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

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. for the purposes set out in articles 414, 417 and 511 of the Corporate Enterprises Act regarding the resolution to issue contingent preferred securities convertible into newly issued ordinary shares of the Bank, with exclusion of preemptive subscription rights and the corresponding share capital increase by the necessary amount, which is adopted under the authority conferred by the Annual General Meeting, held on 17 March 2017, under agenda item five.

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1. INTRODUCTION

1.1 Purpose of the report

This report is drawn up 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 consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Degree 1/2010, of July 2, as currently in force (the "**Corporate Enterprises Act**"), in relation to the resolution to issue contingent preferred securities convertible into newly-issued ordinary shares of BBVA, which are issued in accordance with the first additional provision of Act 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**EU Regulation 575/2013**") so that they may be considered additional tier 1 capital instruments (the "**Securities**"), for a maximum nominal amount of 1,500 million euros, or the equivalent amount in any other currency, and with exclusion of preemptive subscription rights (the "**Issuance**"), and the corresponding share capital increase.

This resolution is adopted pursuant to the authority delegated by the Annual General Shareholders' Meeting of 17 March 2017 under the fifth item of the agenda.

1.2 Applicable Regulations

Article 401.3 of the Corporate Enterprises Act provides that, except for the provisions set out in special Acts, securities recognizing or creating debt issued by joint stock and limited liability companies (*sociedades anónimas*), such as the Securities, shall remain subject to the regulations set forth for bonds under title XI of the Corporate Enterprises Act.

In this respect, articles 414 et seq. of the Corporate Enterprises Act allow *sociedades anónimas* to issue bonds that can be converted into shares provided that the general shareholders' meeting determines the terms and methods of the conversion and resolves to increase the capital by the necessary amount. To this end, the directors must draft a report explaining the terms and methods of the conversion. This must be accompanied by another report from an auditor other than the company's own auditor, appointed for this purpose by the Commercial Registry (*Registro Mercantil*).

Convertible bonds may not be issued for an amount under their nominal value, and may not be convertible into shares when their nominal value is below the share nominal value.

In listed companies, article 511 of the Corporate Enterprises Act allows the general shareholders' meeting to delegate the power to issue convertible bonds to directors and also grants them the power to exclude the preemptive subscription rights for convertible bonds issues under delegated powers, if such exclusion is made in the company's best interest. To this end, the announcement of the general shareholders' meeting that includes the proposal to vest the power to issue convertible bonds in the directors shall also contain explicit mention of the proposal to exclude the preemptive subscription right, and from the date on which the general shareholders' meeting has been called, a directors' report will be made available to shareholders substantiating the grounds for the proposed exclusion.

In addition, article 511 of the Corporate Enterprises Act requires that, in capital increases approved in the exercise of the powers granted by the general shareholders' meeting, the directors' and the auditor's reports must refer to each specific increase.

Thus, pursuant to article 417 of the Corporate Enterprises Act, the aforementioned directors' report must give detailed justification for such proposal to exclude preemptive subscription rights, and the independent expert's report shall contain a

technical judgment on the reasonableness of the data contained in the directors' report and the appropriateness of the conversion ratio and, where applicable, adjustment formulas to offset any possible dilution of economic shareholdings.

These reports shall be made available to the shareholders and submitted to the first general shareholders' meeting held after the date of the decision to increase capital.

1.3 Advisory services received

This report is issued on the basis of (i) the report issued by BBVA's Finance Area, which is in turn supported by the report prepared by HSBC Bank Plc, a top-level investment bank with recognized expertise in this type of issuances; and (ii) the legal report of the external advisor J&A Garrigues, S.L.P., legal advisor on Spanish law for the Issuance.

2. ON THE ISSUANCE OF THE SECURITIES

2.1 Delegation by the General Shareholders' Meeting under which the Issuance is carried out

BBVA's Annual General Shareholders' Meeting held on 17 March 2017, validly convened in due time and form, adopted the following resolution under the fifth item of the agenda, the relevant part of which is partially transcribed below:

"*To confer authority on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (the "Company" or the "Bank"), as broad as necessary by law, to issue securities convertible into newly issued Company shares, subject to provisions in the law and in the Company Bylaws that may be applicable at any time and, where appropriate, prior obtaining of the authorizations that may be necessary to such end. The Board of Directors may make issues on one or several occasions within the maximum term of five (5) years to be counted as from the date on which this resolution is adopted, up to the maximum overall amount of eight billion euros (€8,000,000,000) or its equivalent in any other currency.*

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

(i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt instruments convertible into newly issued Company shares in any form admitted by law; the amount , always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.

(ii) Resolve, establish and determine the form, the timing and the triggers for conversion and/or redemption, with the possibility of making perpetual issues; and the terms and modalities for conversion; distinguishing between: (a) perpetual issues or issues with no conversion and/or redemption deadline whose conversion is contingent, envisaged to meet regulatory requirements for the eligibility of the securities issued as capital instruments pursuant to solvency rules applicable at any time ("Contingent Convertible Issues - CoCos"); and (b) the rest of the convertible securities issues made under this resolution, including, by way of example and not limited to those issues with a predetermined mandatory conversion deadline (which may be on maturity or at any other time) or that are convertible at the option of the issuer and/or the investor, the total or partial nature of that conversion being determined by the Company, the securities holders or both ("Mandatory Convertible Issues").

(iii) Resolve, establish and determine the conversion ratio, which may be fixed or variable, within the limits set forth below.

Should the issue be made at a fixed conversion ratio, the Company share price used for the conversion may not be lower than the greater of: (a) the arithmetic mean of the closing prices of the Company share on the securities market or exchange that the Board of Directors determines, during the period it establishes, which may not be more than three months or less than fifteen trading sessions prior to the date on which the specific

issue of convertible securities is approved; and (b) the closing price of the Company share on the securities market or exchange that the Board of Directors determines, the date prior to the date on which the specific issue of convertible securities is approved.

Should the issue be made with a variable conversion ratio, the Bank share price used for the conversion must be the arithmetic mean of the closing prices of the Company share on the securities market or exchange that the Board of Directors determines, during the period it establishes, which may not be more than three months or less than five trading sessions prior to the date on which the specific issue of convertible securities is approved. In such case a premium or, where appropriate, a discount may be established on the price per share, although should an issue discount be established on the price per share, it may not exceed 30%. The premium or discount may be different for each conversion date on each of the issues or tranches. Likewise, even if a variable conversion ratio is established, a minimum and/or maximum reference price may be determined for the shares to be used in the conversion, in the terms resolved by the Board of Directors.

