue, the interest accrual periods, include new conversion bases and modalities and/or amend them, establish the Maturity Date, declare the total or partial subscription of the Issue, determine the terms and conditions of the anti-dilution mechanism and any additional grounds for obligatory conversion 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 executed by the Board and the amount still available.*

b) *Declare the Bond Yield, whether partially or completely, and declare no Yield, as determined in the Issue terms and conditions.*

c) *Apply, where appropriate, the anti-dilution mechanism as determined in the Issue terms and conditions.*

d) *Refrain from going ahead with the Bond Issue established under resolution ONE above should this be deemed necessary or advisable.*

e) *Carry out any arrangement, request or appointment that may be legally necessary to achieve the filing of the Bond 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 Exchange Act, should this be necessary, appear before a Notary Public and finalise the formalities on the preceding resolutions, including deeds to correct, clarify or rectify them, and deeds of the total or partial subscription of the Issue, as well as the total or partial repayment and, where applicable, any others that may have preceded it of may be resolved in the future.*

g) *Formalise and file the Offering Circulars that may be necessary and the documents formalising the Issue before the CNMV (securities exchange authority), and any other necessary documents before the Bank of Spain, the Companies Registry, the governing bodies of the securities exchanges, Sociedad de Bolsas, the AIAF Fixed-Income Market, IBERCLEAR or any other bodies or markets. Where applicable, declare the partial or incomplete subscription of the Issue and, if necessary, constitute a Bondholders Syndicate to determine the characteristics and regulations of operation, and to designate its Provisional*

Commissioner, and the fundamental rules governing the relationship between the Company and the Syndicate.

h) Establish other matters not established by this Board with respect to the Bond Issue and determine any other matter relating to the Issue that may be necessary for its successful outcome, including all acts related to the purchase offer made by BBVA and the effective purchase of the preferred securities from those holders that have accepted the offer.

i) Negotiate, sign and grant public and/or private documents, including but not limited to liquidity contracts, payment agency contracts and any other contracts that may be necessary for the Bond Issue to be made under the conditions they deem most appropriate.

j) Request, where appropriate, the listing of the Bonds to trade on Spanish and non-Spanish, regulated and non-regulated, official and non-official secondary markets.

k) With respect to the conversion of the Bonds into BBVA shares, to establish, where appropriate, the final conversion ratio for the Issue and the issue premium, determine the number of shares by which the BBVA capital is finally to be increased on one or several occasions, 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 article 5 of the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies.

l) Request, where appropriate, listing for trading on official and non-official, regulated and non-regulated, Spanish and non-Spanish secondary markets and take any actions they consider necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, in order to complete the capital increase. By way of example:

(i) Write and file any protocols, 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 documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.

Pursuant to article 27 of the Exchange Regulations, it is expressly stated that, should the delisting of the Bonds issued under this authority later be requested, this will be adopted with the same formalities as those referred to in said article and, in such event, the best interest of the Bond or Share Holders that oppose or do not vote for the *resolution will be guaranteed, complying with the requirements established in the Corporate Enterprises Act and any provisions that may substitute these in the future, and concordant provisions. All this will be done pursuant to the provisions of the aforementioned Exchange Regulations, the Securities Exchange Act and the provisions that develop it.*

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 or entity. They will have joint and several powers and will bear the 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, 22nd November 2011.

Special Report on the Issue of Subordinated Mandatory Convertible Bonds with exclusion of the pre-emptive subscription rights on the basis of articles 414, 417 and 511 of the Corporate Enterprises Act (Consolidated Text)

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

SPECIAL REPORT ON THE ISSUE OF SUBORDINATED MANDATORY CONVERTIBLE BONDS WITH EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHTS ON THE BASIS OF ARTICLES 414, 417 AND 511 OF THE CORPORATE ENTERPRISES ACT (CONSOLIDATED TEXT)

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

1. For the ends 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 Juan Alfonso Fernández Núñez, 7th November 2011, we hereby issue this Special Report on the Issue of Subordinated Bonds (hereinafter the Bonds) mandatorily convertible for shares of the Bank, to the sum of €3,475m, with exclusion of pre-emptive subscription rights, which accompanies the attached Bank Directors' Report. Both reports are thus made available to BBVA shareholders.

The Bank's General Meeting, 14th March 2008, resolved to confer authority on the Board of Directors, for five years, to issue securities convertible and/or exchangeable for the Bank's shares for up to a maximum of €9 bn (9,000,000,000 euros), and to establish the various aspects and terms and conditions of each issue, including authority to exclude pre-emptive subscription rights pursuant to the Corporate Enterprises Act, determine the bases and modalities of the conversion and increase share capital by the amount required. By virtue of such authority, the Board, 27th June 2009, resolved to issue convertible bonds to the sum of €2 bn (2,000,000,000 euros) with exclusion of pre-emptive subscription rights, and the corresponding increase of the Bank's share capital to cover the conversion of said convertible bonds. The Board of Directors, 22nd June 2011, resolved the conversion of the entire issue on 15th July 2011 and to implement the share capital increase by issuing the ordinary Bank shares, €0.49 nominal value each, required to cover the conversion.