Subject to whatever others limits may be applicable under prevailing regulations at any time, the value of the Company share for the purpose of the ratio for converting the securities into shares may not be below the nominal value of the Company share at the time of conversion, and securities may not be converted into shares when the nominal value of the securities is below that of the shares.

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

(…)

(v) Increase the Bank's share capital by the amount necessary to cover the conversion commitments or requests, within the limits that, where applicable, are in force and available at any time, being able to declare the issue undersubscribed, should this be the case, establishing the specifications of the Company shares to be issued to cover the conversion of the securities, and to redraft the corresponding article in the Company Bylaws.

(…)

(vi) Pursuant to the Corporate Enterprises Act, totally or partially exclude preemptive subscription rights within the framework of a specific issue of convertible securities, when corporate interest so requires, in compliance with any legal requirements established to such end.

However, for Mandatory Convertible Issues, the power to exclude preemptive subscription rights will be limited to ensure the nominal amount of the capital increases resolved or carried out to cover the conversion of the Mandatory Convertible Issues in use of this authority (without prejudice to anti-dilution adjustments) with exclusion of preemptive subscription rights and of those likewise resolved or carried out with exclusion of preemptive subscription rights in use of the authority conferred under this General Meeting's agenda item four above, do not exceed the maximum nominal amount, overall, of 20% of the Bank's share capital at the time of this authorization, this limit being not applicable to Contingent Convertible Issues – CoCos."

2.2 Regulatory environment and capital requirements

As a Spanish credit institution, the Bank is subject to the solvency and own funds framework defined by Regulation (EU) 575/2013 and Directive 2013/36/EU of the European Parliament and of the Council, of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**", and jointly with Regulation (EU) 575/2013, "**CRD IV**"), implementing Basel III in Europe.

This CRD IV framework has been implemented in Spain through Act 10/2014, Royal Decree 84/2015, of February 13, implementing Act 10/2014, and Bank of Spain Circulars 2/2014 and 2/2016, notwithstanding the direct applicability of EU Regulation 575/2013, supplemented by several binding regulatory technical standards, and other recommendations and guidelines issued by various Spanish and supranational organizations.

These regulations provide that credit institutions must have in place different capital instruments to cover the different categories of regulatory capital which, in certain ratios, comprise their capital requirement, all in accordance with the composition and size of their balance sheets.

In this respect, CRD IV establishes, *inter alia*, a minimum capital requirement ("**Pillar 1**") and increases the capital required through the "combined buffer requirement", which must be met with Common Equity Tier 1 capital ("**CET1**"),

in addition to such CET1 envisaged to comply with the minimum capital requirement of Pillar 1.

Moreover, the European Central Bank ("**ECB**") has established specific prudential capital requirements ("**Pillar 2**") applicable to each credit institution in the framework of the Supervisory Review and Evaluation Process ("**SREP**"). These requirements taken as a whole establish higher levels of capital than those for the minimum capital requirement of Pillar 1 and the "combined buffer requirement" provided for in CRD IV.

As a result of the latest SREP conducted in 2016, the ECB has required the Bank to maintain, with effect from 1 January 2017: (i) phased-in CET1 ratios of 7.625% on a consolidated basis and 7.25% on an individual basis; and (ii) phased-in total capital ratios of 11.125% on a consolidated basis and 10.75% on an individual basis over risk-weighted assets.

The phased-in total capital ratio of 11.125% at consolidated level includes: (i) the minimum CET1 capital ratio required by Pillar 1 (4.5%); (ii) the Additional Tier 1 ("**AT1**") capital requirement of Pillar 1 (1.5%); (iii) the Tier 2 capital requirement of Pillar 1 (2%); (iv) the CET1 requirement of Pillar 2 (1.5%); (v) the capital conservation buffer (1.25% of CET1); and (vi) the buffer for other systemically important institutions (0.375% of CET1).

On 30 June 2017, the Bank's phased-in total capital ratio was 15.49% on a consolidated basis and 22.56% on an individual basis. Its phased-in CET1 capital ratio was 11.76% on a consolidated basis and 17.62% on an individual basis. These ratios are comfortably above the capital requirements applicable to the Bank.

Nevertheless, the regulator could impose capital buffers additional to those currently applicable, while the current Pillar 2 measures will be reviewed annually based on the conclusions drawn by the ECB in subsequent SREPs, who would be entitled to require Pillar 2 capital requirements higher than those currently

applicable. In light of the foregoing, it is necessary for BBVA to maintain a capital buffer management that is in line with the supervisory trend.

Moreover, on 23 November 2016 the European Commission published a set of proposed amendments to, *inter alia*, the CRD IV, to strengthen the resilience of Europe's credit institutions and to increase financial stability, so the framework defined by CRD IV, described above, may be subject to significant changes, the implementation and final content of which are still unknown. Among the modifications to CRD IV proposed by the European Commission is the possibility that a part of the Pillar 2 requirement (18.75%) could be met with AT1 instruments.

2.3 Rationale for the Issuance

Although, as indicated previously, BBVA currently complies comfortably with all of its capital requirements at present and has enough issuances of instruments to meet its capital requirements efficiently, BBVA's Finance Area has considered advisable to carry out a new issuance of AT1 eligible securities in accordance with CRD IV for the reasons given below and included in its report:

2.3.1 Financial and market rationale

BBVA was the first institution to issue financial instruments meeting the characteristics required by CRD IV for their eligibility as AT1 instruments. This Issuance took place in May 2013 and amounted to 1.5 billion US dollars (the "**Original Issuance**"). The Original Issuance remains outstanding.

Like the proposed Issuance, the Original Issuance is perpetual, but includes the possibility of early redemption by the Bank after the fifth year (i.e. as of next May 2018).

Within the context of management of the Original Issuance, BBVA decided to issue AT1 instruments amounting to 500 million euros with a 5.875% coupon in May 2017 (the "**May Issuance**"): (i) benefiting from the favourable financial conditions then existing; (ii) partially anticipating a potential redemption of the Original Issuance in 2018; (iii) optimizing the capital structure's financial cost (due to the economic conditions being more favourable than those of the Original Issuance); and (iv) preserving at all times the compliance with the applicable regulatory requirements.

As observed in the execution of the last AT1 transactions performed by several entities and in the current prices in the AT1's secondary market, and as indicated by the Finance Area in its report, the financial conditions continue to be ideal to perform an AT1 issuance, additional to the May Issuance, which would allow: (i) the completion of the potential early redemption of the Original Issuance in an orderly manner; and (ii) its replacement with instruments with the same regulatory category but with an envisaged lower financial cost. This would continue with the optimization of the financial cost of the capital structure and the compliance with the corporate interest. All considering that the circumstances surrounding the relevant rates for determining the suitability of the early redemption of the Original Issuance will be those existing in 2018.