Additionally, by virtue of the above-mentioned authority, the Bank Directors have drawn up the attached report (Annex I), specifying the conditions of the issue they propose, the bases and modalities for conversion, and identifying the grounds of corporate interest substantiating the proposal to exclude the pre-emptive subscription rights, indicating the persons to whom the issue would be attributed, expressly envisaging the possibility of incomplete subscription.

2. The objective of our work is not to certify the issue price or the conversion price of the Bonds, but

exclusively to state, by application of the procedures established in the Technical Standard for drafting 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 and dated 22nd November 2011, 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 of special reports on the exclusion of pre-emptive subscription rights, the aim of our work, the issue of 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.

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

a) Obtaining and making a global analysis of the following information:

- Resolution of the Bank General Meeting regarding the conferral of authority on the Directors to issue Convertible Bonds and to exclude pre-emptive subscription rights.

- Report by the Bank Directors regarding the issue of Mandatory Convertible Bonds and the exclusion of pre-emptive subscription rights.

- The Bank's individual and consolidated annual financial statements with the corresponding auditor's report for the year ending 31st December 2010.

- The Bank's interim consolidated financial statements with the corresponding auditor's report for the six months ending 30th June 2011.

- Minutes of the Bank's General Meetings, of its Board of Directors' meetings and of its Executive Committee held since 1st January 2011 until the date of this report.

- Reports issued by Bank advisors regarding the transaction.

- Other information that was deemed necessary to carry out our remit.

b) Various meetings have been held with the Bank Management in order to gather the information considered of use in carrying out our work, and to evaluate how reasonable the conversion bases and modalities are on the Convertible Bonds issue.

c) Evaluation that the Directors' Report contains the information deemed necessary and sufficient for its adequate comprehension and interpretation by those to whom it is addressed.

d) Verification of the calculations used to determine the conversion bases and modalities and other rights of the Bond subscribers.

e) Check that the issue price of the Subordinated Mandatory Convertible Bonds is not below their own nominal value or the nominal value of the shares for which they must be converted.

f) Verification that the accounting information contained in the Directors' Report concords with the Bank's accounting data.

g) Evaluation of how reasonable the data contained in the Directors' Report are that substantiate the exclusion of shareholders' pre-emptive subscription rights.

h) Evaluation of how suitable the conversion ratio is and, where applicable, its adjustment formulae to compensate possible dilution of the economic value of the shareholders' holdings.

i) Revision of the events arising since 30th June 2011, and until the date of this report, that may significantly impact the issue of Subordinated Mandatory Convertible Bonds. This has included obtaining information from the Bank's auditor of accounts, where applicable, regarding subsequent events that may have impacted the equity situation of the Bank and that were known subsequent to the issue of the last auditor's report that has been provided to us.

j) Verification that the Directors' Report mentions, where applicable, the subsequent significant events that may impact the issue of the Mandatory Convertible Bonds.

k) Obtaining a letter of proxy signed by the Bank Management, advising us that we have been informed of all those relevant aspects that may impact the issue of Subordinated Mandatory Convertible Bonds, and that no events have occurred subsequent to 30th June 2011 and until the date of this report that were not detailed in the Directors' Report or that were not expressly reported.

3. With respect to the procedures applied, we should mention that certain aspects of our work implicitly contain, not just objective factors, but also other factors implying the judgement and establishment of working hypotheses, whose fulfilment largely depends on future events, such that it is not possible to know at present how the situation will finally develop.

4. As indicated in the Directors' Report, which is attached as Annex I, the issue of the Bonds and, where applicable, their subsequent conversion into Bank shares, will be carried out pursuant to the regulations that are applicable at any time, specifically:

a) Convertible bonds may not be issued for a value less than their nominal values, and

b) Convertible bonds may not be converted into shares when their nominal value is less than that of the shares.

5. Pursuant to the Directors' Report, the conversion price will be the value attributed to BBVA shares, established as the arithmetic mean of the closing prices of the BBVA shares on the five trading days prior to the conversion date that will be established in accordance with the different conversion scenarios of the Issue. The Bank Directors consider that this mechanism for establishing the conversion price avoids distortions that might occur in the price at a given moment, and guarantees that the conversion is benchmarked to the listed price of the Bank's share. Furthermore, given the conditions for trading frequency and volume of the Bank share, it is a commonly accepted as a entity value or market value, so that the pre-emptive subscription right has a theoretical value equal to zero.

6. On the basis of the work carried out within the scope described in the above paragraphs on the

attached report undertaken by the Bank Directors regarding the issue of Bonds mandatorily 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 preparing special reports on the issue of convertible bonds on the basis of article 414 of the Corporate Enterprises Act (Consolidated Text).

b) The data contained in the Directors' Report to substantiate the exclusion of the pre-emptive subscription rights are reasonable and adequately expressed.

c) The conversion ratio of Subordinated Mandatory Convertible Bonds 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 with the said Bonds being zero.

7. This special report has been exclusively drafted pursuant to articles 414, 417 and 511 of the Corporate Enterprises Act (Consolidated Text) approved by Royal Legislative Decree 1/2010, 2nd July, as a result of which it may not be used for any other purpose.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Accounts Auditors under number S0530)

____
José Carlos Hernández Barrasús

24th November 2011

ANNEXES

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WARNING: *The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.*

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 subordinated bonds mandatorily convertible into shares of the company 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 General Meeting, 14th March 2008.

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5. <u>INTRODUCTION</u>

5.1 Objective 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 Enterprises Act (consolidated text), in its prevailing drafting (the "**Corporate Enterprises Act**" or “**CEA”**), regarding the resolution to issue subordinated bonds mandatorily convertible into ordinary BBVA shares (the "**Bonds**" or the "**Subordinated Mandatory Convertible Bonds**") for a maximum nominal amount of €3,475m with exclusion of pre-emptive subscription rights (the "**Issue**"), and the corresponding share capital increase by the necessary amount that is adopted under the authority conferred by the BBVA General Meeting, 14th March 2008, under its agenda item six.

Said articles 414 and 417 of the Corporate Enterprise Act allow companies to issue bonds that can be converted into shares provided the General Meeting determines the bases and modalities of the conversion and resolves to increase the capital by the amount necessary.

To such end, the directors must draft a report explaining the bases and modalities of the conversion. This must be accompanied by another report from an accounts auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry.

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 value of the bonds.

For 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 corporate's interest so require. To such effects, the Notice of Meeting in which the proposal to confer authority on the directors to issue convertible bonds 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 General Meeting conferral of authority, the directors` report and the auditor's report mentioned above must refer to each specific issue.

Thus, the above-mentioned 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 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.

5.2 Advisory services received

This report is issued on the basis of the report put out by the BBVA Finance Department and the legal report of the external consultant, J&A Garrigues, S.L.P., legal counsel in Spanish law.

6. <u>ON THE ISSUE OF SUBORDINATED MANDATORY CONVERTIBLE BONDS</u>

6.1 Conferral of authority by the General Meeting under which to issue Subordinated Mandatory Convertible Bonds

The BBVA General Meeting of shareholders, 14th March 2008, duly called in time and form, under its agenda item six adopted the following resolution, the relevant part of which is transcribed below:

"Repealing the unavailed part of the authorisation conferred at the General Meeting, 1st March 2003, under agenda item three, delegate the power to the Board of Directors, pursuant to article 319 of the Companies Registry Regulations and under the general regulations on the issue of Bonds, and applying by analogy articles 153.1 b) and 159.2 of the Companies Act, to issue shares that may be converted into or exchanged for Company shares, in accordance with the following terms and conditions:

(…)

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

(…)

ii) The power to increase capital by the amount necessary to cover applications for conversion and re-write article 5 of the Company Bylaws. This power may only be exercised insofar as the Board, adding together the capital increase to meet with the requirements of the convertible securities issue and other capital increases that may have been resolved under the authorities conferred by the General Meeting, does not surpass the limit authorised from time to time by the General Meeting pursuant to article 153.1 b) in the Companies Act.

iii) The authority to exclude the pre-emptive subscription rights for shareholders and/or holders of convertible and/or exchangeable securities, when this is necessary to raise the funds on international markets or in another manner that the corporate best interest may require. Whatever the case, should the Board resolve to suppress the pre-emptive subscription right with respect to a specific issue of convertible and/or exchangeable securities that it may decide to make under this authority, it will at the same time as it approves the issue also issue a report detailing the specific grounds of corporate interest justifying such a measure. This will be subjected to a report by the auditor referred to in article 159.2 of the Companies Act.

(…)

Should the issue be made with a variable conversion and/or exhangeable 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 Mercado Continuo (Continuous Market) during a period to be determined by the Board of Directors, not exceeding three months and not less than five days before the conversion or exchange date, with a premium or, as applicable, a discount on said price per share. The premium/discount may *not be different for each date of conversion or exchange of the issues. However, if a discount is established on said price per share, it may not exceed 30%.”*

6.2 Current situation that makes the Issue advisable

On 27th October 2011, the European authorities (the "European Banking Authority" or the "EBA") communicated the new capital requirements to reinforce the equity of the major European financial entities. Their application was extraordinary and temporary.

The announced regulatory changes, albeit in a provisional stage, entail the need to increase the equity of the entities affected prior to 30th June 2012.

As explained in detail in the Finance Department report, although BBVA's current capital is adequate for the requirements established by prevailing regulations, the recapitalisation of the European banking system means that BBVA needs to reinforce its tier 1 equity ("core capital ratio") in order to bring its solvency into line with the new requirements announced by the EBA.

The current instability on the financial markets combined with regulatory uncertainty makes it advisable, as indicated by the Finance Department, to consider, evaluate and, where appropriate, take advantage of any opportunity that may enable the Bank to have access to a new contingent capital instrument granting it flexibility to generate capital to cover these possible additional requirements.

Meanwhile, the qualification as tier 1 equity given to the issues of preferred securities issued by subsidiary companies and guaranteed by BBVA and placed on the retail market has been affected by the new regulations on eligibility criteria under Basel III (BIS III/ CRD IV). This means that these instruments will gradually lose computability as tier 1 equity as of January 2013. Moreover, these retail preferred securities are being affected by new market and regulatory situations that must be considered at this time.

These facts (EBA increased capital requirements, new regulatory requirements on the BBVA retail preferred securities and loss of computability of said securities as tier 1 equity) have led the Finance Department to consider that the most favourable solution for the corporate interest is to reinforce BBVA's capital by purchasing said preferred securities with an irrevocable and unconditional commitment of their holders to subscribe the Subordinated Mandatory Convertible Bonds for an amount equal to the nominal and cash amount of the preferred securities sold. To do so requires the exclusion of the pre-emptive subscription rights.