Lastly, as set forth in the report of the Finance Area, the current market conditions are also favourable to the performance of an AT1 issuance. In this regard, a solid demand for these instruments has been detected due to the lack of financial products in the market that are capable of providing investors with returns that are above the average of the sector. In addition, such report states that the current market situation is appropriate to perform the Issuance, anticipating any potential oversupply that may derive from potential refinancing exercises of AT1 instruments outstanding in the

market to be made by other entities, which will foreseeably take place since 2018.

In light of the foregoing and based on the content of the Finance Area's report, it is considered appropriate to carry out the Issuance, from both a financial and market perspective.

2.3.2 Regulatory rationale

In addition to the financial and market reasons for the Issuance, there are also regulatory reasons that make the launching of the proposed Issuance advisable.

CRD IV establishes that credit institutions may have in place different capital instruments to cover the different categories of regulatory capital efficiently which, in certain ratios, comprise their own funds requirement.

In this sense, in addition to CET1, CRD IV includes two additional regulatory capital categories in the composition of the Pillar 1 capital requirement, namely AT1 and "Tier 2 capital" which can be covered with specific instruments and, failing that, with CET1 and with CET1 or AT1, respectively, which would be more burdensome and less efficient. Therefore, the proposal is made to issue securities that are eligible as AT1 according to CRD IV that may complete the replacement of the Original Issuance, as such instruments are the only ones that comply with the features described and that allow at all times the preservation of the Bank's capital position.

Specifically, the Issuance would raise BBVA's capital ratios in accordance with both current (phased-in) regulations and those applicable as from 2019 (fully-loaded), completing the potential refinancing of the Original Issuance and guaranteeing at all times the efficient compliance with its solvency

requirements and with a management margin that is in line with the current supervisory trend.

Lastly, as indicated by the Finance Area in its report, performing the Issuance would reduce the execution risk of the refinancing of the Original Issuance, such risk being understood as the risk deriving from the management of the supervisor's mandatory prior authorization to redeem a capital issuance without having started the replacement of the issuance subject to redemption with instruments of the same or greater quality.

In this context, the Finance Area has proposed to the Board of Directors, which has approved, the issuance of a fixed-income instrument that is eligible as AT1 in accordance with the provisions of CRD IV. To this end, EU Regulation 575/2013 provides that these securities must include, among others, the following characteristics:

(i) be perpetual;

(ii) rank below Tier 2 capital instruments in the event of insolvency of the entity;

(iii) distributions on the securities are only paid out of distributable items and the entity has full discretion at all times to cancel distributions on the securities for an unlimited period and on a non-cumulative basis and non-restrictive effects on the compliance of the remaining obligations of the entity; and

(iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5.1 below) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur in a very specific situation of shortfall in CET1 of the issuer or its group.

Consequently, it is considered convenient to perform an AT1 transaction that, along with the May Issuance, may anticipate the total refinancing of the Original Issuance in an orderly manner (mitigating its execution risk and thus preserving at all times the capital position of the Bank) and with a lower financial cost, benefiting from the current favorable market circumstances, and considering that the relevant rates for determining the suitability of the early redemption of the Original Issuance will be those existing in 2018.

2.4 Financial conditions of the Issuance

The Issuance will be made for a maximum nominal amount of 1,500 million euros, or its equivalent amount in any other currency, with a nominal value of each Security being, at least, 100,000 euros, or its equivalent amount in any other currency.

For the purpose of being eligible as AT1, the Securities shall have the characteristics set out in CRD IV including, amongst others, those stated in section 2.3 above.

Investors may receive the distributions set out in the Issuance's final terms and conditions and which shall be in line with market prices for this type of instruments at the time of their issue. As provided for in CRD IV, payment of the distributions shall be conditional, among other factors, on there being distributable items, which will be described in detail in the Issuance's terms and conditions.

However, the Issuer shall have full discretion at all times to cancel, totally or partially, the payment of distributions on the Securities for an unlimited period and on a non-cumulative basis, without such cancellation implying any restriction to meet the rest of its obligations.

2.5 Terms and methods of conversion

The terms and methods of conversion of the Securities, resulting from the proposal of the Bank's Finance Area, will essentially be as follows:

2.5.1 Conversion trigger events

The Securities will be converted into newly-issued ordinary BBVA's shares if the Issuer, or its consolidated group or subgroup, has a CET1 ratio below 5.125%, calculated pursuant to EU Regulation 575/2013 or any other own funds and solvency regulation applicable at any given time.

The Securities may also be converted into newly-issued ordinary BBVA's shares if the Issuer adopts any measure whose consequence is the approval of a share capital reduction in the terms and conditions set out in article 418.3 of the Corporate Enterprises Act.

The Issuance's terms and conditions may establish additional total or partial conversion events if this is required or advisable to safeguard the Issuer's solvency or so that the Securities may be considered Tier 1 capital instruments and, accordingly, be AT1 eligible.

2.5.2 Conversion ratio

Each Securities' holder will be entitled to receive the number of shares resulting from the multiplication of the Conversion Ratio (as defined below) by the number of Securities owned by such holder. If such multiplication provides fractions, these will be treated as stated in the Issuance's terms and conditions.

The ratio for converting the Securities into newly-issued ordinary BBVA's shares (the "**Conversion Ratio**") will be the result of dividing the nominal value of each of the Securities (which will be, at least, 100,000 euros, or its equivalent amount in any other currency) by the unitary value attributed to

the ordinary shares of BBVA for the purposes of the conversion (the "**Conversion Price**").

$$Conv_{ratio} = Nom_{convertible} / Sh_P$$

where:

$Conv_{ratio}$: Conversion Ratio.

$Nom_{convertible}$: The nominal value of the Security subject to conversion.

Sh_P: Conversion Price.

The Conversion Price will correspond, at least, to the market price of BBVA's share at the time of the conversion of the Securities, subject to certain limits.

In this regard, the Conversion Price will be the greater of:

i) The arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;

ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this amount depending on the application of the anti-dilution mechanism set out in the following section (the "**Minimum Conversion Price**"); and

iii) the nominal value of ordinary shares of BBVA at the time of conversion.

In accordance with the above, the Conversion Price will at least be equal to the market price of BBVA's share upon conversion of the Securities, but in

no event such price can be lower than the unitary nominal value of BBVA's ordinary shares at the time of conversion, so the transaction will, in all events, comply with article 415.2 of the Corporate Enterprises Act.

2.5.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms on the Conversion Price will be established in line with the market practice in this type of transactions, in compliance with the Issuance's terms and conditions.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of BBVA's ordinary shares at the time of conversion.

2.6 Capital increase

In accordance with article 414 of the Corporate Enterprises Act, upon the adoption of the corporate resolution approving the issuance of the Securities, the share capital increase must be approved for the amount necessary to be able to cover its contingent conversion. For such purposes, the maximum number of BBVA's shares to be issued to cover the conversion of the Securities will be determined by dividing the total nominal amount of the Issuance by the Conversion Price.

This capital increase will be executed by the Board of Directors, which may delegate this authority to the Executive Committee, with express replacement powers, and will empower the proxies that the Board of Directors indicates, by virtue of the resolution adopted at the Annual General Shareholders' Meeting of BBVA held on 17 March 2017, under agenda item five, to cover the contingent conversion of the Securities, by issuing new ordinary shares of the same nominal value, of the same class and series, and with the same rights as BBVA's ordinary

shares outstanding on the date of execution of the relevant capital increase. Should the capital increase be executed, the corresponding article in the Company Bylaws will be redrafted to adapt it to the new figure for share capital.

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

However, considering that the Issuance is for a nominal maximum amount of 1,500 million euros (or its equivalent amount in any other currency), that the Conversion Price may not be below 3.75 euros (or its equivalent amount in any other currency) and assuming no anti-dilution adjustments prior to the date when the Securities are converted takes place, the maximum number of new ordinary shares that would need to be issued is 400 million.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted into ordinary shares, there would be no preemptive subscription rights on the resulting capital increase.

3. GROUNDS FOR THE EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preemptive subscription rights

As indicated above, BBVA's Annual General Shareholders Meeting held on 17 March 2017 resolved, under agenda item five, to delegate to the Board of Directors the authority to issue securities convertible into shares and to increase the share capital. It also resolved to confer on the Board of Directors the authority to exclude preemptive subscription rights over the convertible securities issuances covered by such delegation.

To such end, when convening the aforementioned Annual General Shareholders' Meeting, and in accordance with articles 417 and 511 of the Corporate Enterprises

Act, the BBVA Board of Directors approved and gave shareholders access to a report explaining the grounds of the proposal to delegate the power to exclude preemptive subscription rights.

Articles 417 and 511 of the Corporate Enterprises Act require that preemptive subscription rights would only be excluded in the event of convertible bond issuances when corporate interest so requires.

BBVA's Board of Directors, by virtue of said delegation and with due substantiation provided by the report issued by the Finance Area, which in turn is based on the report prepared by HSBC Bank Plc, as well as on the legal report by J&A Garrigues, S.L.P., as external legal advisor helping BBVA in the legal design of this transaction, has resolved to exclude the preemptive subscription rights with respect to the Issuance, as it deems such exclusion to be fully substantiated and in compliance with the requirements established by law, and necessary to achieve the corporate interest, as explained below.

In light of section 2.3, the proposed issuance of these Securities is for the purpose of (i) continuing to perform a gradual management of the potential replacement of BBVA's current issues of AT1 instruments with others under more appropriate or suitable financial terms; and (ii) complying, in the most efficient way, with the Bank's current or future capital requirements, preserving at all times the Bank's capital position; taking advantage of the interest and demand detected in the market and thus meeting the corporate interest.

For the Securities to be eligible as AT1 capital under CRD IV, these fixed-income securities must be perpetual, subordinate, with discretionary distributions and convertible into newly-issued ordinary shares of BBVA in the event of a possible shortfall of CET1 capital, and therefore the issuance of Securities is being proposed as they are the only instruments that comply with these characteristics, which are indicated in section 2.3 above.

Such characteristics, required by CRD IV, and their sophistication, as well as the latest regulatory changes –specifically regarding placement of this type of instruments–, mean that the Securities are currently a complex product which cannot be allocated to all kind of investors, especially retail investors, which are a relevant part of BBVA's shareholders. In this regard, not excluding the preemptive subscription right would mean offering a product that does not fit the investment profile of all Bank shareholders, which could jeopardize the viability of the Issuance.

Nevertheless, interest for this type of instruments has been detected among qualified investors, who constitute a group that is appropriate for their subscription. In order to be able to directly target only this kind of investors (which are common subscribers of this kind of instruments), and not compromise the transaction, it is essential to exclude the preemptive subscription rights of BBVA's shareholders.

The combination of the factors described above (the characteristics of these securities, the market conditions and the investors to whom the Issuance is addressed) has led the Finance Area to consider that the optimal alternative for the corporate interest is to continue with the potential and gradual replacement of the Original Issuance by issuing the Securities, addressing the Issuance solely to qualified investors, as this is the appropriate group for subscribing this type of instruments and are also those who have shown interest.

Consequently, the optimal alternative for meeting the corporate interest and providing a joint and comprehensive solution to the matters at hand is the issuance of Securities with exclusion of preemptive subscription rights.

In addition, the following circumstances should be taken into account:

(i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the regulations on own funds and solvency for their eligibility as AT1 capital, but which is only foreseen

for very specific cases of a regulatory capital shortfall. In this regard, it should be taken into account that BBVA's solvency and own funds ratios are currently very far from the conversion events, reinforcing the nature of the Securities as fixed-income security instruments and the eventuality of their conversion.

(ii) The issue price for the Securities will be in line with the market prices for this type of instrument.

(iii) The Conversion Price proposed to cover an eventual conversion corresponds to the market price of the share of BBVA at the time of conversion, except in the event of such price being less than the Minimum Conversion Price, in which case the Conversion Price would be equal to the Minimum Conversion Price, and therefore being the shares issued with a premium over the market price. In this way, the maximum number of shares to be issued is limited by establishing the minimum Conversion Price, which guarantees that they will be issued at a price equal to or above the market price.

Taking into account that the Securities are issued as perpetual securities, that the issue price will be in line with the market price, that the conversion trigger events are very limited in number and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, pursuant to the Finance Area report and the report prepared by HSBC Bank Plc, the theoretical value of the preemptive subscription rights stemming from the Issuance is nil, meaning that current shareholders do not lose any economic value with their exclusion.

In light of the foregoing, the proposed Issuance is necessary for the purpose intended, thus achieving the corporate interest.

3.2 Investors to whom the Securities should be attributed

As stated above, the Issuance is aimed exclusively at non-Spanish tax resident qualified investors, notwithstanding the sale restrictions that may be determined in the Issuance's terms and conditions.