This transaction makes it possible to obtain top quality capital without additional costs and without the need to incur the high risks of raising capital on the open market under current circumstances.

Additionally, the transaction makes it possible for current retail holders of preferred securities to be able to access more liquid securities that are better suited to the current regulatory and market circumstances.

6.3 Structures analysed

As indicated above, to meet the new EBA solvency requirements and to find a solution for the loss of eligibility of the Group's retail preferred securities issues under Basel III, the Finance Department considers it necessary for BBVA to reinforce its tier 1 equity (core capital).

As explained in the Finance Department report, the current circumstances of extreme market volatility and non-existent demand for capital transactions without major discounts does not at present offer alternatives to increase the Bank's equity at reasonable prices by issuing capital, either with pre-emptive rights or without such rights through an ABO (“Accelerated Book-building Offer”).

Thus, in light of this scenario, the only feasible alternative at present, according to the Finance Department, to reinforce the Bank's equity is to issue Subordinated Mandatory Convertible Bonds. This fact, along with the current situation of difficult access to markets and the new regulatory requirements for the retail preferred securities issued by BBVA, means that the most advisable alternative is to address the Issue to the retail preferred securities holders, mitigating the loss of eligibility on said instruments as of 2013 and covering the new EBA solvency requirements without needing to tap the markets under current conditions, although this requires excluding the shareholders' pre-emptive subscription rights.

Consequently, the optimal alternative to find a combined solution to the issues described without having to tap the markets is to issue Subordinated Mandatory Convertible Bonds with exclusion of pre-emptive subscription rights.

6.4 Financial terms and conditions of the Issue

The Issue proposed by the Finance Department would be for a maximum sum of €3,475m. This corresponds to the total amount of the retail preferred securities whose holders the Issue targets, the nominal value of each Bond being €100 with an approximate 18-month tenor.

The number of BBVA shares to be delivered against each Bond in the conversion is not known until the moment of redemption or any early conversion date that may be established, as there is a variable conversion ratio that depends on the share price at the moment of conversion. This ratio is based on the following formula:

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

Where:

$Nom_{convertible}$: Nominal value of Bond being converted (initially €100 or the nominal value resulting after partial conversion) or, in the event of partial conversion, the nominal sum being converted.

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

P_{Shr}: Conversion Price (as defined in section 2.5.2 below).

At the time of conversion, the Bondholders will receive a number of shares that are valued at that moment at a similar level to the nominal value that the holder disbursed in cash when subscribing the Bonds, subject to the limits established in section 2.5.2. of this report.

The investor will collect a coupon of approximately 6.5% a year, payable quarterly in arrears, as determined in the final Issue terms and conditions (the "**Yield**"). The payment of the coupon will be conditional on various factors including the condition that payment must pass the mandatory payment test established by the equity regulations that will be described in detail in the Issue terms and conditions.

6.5 Bases and modalities of the Conversion

The bases and modalities of the conversion of the Subordinated Mandatory Convertible Bonds, resulting from the proposal reflected in the Finance Department report, will essentially be as follows:

6.5.1 Grounds for conversion

The Bonds will be convertible into BBVA Shares in the following scenarios:

5. Partial mandatory conversion

   On 30th June 2012, 50% of the nominal value of the Bonds outstanding at that date will be mandatorily converted into ordinary BBVA shares.

6. Total mandatory conversion

   The Bonds will mandatorily be converted into ordinary BBVA shares in the following cases:

   g) on the maturity date for the Issue as determined in the Issue terms and conditions;

   h) If the Issuer adopts any corporate measures (other than merger, spin-off and overall assignment of assets and liabilities) that could lead to the voluntary or involuntary winding up and liquidation of the Issuer;

   i) If the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 418.3 of the CEA;

   j) If the Issuer is declared bankrupt or goes into administration or its management and governance bodies are totally and completely replaced by the Bank of Spain;

   k) If, having a Tier 1 capital ratio below 6%, calculated pursuant to Circular 3/2008 or any other Spanish equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, reports significant losses on their financial accounts. "Significant losses on their financial accounts" will be deemed to exist when the cumulative loses over the last four quarters reported have reduced the previous reserves and capital of the Issuer, or its consolidable group or subgroup by one third; and

l) If the Bank of Spain (i) determines that the conversion of the Bond is necessary to improve the Issuer's solvency and financial situation in order to avoid its insolvency and/or (ii) if the Bank of Spain determines that the Bank needs public support to avoid the Issuer's insolvency, bankruptcy or inability to cope with significant amounts of debt or (iii) other similar circumstances.

Additional obligatory 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 solvency ratios that may result from any regulations at European or national level (even at draft stage) or published by the Bank of Spain, the EBA or any other regulatory body or authority.

7. <u>Total or partial mandatory conversion at the Issuer's option</u>

On any Yield Distribution Date, including 30th March 2012, the Issuer, at its sole discretion, may decide to mandatorily convert all or some of the Bonds, the conversion being mandatory for all Bondholders.