4. PROPOSED RESOLUTIONS

"***FIRST***.- *In use of the authority conferred by the Annual General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 17 March 2017 under agenda item five, to issue contingent preferred securities convertible into newly issued ordinary shares of the Company, in accordance with the first additional provision of Act 10/2014, of 26th June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and EU Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**EU Regulation 575/2013**") so that they may be considered Additional Tier 1 capital instruments (hereinafter, the "**Securities**"), for a maximum nominal amount of one thousand five hundred million euros (€1,500,000,000) or the equivalent in any other currency, with exclusion of pre-emptive subscription rights (the "**Issuance**"), under the following terms:*

Nature of the Securities:	*Contingent preferred securities convertible into newly issued ordinary shares of BBVA, pursuant to the first additional provision of Act 10/2014 and EU Regulation 575/2013, so that they may be considered Additional Tier 1 capital instruments.*
Issuer:	*BBVA.*
Target Investors:	*Qualified investors that are not tax residents in Spain, notwithstanding the sale restrictions that may be determined in the terms and conditions of the Issuance.*
Maximum Issuance amount:	*One thousand five hundred million euros (€1,500,000,000) euros, or the equivalent amount in any other currency, as set out in the terms and conditions of the Issuance. The Issuance may be made for a lower amount.*
Nominal value:	*The Securities will have the nominal value set out in the terms and conditions of the Issuance,*

	with a minimum amount of 100,000 euros, or the equivalent in any other currency.
Number of Securities:	*The number of Securities to be issued will be the result of dividing the total nominal amount of the Issuance by its nominal value. All the Securities will belong to a single series and the same terms and conditions will apply to all of them.*
Distributions:	*Holders of the Securities may receive a non-cumulative distribution that will be based on the interest rate applicable to the nominal value of the Securities and which will be paid provided compliance with the conditions set out in the terms and conditions of the Issuance (the "**Distributions**").* *In particular, the Issuer shall have full discretion at all times to totally or partially cancel the payment of Distributions for an unlimited period and on a non-cumulative basis, and such cancelation may not entail any restriction to meet the remaining obligations of the Issuer.* *The foregoing notwithstanding other cases of cancellation of Distributions that may be set out in the terms and conditions of the Issuance or as determined by applicable regulations.*
Maturity date and early redemption:	*The Issuance is perpetual, such that it has no maturity date.* *The Securities may be totally or partially redeemed at the Issuer's option, in accordance with the terms and conditions of the Issuance, provided that at least 5 years have elapsed from their issuance and, where applicable, prior authorisation has been granted by the competent authority.* *The terms and conditions of the Issuance may include other circumstances for early redemption in favour of the Issuer.*

Representation of the Securities: *The Securities may be represented by physical certificates or by book entries, as determined in the Issuance's terms and conditions.*

Ranking: *The Securities are subordinated obligations with the following ranking:*

(i) junior to privileged obligations, obligations against the estate and unsubordinated obligations;

(ii) junior to subordinated obligations and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;

(iii) pari passu with obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;

(iv) senior to the obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank senior to the Securities; and

(v) senior to BBVA's shares.

SECOND.- *The terms and methods for the contingent conversion of the Securities will be as follows:*

a) Conversion triggers events

The Securities will be converted into newly issued ordinary shares of BBVA when the common equity tier 1 ratio of the Issuer or its consolidated group or subgroup falls below 5.125%, calculated pursuant to EU Regulation 575/2013 or to any other capital and solvency regulation applicable to BBVA at any given time.

*In addition, the Securities may be converted into newly issued ordinary shares of BBVA if the Issuer adopts any measure whose consequence is the approval of a share capital reduction as set out by article 418.3 of the consolidated text of the Corporate Enterprises Act, approved under Royal Legislative Decree 1/2010, of 2nd July, as amended (the "**Corporate Enterprises Act**").*

The terms and conditions of the Issuance may establish additional total or partial trigger events if this is required or advisable to shore up the Issuer's solvency or so that the Securities may be considered as tier 1 capital instruments.

b) Conversion Ratio

Each Securities' holder will be entitled to receive the number of shares resulting from the multiplication of the Conversion Ratio (as defined below) by the number of Securities owned by such holder. If such multiplication provides fractions, these will be treated as stated in the Issuance's terms and conditions.

*The ratio for converting the Securities into newly-issued ordinary shares of BBVA (the "**Conversion Ratio**") will be the result of dividing the nominal value of each of the Securities (which will be, at least, 100,000 euros, or its equivalent amount in any other currency) by the unitary value attributed to BBVA's ordinary shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond, at least, to the market price of BBVA's share at the time of the conversion of the Securities, subject to certain limits.*

In this regard, the Conversion Price will be the greater of:

i) the arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;

*ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this amount depending on the application of the anti-dilution mechanism set out in paragraph d) (the "**Minimum Conversion Price**"); and*

iii) the nominal value of ordinary shares of BBVA at the time of conversion.

In accordance with the above, the Conversion Price will at least be equal to the market price of BBVA's share upon conversion of the Securities, but in no event such price can be lower than the unitary nominal value of BBVA's ordinary shares at the time of conversion, so that the transaction will, in all events, comply with article 415.2 of the Corporate Enterprises Act.

c) Conversion procedure

The conversion procedure will be determined in the terms and conditions of the Issuance.

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 market practice in this type of transactions, in compliance with the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of BBVA's ordinary shares at the time of conversion.

*Notwithstanding other powers that may be granted, the Executive Committee is empowered, with express replacement authority, and the broadest powers are conferred on Mr Jaime Sáenz de Tejada Pulido, with identity card number 823996-K, Mr Antonio Joaquín Borraz Peralta, with identity card number 29100035-K, Mr Javier Malagón Navas, with identity card number 407098-K; Mr Ignacio Echevarría Soriano, with identity card number 837871-G; Mr Francisco Javier Colomer Betoret, with identity card number 25418655-K; and Mr Raúl Moreno Carnero, with identity card number 52473664-S, all of legal age, Spanish nationals and domiciled for these purposes in Madrid, calle Azul n.º 4 (the "**Proxies**"), so that either of them, indistinctly, jointly and severally, may establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, amend and/or adapt the conversion events, as well as to determine other trigger events, additional to those provided for in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the Issuance.*

***THIRD**.- On the basis of the report drawn up by BBVA Finance Area, in accordance with the report issued by J&A Garrigues, S.L.P., and pursuant to articles 414, 417 and 511 of the Corporate Enterprises Act, to approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/auditor of accounts different than the Company's auditor, appointed for such purposes by the Commercial Registry, and reported to the first General Shareholders' Meeting held after the capital increase resolution, expressly empowering the General Secretary and of the Board of Directors and the Vice secretary of the Board of Directors to certify the text.*

***FOURTH**.- In line with the Finance Area's statement reflected in its report, which is reflected in the Directors' Report approved under the above resolution, the corporate interest requires the suppression of pre-emptive subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017, under agenda item five, and pursuant to articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude said pre-emptive subscription rights in this Issuance.*

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

Considering that the Minimum Conversion Price cannot be lower than 3.75 euros or its equivalent amount in any other currency, the maximum number of ordinary shares of BBVA to be issued is 400 million (currently with a nominal value of 0.49 euros per share), assuming that no anti-dilution adjustments are made which may impact the Minimum Conversion Price, and expressly envisaging the possibility of the capital increase being implemented with an issue premium, for a lower number of shares and with the possibility of under-subscription.

Should the Securities be converted, the new shares of BBVA issued to cover the conversion will be ordinary shares, of the same class and series as those outstanding at that time and will be represented in the same way (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal, which performs this function together with its participating entities), granting their holders the same rights as the ordinary shares outstanding at that time. Upon execution of this resolution to increase share capital, the corresponding article of the Bylaws will be redrafted accordingly.

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

SIXTH.- *In use of the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017 under agenda item five, it is hereby resolved to delegate the authority on the Executive Committee, with express replacement authority, and to empower the Proxies in the broadest terms, so that either of them, indistinctly and jointly and severally, may, within the limits established in the above resolutions, carry out the aforementioned Issuance and:*

a) Determine the timing on which the Issuance is to take place, being also authorized to abstain from executing the Issuance if deemed necessary or advisable, with the faculty to execute the Issuance through the SHELF programme that the Bank may have registered with the Securities and Exchange Commission at any time.

b) Determine the terms, characteristics and conditions applicable to the Issuance and to the Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate, include new conversion terms and methods and/or amend those determined, including amending the Conversion Ratio, determining

the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as determine any additional triggers for conversion and/or redemption any other terms and conditions deemed necessary or advisable for the successful outcome of the Issuance, expressing the amount drawn respect to the limit of the delegation granted by the General Shareholders' Meeting to the Board and the amount remaining, empowering them also to redeem the Securities early, carrying out any actions that may be needed or advisable.

c) Declare the Distributions of the Securities, whether partially or totally, and declare the total or partial cancellation of Distributions, as determined in the terms and conditions of the Issuance.

d) Apply, where appropriate, the anti-dilution mechanisms as determined in the terms and conditions of the Issuance.

e) Negotiate, examine, enter into, perform, execute, sign, amend, terminate or cancel all the contracts, instruments, agreements and documents, whether public or private, that may be necessary or advisable in connection with the Issuance (in particular, including, but not limited to, prospectuses, base prospectus, offering circulars, supplements, prospectus supplement, indentures, supplemental indentures, F-3, term sheets, form of security, liquidity contracts, subscription, placement or underwriting agreements, agency contracts, requests, communications, announcements or notices, as well as any other contracts formalizing the Issuance or that are necessary for the issuance of the Securities, as well as any other additional documents that form part or that may be related to the Bank's SHELF programme), with authority to determine the legal and economic conditions of all of them and to make the necessary or advisable designations or appointments, as well as other supplementary acts that may be required or advisable to implement what has been agreed upon.

f) With relation to the Issuance or the Securities, appear, personally or through the representative or agent designated in writing by any of the Proxies, before all the representatives, committees or bodies of any securities exchange or market or any supervisor, regulator or registry, including, but without limitation, the Securities and Exchange Commission, the New York Stock Exchange or the Irish Stock Exchange, as well as any securities book-entry registration, clearing and/or settlement organization, with authority to execute, issue, sign, grant, modify, terminate and cancel such contracts, certificates and documents as may be necessary or advisable, in the manner that any of the Proxies deems necessary or advisable to comply with the applicable requirements imposed from time to by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement organization, that are necessary or that are considered convenient for the satisfactory outcome of the Issuance.

g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other own fund category of the Company and/or of its group, in accordance with the capital and solvency regulations that may apply from time to time.

h) Execute and sign any public or private documents as may be required, with authority to appear before a notary, raise these resolutions to public, execute deeds of issue, rectification, clarification or correction, and those for total or partial subscription of the Issuance, as well as those for total or partial redemption or amendment and, where appropriate, execute any other public or private documents that may be necessary or advisable in relation to the Issuance, as well as complete all relevant formalities, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when mandatory. Where applicable, file the declaration referred to in article 318 of the Commercial Registry Regulations, in compliance with article 36 of the consolidated text of the Securities Markets Act, should this be necessary.

i) If deemed necessary or advisable, establish the mechanisms for collective association or organization and/or representation and protection of Securities holders, including the determination of their characteristics and rules of operation, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and such holders, all in accordance with the terms and conditions deemed necessary or advisable.

j) Establish all other aspects not determined by this Board of Directors in relation to the Issuance, including any modification, where necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or advisable in relation to the above powers, executing for this purpose any private or public documents deemed necessary or advisable.

k) With respect to the contingent conversion of the Securities into newly issued ordinary shares of BBVA, establish, where appropriate, the Conversion Price, the Minimum Conversion Price, the final conversion rate for the Issuance and, if applicable, the issue premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and perform 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, if applicable, the wording of the corresponding article in the Company Bylaws to adapt it to the new figure for share capital, being also authorized to appear for such purposes before any public or private bodies, including but not limited to a public notary or the Commercial Registry.

l) Request, where appropriate, the admission to trading of the Securities and/or the ordinary shares of BBVA issued to cover the contingent conversion of the Securities, on regulated and non-regulated, organized or non-organized, Spanish

and international secondary markets, including, but without limitation, the New York Stock Exchange or the Irish Stock Exchange, and carry out procedures and actions as deemed necessary or advisable in any jurisdiction where the Securities or the newly issued shares of BBVA are offered or traded or requested to trading, where applicable. By way of example:

i) Draft, approve, formulate, subscribe and sign any documents, contracts, prospectuses, requests, communications or notifications as deemed necessary or advisable for these purposes and proceed to their subsequent amendment as deemed advisable.

ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalize such public and/or private documents as may be necessary and/or advisable for the full effectiveness of the resolutions, in any aspects or content.