Should the conversion be partial, it will be carried out by reducing the nominal value of all the Bonds outstanding by the percentage that the Issuer establishes for the partial conversion.

8. Voluntary conversion by Bondholders:

On the Yield Distribution Date, 30th March 2012, the holders will have the option to convert all their Bonds into newly issued BBVA shares on a voluntary basis. They will not be able to only convert part of their Bond holdings.

6.5.2 Conversion ratio

The conversion ratio of the bonds ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Bonds at any moment (ie, initially €100 or the nominal value after partial conversion) or, in the event of partial conversion, the nominal amount to be converted, by the value attributed to the ordinary BBVA shares for the purposes of the conversion, which will correspond to the market value of the BBVA shares at the time of conversion of the Bonds (the "**Conversion Price**").

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

When calculating the Conversion Ratio, the Conversion Price will be the value attributed to the ordinary BBVA shares. This will be determined as a function of each of the conversion scenarios that may be applicable:

(i) Mandatory partial conversion on 30th June 2012: The arithmetic mean of the closing price of the BBVA share on the five trading days prior to 30th June 2012.

ii) Mandatory total conversion on the Issue's Maturity Date: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the Maturity Date.

(iii) In any other scenario of mandatory conversion other than those described in paragraphs (i) and (ii): The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the pertinent obligatory conversion scenario occurs.

(iv) Mandatory conversion at the Issuer's option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the pertinent Yield Distribution Date, as determined in the Issue terms and conditions.

(v) Voluntary conversion at the Bondholders' option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

If the arithmetic means described above were equal to or less than €3.50, the Conversion Price will be €3.50 per share. Likewise, if the arithmetic means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 and (ii) the resulting arithmetic mean multiplied by 0.75.

6.5.3 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, in compliance with the Issue terms and conditions.

These anti-dilution measures must unfailingly take into account the bases and modalities of conversion referred to above.

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

6.6 Capital increase

According to article 414 of the Corporate Enterprises Act, the share capital must be increased by the maximum amount necessary to be able to convert the Bonds issued. To such end, the maximum amount by which it is resolved to increase the share capital will be determined by the ratio between the nominal value of the Bonds and the Conversion Price.

This capital increase will be executed under the authorisation conferred by the Annual General Meeting of BBVA, 14th March 2008, under agenda item six, totally or partially, by the Board of Directors expressly empowered to substitute itself by delegating authority on the Executive Committee or any other proxies the Board of Directors may appoint, to carry out the conversion of the Bonds by issuing new ordinary shares of the same nominal value and containing the same rights as the shares outstanding on the date(s) of execution of the corresponding resolution to increase capital. Every time that the Board of Directors or its proxies execute this resolution, article 5 of the Company Bylaws relating to the capital, will be redrafted.

It is not possible yet to determine the exact amount of share capital that will be necessary for the conversion, given that, in accordance with the bases and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion. However, considering that the Conversion Price must not be below €3.50, and assuming that no anti-dilution mechanism is applied before the Bonds' Maturity Date, we can state that the maximum number of newly issued shares to be issued will be 992,857,142 ordinary shares, each with a nominal value of €0.49.

Pursuant to article 304.2of the Corporate Enterprises Act, there need be no pre-emptive subscription right on the capital increase(s) resulting from the conversion of the Subordinated Mandatory Convertible Bonds.

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

7.1 Grounds for the exclusion of pre-emptive subscription rights

As explained above, the BBVA General Meeting, 14th March 2008, resolved under agenda item six, 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 bond issues made under such authority.

To such end, when convening the aforementioned 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 when corporate interest 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 issue of Subordinated Mandatory Convertible Bonds, as it deems such exclusion to be substantiated on due grounds and in compliance with the requirements established by law, and necessary to achieve the corporate interest, as explained below.

In this respect, the greater capital requirements generated by the economic and regulatory scenario in the finance industry make it advisable to maintain the current policy of maximum prudence and anticipation in capital planning, along with current high volatility requires that the Bank has flexible, suitable instruments to adequately respond to the capital requirements at any time demanded by the Company's corporate interest.

As explained above, to meet the new EBA solvency requirements and find a solution to the loss of computability as tier 1 equity for the issues of the Group's retail preferred securities under Basel III, the Finance Department considers that the issuance of Bonds is the best alternative for BBVA, since it provides it with a contingent capital instrument that confers the flexibility to generate capital to cover these additional requirements.

Likewise, as explained in the Finance Department report, the current extreme volatility on the markets and non-existent demand for capital transactions without major discounts mean that there are no alternative means at present to reinforce the Bank's equity at reasonable prices through capital issues, either with pre-emptive subscription rights or without such rights through an ABO (“Accelerated Book-building Offer”).

The combination of the factors described above (new capital requirements, regulatory situation for preferred securities and current market circumstances) mean that the Finance Department has considered the optimal alternative to achieve corporate interest that of reinforcing the Bank's equity through issuance of Subordinated Mandatory Convertible Bonds targeted solely at retail preferred securities holders. The Finance Departments deems that this mitigates the impact of the regulatory restrictions placed on such instruments, avoids their loss of eligibility as of 2013, and meets the new EBA solvency requirements without having to tap the capital markets.

The success of the proposed transaction therefore necessarily implies exclusion of the pre-emptive subscription rights, as otherwise the Bonds could not be specifically offered to the retail preferred securities holders and could not meet the corporate interest.