Lastly, and for the purposes of the applicable regulations on issuance of securities, it is resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public and/or private body. They will bear responsibility for the content of the prospectuses, information documents or any other similar documents, where applicable, being likewise authorized to sign any additional contracts and documents, whether public or private, that may be necessary or advisable for the successful outcome of the Issuance."

* * *

Madrid, 27 September 2017.

Free translation from the original in Spanish, for information purposes only. In the event of a discrepancy or inconsistency between the Spanish and English language versions of this report, the Spanish-language version will prevail.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Special report on the issue of contingent convertible preferred securities into ordinary shares with exclusion of preemptive subscription rights in accordance with the provisions of articles 414, 417 and 511 of the Corporate Enterprises Act

Bilbao, 3 November 2017

BDO

Tel: +34 944 242 578
Fax: +34 944 230 532
www.bdo.es

Alameda Mazarredo 16, Esc. Ext.
48009 Bilbao
Spain

SPECIAL REPORT ON THE ISSUE OF CONTINGENT CONVERTIBLE PREFERRED SECURITIES INTO ORDINARY SHARES WITH EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 414, 417 AND 511 OF THE CORPORATE ENTERPRISES ACT

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

For the purposes set out in articles 414, 417 and 511 of the Corporate Enterprises Act (hereinafter "CEA"), and in accordance with the assignment received from Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA" or the "Bank"), by appointment made by the Commercial Registrar for Vizcaya, Mr. Juan Alfonso Fernández Núñez, we issue this Special Report on the issue of contingent convertible preferred securities into newly-issued ordinary BBVA shares (hereinafter "the Securities"), with exclusion of preemptive subscription rights, accompanied by the attached report from the Bank's Board of Directors (hereinafter, the "Report from the Board of Directors"), which are made available to the Bank's shareholders.

The purpose of our work is not to certify the price of issue or conversion of the Securities into shares but to state, from the application of the procedures set out in the relevant technical standards relating to the preparation of this type of special reports in accordance with the provisions of article 414 of the CEA, whether the Report from the Board of Directors, dated 27 September 2017, and attached as appendix to this report, contains the required information, which includes the explanation of the bases and forms relating to the conversion, as well as to issue a technical opinion, as independent experts and auditors, in accordance with article 417 of the CEA, on the sufficiency and reasonability of the information contained in the attached Report from the Board of Directors and on the suitability of the conversion ratio and, if applicable, its adjustment formulas for compensating a possible dilution of the economic value of shareholders' holdings.

The Board of Directors of BBVA have drawn up the attached report in which they provide a detailed description of the bases and forms relating to the conversion as well as the justification for the exclusion of preemptive subscription rights for the Bank's shareholders.

In accordance with articles 414, 417 and 511 of the CEA and the aforementioned technical standards, the following were the procedures applied in the performance of our work:

a. Obtaining and analysing the following information:

- Application document for appointment of independent expert and auditor presented to the Commercial Registry of Vizcaya by BBVA.
- Decision of the Bank's General Shareholders' Meeting in respect of the delegation to the Directors of the authority to issue convertible securities and to exclude preemptive subscription rights.
- Report from the Board of Directors of BBVA in connection with the issue of contingent convertible preferred securities into shares of the Bank and the exclusion of preemptive subscription rights.

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- Audited interim consolidated financial statements of the Bank as of 30 June 2017.
- Minutes of the Shareholders' Meetings and of the meetings of the Board of Directors of the Bank for the last year.
- Report from the Finance Department of BBVA in connection with the planned transaction.
- Other financial and legal reports issued by the Bank's advisors in relation to the planned transaction.
- Other information considered to be of interest for the performance of our work.

b. Review and analysis of the main aspects of the above information in connection with the issuance of the Securities.

c. Meetings held with the Bank's Management for the purpose of gathering other information considered to be of use in the performance of our work.

d. Evaluation as to whether the Report from the Board of Directors contains the information considered to be necessary and sufficient for its adequate interpretation and understanding by its addressees.

e. Verification of the calculations used by BBVA's Management in determining the bases and forms relating to the conversion and other rights, if any, guaranteed to the Securities' subscribers.

f. Verification that the issue price for the Securities is not below their nominal value, and that the conversion price for the Securities is not below the nominal value of the shares for which they will be converted.

g. Verification that the accounting information contained in the Report from the Board of Directors concurs, as applicable, with the Bank's accounting data that served as a basis for preparing its audited financial statements.

h. Evaluation of the reasonability of the data contained in the Report from the Board of Directors justifying the exclusion of the shareholders' right to the preemptive subscription of the Securities.

i. Evaluation of the suitability of the conversion ratio and, as applicable, of its adjustment formulas for compensating a possible dilution of the shareholders' economic holdings.

j. Obtaining a letter signed by the Bank's Management in which it confirms to us that we have been provided with all the information necessary for preparing our report, as well as confirming that there have been no subsequent events between 30 June 2017 and the date of this report that have not been notified to us and which could have a significant effect on the results of our work.

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

We should state that, as set out in the Report from the Board of Directors, the conversion ratio for the Securities will be determined by reference to the market price of the BBVA share at the time of conversion or at a fixed price of at least 3.75 euros per share in the event of such price being lower, without the conversion price being, in any case, below the nominal value of the BBVA shares at the time of conversion. For this reason and taking into account the remaining characteristics of the proposed issue and its context, the theoretical value of the preemptive subscription rights associated with the Securities would be nil.

It is also important to emphasise that our work is of an independent nature, and therefore does not involve any recommendation to the Management of the Bank, to the shareholders thereof or to third parties with respect to the position they should take with respect to the issue of the Securities or with respect to any exchange transactions offered to third parties with respect thereto.

Based on the information and procedures performed, as described in the previous paragraphs, and with the exclusive objective to comply with the requirements established in the articles 414, 417 and 511 of the CEA, in our professional judgment:

- The Report from the Board of Directors contains the required information, as set out in the technical standards relating to the preparation of special reports of this type in accordance with the provisions of article 414.2 of the CEA.
- The information contained in the Report from the Board of Directors to justify the exclusion of preemptive subscription rights is reasonable by being properly documented and presented.
- The conversion ratio for the Securities and, if applicable, its adjustment formulas for compensating a possible dilution of the economic value of shareholders' holdings is suitable, being nil the theoretical value of preemptive subscription rights associated with the Securities at the date of this report, taking into account the characteristics and context of the proposed issue.

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

BDO Auditores, S.L.P.