Consequently, the optimal alternative to meet the corporate interest and provide a complete and comprehensive solution to the matters raised is to issue Subordinated Mandatory Convertible Bonds excluding the pre-emptive subscription rights over the issue.

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

(iv) The suggested conversion ratio for the Bonds is designed to comply with the corporate best interest, since by converting at a price equal to the share's listed or market price, BBVA maximises the funds obtained, such that the amount of the Issue is used wholly to increase BBVA's solvency ratio and enhances the corporate interest or the principal aim of the Issue in the most efficient manner possible.

(v) The Conversion Price of ordinary shares issued to meet the requirements for the Bonds conversion will be done, unless the minimum value indicated in the following paragraph is reached, at the listed price at which the share is trading at the moment of conversion. Specifically, the Conversion Price will be established by virtue of the arithmetic mean of the closing prices of the BBVA share over the five (5) trading sessions prior to each conversion scenario.

Notwithstanding the above, if the market price at the time of conversion is below €3.50, the Conversion Price for the shares will be €3.50. This means they will be delivered with a premium against the market price. The maximum number of shares to be delivered will be limited by the establishment of said minimum Conversion Price.

(vi) As explained in the Finance Department report, the theoretical value of the pre-emptive subscription right stemming from the Issue is equal to zero. In effect, according to the conversion bases and modalities proposed, current shareholders do not lose any economic value with the exclusion of the pre-emptive subscription rights, as the mechanism proposed to establish the Conversion Price ensures that the issue necessary shares to meet the conversion will be made at market value, since they are benchmarked to the listed price of the Bank's share, avoiding distortions that might occur in the price on any one specific day.

The BBVA Finance Department demonstrates other advantages associated to the exclusion of the Bonds pre-emptive subscription rights to meet the Bank's best corporate interest:

(iii) Should the Issue be made with pre-emptive subscription rights, there is a risk that the Issue may not be subscribed by the shareholders within the period and to the amount initially established. This would mean subsequently making an additional placement amongst non-shareholder investors under conditions likely to be more unfavourable to the Issuer, with the operations, time and capital that would be involved. This would effective cost be contrary to BBVA's best corporate interest.

(iv) The outcome of the Issue with exclusion of pre-emptive subscription rights will increase the base of retail and individual Bank shareholders with a less speculative profile and greater interest in maintaining their holding over a longer term. This will mitigate the price volatility on the share, which is clearly in BBVA's corporate interest, especially given current market circumstances.

7.2 People to whom the Bonds will be attributed

As explained above, the pre-emptive subscription rights will be excluded so that the Bonds can be offered exclusively to holders of the Group's retail preferred securities that BBVA is buying.

8. PROPOSED RESOLUTION

*"**ONE**.- By virtue of the authority conferred by the Company's Annual General Meeting, 14th March 2008, under its agenda item six, to issue bonds mandatorily convertible into ordinary shares newly issued by Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**") (hereinafter the "**Bonds**" or the "**Subordinated Mandatory Convertible Bonds**") to a maximum amount of three billion, four hundred and seventy-five million euros (€3,475,000,000), excluding the pre-emptive subscription rights (the "**Issue**"), pursuant to the following terms and conditions:*

Nature of the Bonds:	*The securities to be issued will be bonds mandatorily convertible into ordinary shares newly issued by BBVA.*
Issuer:	*Banco Bilbao Vizcaya Argentaria, S.A.*
Target Investors:	*The issue is addressed exclusively to holders of preferred securities series A, B, C and D issued by BBVA Capital Finance, S.A. Unipersonal and series F issued by BBVA International Limited, all guaranteed by BBVA, who accept BBVA's offer to purchase said preferred securities.*
***Maximum value**:*	*Three billion, four hundred and seventy-five million euros (€3,475,000,000).*
Nominal value:	*The Bonds will each have a nominal value of one hundred euros (€100).*
Number of Bonds:	*The maximum number of Bonds to be issued is thirty-four million, seven hundred and fifty thousand (€34,750,000), all belonging to one single series and with the same terms and conditions. The possibility of incomplete*

subscription is expressly foreseen.

Type of Issue:	*The Issue will be made at par, ie, at one-hundred per cent of nominal value, without commission fees or costs for the subscriber.*
Issue Subscription:	*The Target Investors accepting BBVA's purchase offer undertake, unconditionally and irrevocably, to subscribe a nominal amount of Subordinated Mandatory Convertible Bonds equal to the total nominal and cash amount of all the preferred securities that they hold that BBVA finally acquires.*
***Yield**:*	*Bondholders may receive a predetermined non-cumulative yield that will be determined as a function of the interest rate applicable to the nominal value of the Bonds, provided they comply with the rest of the Issue terms and conditions (the "**Yield**").*
Maturity Date:	*The Maturity Date will be 30th June 2013 or such date as determined in the Issue terms and conditions.*
***Representation of the Bonds**:*	*The Bonds will be represented by book entries.*
Order of priority:	*The order of priority for the Bonds will be:* *(i) behind all BBVA's common and subordinated creditors;* *(ii) behind the preferred securities, preferred shares and equivalent securities that the Issuer may have issued (or guaranteed) or may issue (or guaranteed);* *(iii) in the same order of precedence (pari passu) as other issues of convertible bonds, or other securities equivalent to the Bonds that the Bank may issue directly or through a subsidiary, guaranteed by BBVA; and* *(iv) senior to the BBVA ordinary shares.*

TWO.- *The bases and modalities for conversion of the Bonds will be as follows:*

a) Conversion scenarios

The Bonds will be convertible into newly issued BBVA ordinary shares in the following scenarios:

5. *Partial mandatory conversion*

   On 30th June 2012, 50% of the nominal value of the Bonds outstanding at that date will be mandatorily converted into newly issued BBVA ordinary shares.

6. *Total mandatory conversion*

   The Bonds will mandatorily be converted into newly issued ordinary BBVA shares under any of the following scenarios:

   g) *on the Issue Maturity Date as determined in the Issue terms and conditions;*

   h) *If the Issuer adopts any corporate measures (other than merger, spin-off and overall assignment of assets and liabilities) that could lead to the voluntary or involuntary winding up and liquidation of the Issuer;*

   i) *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; and*

   j) *If the Issuer is declared bankrupt or goes into administration or its management and governance bodies are totally and completely replaced by the Bank of Spain.*

   k) *If, having a tier 1 capital ratio below 6%, calculated pursuant to Circular 3/2008, or any other Spanish equity regulation applicable at any time, the Issuer, or its consolidable group or subgroup, report significant losses on their financial accounts. "Significant losses on their financial accounts" will be deemed to exist when the cumulative losses over the last four quarters reported have reduced the previous reserves and capital of the Issuer, or its consolidable group or subgroup by one third; and*

   l) *If the Bank of Spain (i) determines that the conversion of the Bond is necessary to improve the Issuer's solvency and financial situation in order to avoid its insolvency and/or (ii) if the Bank of Spain* *determines that the Bank needs public support to avoid the Issuer's insolvency, bankruptcy or inability to cope with significant amounts of debt or (iii) other similar circumstances.*

Additional obligatory 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 solvency ratios that may result from any regulations at European or national level (even at draft stage) or published by the Bank of Spain, the EBA or any other regulatory body or authority.

7. Total or partial mandatory conversion at the Issuer's option

On any Yield Distribution Date, including 30th March 2012, the Issuer, at its sole discretion, may decide to mandatorily convert all or some of the Bonds, the conversion being mandatory for all the Bondholders.

Should the conversion be partial, it will be done by reducing the nominal value of all the Bonds outstanding by the percentage that the Issuer establishes for the partial conversion.

8. Voluntary conversion by Bondholders:

On the Yield Distribution Date, 30th March 2012, the Bondholders will have the option to convert all their Bonds into newly issued BBVA shares on a voluntary basis. They will not be able to only convert part of their Bondholdings. The conversion will be done according to the requirements determined in the Issue terms and conditions.

b Conversion Ratio

*The conversion ratio of the Bonds into ordinary BBVA shares (the "**Conversion Ratio**") will be the result of dividing the nominal unit value of the Bonds at any moment (ie, initially €100 or the nominal value after partial conversion) or, in the event of partial conversion, the nominal amount to be converted, by the value attributed to the ordinary BBVA shares for the purposes of the conversion (the "**Conversion Price**"). Thus, the number of shares corresponding to each Bondholder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of Bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the Issue terms and conditions.*

When calculating the Conversion Ratio, the Conversion Price will be the value attributed to the ordinary BBVA shares. This will be determined as a function of each of the conversion scenarios that may be applicable, as follows:

(vi) *Mandatory partial conversion on 30th June 2012: The arithmetic mean of the closing price of the BBVA share on the five trading days prior to 30th June 2012.*

(vii) *Mandatory total conversion on the Issue's Maturity Date: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the Maturity Date.*

(viii) *In any other scenario of mandatory conversion other than those described in paragraphs (i) and (ii): The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the pertinent obligatory conversion scenario occurs.*

(ix) *Mandatory conversion at the Issuer's option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the pertinent Yield Distribution Date, as determined in the Issue terms and conditions.*

(x) *Voluntary conversion at the Bondholders' option: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.*

If the arithmetic means described above were equal to or less than €3.50, the Conversion Price will be €3.50 per share. Likewise, if the arithmetic means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 or (ii) the resulting arithmetic mean multiplied by 0.75.

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 Issue terms and conditions.

These anti-dilution measures must unfailingly take into account the bases and modalities of conversion referred to above.

Without detriment 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, married, with identity card number 51361870-H, Mr Erik Schotkamp, Dutch national, of legal age, unmarried, with foreign residency card *number Y2126590-R, Mr Ignacio Echevarría Soriano, Spanish national, of legal age, married, with identity card number 837871-G and Mr Juan Isusi Garteiz Gogeascoa, Spanish national, of legal age, married, with identity card number 44679846-T, all domiciled for these effects at Paseo de la Castellana 81, Madrid (the "**Proxies**"), to determine or develop in the Issue terms and conditions any matter not established by this resolution. They may also determine the terms and conditions they deem necessary and 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 Subordinated Mandatory Convertible Bonds Issue, which will be made available to shareholders along with the report issued by the accounts auditor other than the auditor of the Company accounts, appointed to do so by the Companies Registry, and reported to the first General Meeting held after the issue resolution, expressly empowering the Company and Board Secretary to certify the text.*

FOUR.- *As stated in the Finance Department report included in the Directors' Report approved in the preceding resolution, corporate interest require the Issue to be targeted exclusively at the Target Investors, making it necessary to exclude the pre-emptive subscription rights. Consequently, the Board of Directors, pursuant to the powers attributed by the General Meeting, 14th March 2008 and by virtue of article 511 of the Corporate Enterprises Act, resolves to exclude said pre-emptive subscription rights in this issue of convertible bonds.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to be able to convert the Bonds. The maximum number of newly issued shares to be issued will be 992,857,142 shares, assuming that no anti-dilution mechanism is applied before the Bonds' Maturity Date, expressly envisaging the possibility that the capital increase is made in one or several issues, with issue premium, for a lesser number of shares and with the possibility of undersubscription in each of said increases.*

*The newly issued shares will be ordinary shares, equal to those that are currently outstanding. They will be represented by book entries, and the books will be managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**IBERCLEAR**") and participating entities.*

The new shares into which the Bonds will be converted will confer on their holders the same rights as the current outstanding shares confer on theirs.

By virtue of article 304.2 of the Corporate Enterprises Act, there will be no pre-emptive subscription right over the capital increase, as it will be due to the conversion of the Bonds into shares.

SIX.- *By virtue of the authority conferred on this Board of Directors by the BBVA General Meeting, 14th March 2008, to delegate to the Executive Committee, which may* *in turn delegate such authority, all powers necessary to effectively implement the above-mentioned Bond Issue. Likewise, to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, such that they may:*

m) Determine the characteristics of the Bonds 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 Bonds, the timing of the Issue, the interest accrual periods, include new conversion bases and modalities and/or amend them, establish the Maturity Date, declare the total or partial subscription of the Issue, determine the terms and conditions of the anti-dilution mechanism and any additional grounds for obligatory conversion 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 executed by the Board and the amount still available.

n) Declare the Bond Yield, whether partially or completely, and declare no Yield, as determined in the Issue terms and conditions.

o) Apply, where appropriate, the anti-dilution mechanism as determined in the Issue terms and conditions.

p) Refrain from going ahead with the Bond Issue established under resolution ONE above should this be deemed necessary or advisable.

q) Carry out any arrangement, request or appointment that may be legally necessary to achieve the filing of the Bond Issue with the Companies Registry or any other public or private bodies or entities.

r) 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 Exchange Act, should this be necessary, appear before a Notary Public and finalise the formalities on the preceding resolutions, including deeds to correct, clarify or rectify them, and deeds of the total or partial subscription of the Issue, as well as the total or partial repayment and, where applicable, any others that may have preceded it of may be resolved in the future.

s) Formalise and file the Offering Circulars that may be necessary and the documents formalising the Issue before the CNMV (securities exchange authority), and any other necessary documents before the Bank of Spain, the Companies Registry, the governing bodies of the securities exchanges, Sociedad de Bolsas, the AIAF Fixed-Income Market, IBERCLEAR or any other bodies or markets. Where applicable, declare the partial or incomplete subscription of the Issue and, if necessary, constitute a Bondholders Syndicate to determine the characteristics and regulations of operation, and to designate its Provisional

Commissioner, and the fundamental rules governing the relationship between the Company and the Syndicate.

t) *Establish other matters not established by this Board with respect to the Bond Issue and determine any other matter relating to the Issue that may be necessary for its successful outcome, including all acts related to the purchase offer made by BBVA and the effective purchase of the preferred securities from those holders that have accepted the offer.*

u) *Negotiate, sign and grant public and/or private documents, including but not limited to liquidity contracts, payment agency contracts and any other contracts that may be necessary for the Bond Issue to be made under the conditions they deem most appropriate.*

v) *Request, where appropriate, the listing of the Bonds to trade on Spanish and non-Spanish, regulated and non-regulated, official and non-official secondary markets.*

w) *With respect to the conversion of the Bonds into BBVA shares, to establish, where appropriate, the final conversion ratio for the Issue and the issue premium, determine the number of shares by which the BBVA capital is finally to be increased on one or several occasions, 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 article 5 of the Company Bylaws to adapt it to the new figure for capital, appearing to such effects before any public or private bodies.*

x) *Request, where appropriate, listing for trading on official and non-official, regulated and non-regulated, Spanish and non-Spanish secondary markets and take any actions they consider necessary in any jurisdiction where the BBVA shares are offered or traded or listing for their trading has been requested, in order to complete the capital increase. By way of example:*

   (iii) *Write and file any protocols, 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.*

   (iv) *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.*

Pursuant to article 27 of the Exchange Regulations, it is expressly stated that, should the delisting of the Bonds issued under this authority later be requested, this will be adopted with the same formalities as those referred to in said article and, in such event, the best interest of the Bond or Share Holders that oppose or do not vote for the *resolution will be guaranteed, complying with the requirements established in the Corporate Enterprises Act and any provisions that may substitute these in the future, and concordant provisions. All this will be done pursuant to the provisions of the aforementioned Exchange Regulations, the Securities Exchange Act and the provisions that develop it.*

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 or entity. They will have joint and several powers and will bear the 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, 22nd November 2011.