Alfonso Berganza Hernández
Partner: Auditor
ROAC Nº: 09501
Bilbao, 3 November 2017

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APPENDIX:

REPORT FROM THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ON THE ISSUE OF CONTINGENT CONVERTIBLE PREFERRED SECURITIES INTO ORDINARY SHARES WITH EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS

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Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. for the purposes set out in articles 414, 417 and 511 of the Corporate Enterprises Act regarding the resolution to issue contingent preferred securities convertible into newly issued ordinary shares of the Bank, with exclusion of preemptive subscription rights and the corresponding share capital increase by the necessary amount, which is adopted under the authority conferred by the Annual General Meeting, held on 17 March 2017, under agenda item five.

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1. INTRODUCTION

1.1 Purpose of the report

This report is drawn up 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 consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Degree 1/2010, of July 2, as currently in force (the "**Corporate Enterprises Act**"), in relation to the resolution to issue contingent preferred securities convertible into newly-issued ordinary shares of BBVA, which are issued in accordance with the first additional provision of Act 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**EU Regulation 575/2013**") so that they may be considered additional tier 1 capital instruments (the "**Securities**"), for a maximum nominal amount of 1,500 million euros, or the equivalent amount in any other currency, and with exclusion of preemptive subscription rights (the "**Issuance**"), and the corresponding share capital increase.

This resolution is adopted pursuant to the authority delegated by the Annual General Shareholders' Meeting of 17 March 2017 under the fifth item of the agenda.

1.2 Applicable Regulations

Article 401.3 of the Corporate Enterprises Act provides that, except for the provisions set out in special Acts, securities recognizing or creating debt issued by joint stock and limited liability companies (*sociedades anónimas*), such as the Securities, shall remain subject to the regulations set forth for bonds under title XI of the Corporate Enterprises Act.

In this respect, articles 414 et seq. of the Corporate Enterprises Act allow *sociedades anónimas* to issue bonds that can be converted into shares provided that

the general shareholders' meeting determines the terms and methods of the conversion and resolves to increase the capital by the necessary amount. To this end, the directors must draft a report explaining the terms and methods of the conversion. This must be accompanied by another report from an auditor other than the company's own auditor, appointed for this purpose by the Commercial Registry (*Registro Mercantil*).

Convertible bonds may not be issued for an amount under their nominal value, and may not be convertible into shares when their nominal value is below the share nominal value.

In listed companies, article 511 of the Corporate Enterprises Act allows the general shareholders' meeting to delegate the power to issue convertible bonds to directors and also grants them the power to exclude the preemptive subscription rights for convertible bonds issues under delegated powers, if such exclusion is made in the company's best interest. To this end, the announcement of the general shareholders' meeting that includes the proposal to vest the power to issue convertible bonds in the directors shall also contain explicit mention of the proposal to exclude the preemptive subscription right, and from the date on which the general shareholders' meeting has been called, a directors' report will be made available to shareholders substantiating the grounds for the proposed exclusion.

In addition, article 511 of the Corporate Enterprises Act requires that, in capital increases approved in the exercise of the powers granted by the general shareholders' meeting, the directors' and the auditor's reports must refer to each specific increase.

Thus, pursuant to article 417 of the Corporate Enterprises Act, the aforementioned directors' report must give detailed justification for such proposal to exclude preemptive subscription rights, and the independent expert's report shall contain a technical judgment on the reasonableness of the data contained in the directors'

report and the appropriateness of the conversion ratio and, where applicable, adjustment formulas to offset any possible dilution of economic shareholdings.

These reports shall be made available to the shareholders and submitted to the first general shareholders' meeting held after the date of the decision to increase capital.

1.3 Advisory services received

This report is issued on the basis of (i) the report issued by BBVA's Finance Area, which is in turn supported by the report prepared by HSBC Bank Plc, a top-level investment bank with recognized expertise in this type of issuances; and (ii) the legal report of the external advisor J&A Garrigues, S.L.P., legal advisor on Spanish law for the Issuance.

2. ON THE ISSUANCE OF THE SECURITIES

2.1 Delegation by the General Shareholders' Meeting under which the Issuance is carried out

BBVA's Annual General Shareholders' Meeting held on 17 March 2017, validly convened in due time and form, adopted the following resolution under the fifth item of the agenda, the relevant part of which is partially transcribed below:

"*To confer authority on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (the "Company" or the "Bank"), as broad as necessary by law, to issue securities convertible into newly issued Company shares, subject to provisions in the law and in the Company Bylaws that may be applicable at any time and, where appropriate, prior obtaining of the authorizations that may be necessary to such end. The Board of Directors may make issues on one or several occasions within the maximum term of five (5) years to be counted as from the date on which this resolution is adopted, up to the maximum overall amount of eight billion euros (€8,000,000,000) or its equivalent in any other currency.*

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

(i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible

into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt instruments convertible into newly issued Company shares in any form admitted by law; the amount , always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.

(ii) Resolve, establish and determine the form, the timing and the triggers for conversion and/or redemption, with the possibility of making perpetual issues; and the terms and modalities for conversion; distinguishing between: (a) perpetual issues or issues with no conversion and/or redemption deadline whose conversion is contingent, envisaged to meet regulatory requirements for the eligibility of the securities issued as capital instruments pursuant to solvency rules applicable at any time ("Contingent Convertible Issues - CoCos"); and (b) the rest of the convertible securities issues made under this resolution, including, by way of example and not limited to those issues with a predetermined mandatory conversion deadline (which may be on maturity or at any other time) or that are convertible at the option of the issuer and/or the investor, the total or partial nature of that conversion being determined by the Company, the securities holders or both ("Mandatory Convertible Issues").

(iii) Resolve, establish and determine the conversion ratio, which may be fixed or variable, within the limits set forth below.

Should the issue be made at a fixed conversion ratio, the Company share price used for the conversion may not be lower than the greater of: (a) the arithmetic mean of the closing prices of the Company share on the securities market or exchange that the Board of Directors determines, during the period it establishes, which may not be more than three months or less than fifteen trading sessions prior to the date on which the specific issue of convertible securities is approved; and (b) the closing price of the Company share on the securities market or exchange that the Board of Directors determines, the

date prior to the date on which the specific issue of convertible securities is approved.

Should the issue be made with a variable conversion ratio, the Bank share price used for the conversion must be the arithmetic mean of the closing prices of the Company share on the securities market or exchange that the Board of Directors determines, during the period it establishes, which may not be more than three months or less than five trading sessions prior to the date on which the specific issue of convertible securities is approved. In such case a premium or, where appropriate, a discount may be established on the price per share, although should an issue discount be established on the price per share, it may not exceed 30%. The premium or discount may be different for each conversion date on each of the issues or tranches. Likewise, even if a variable conversion ratio is established, a minimum and/or maximum reference price may be determined for the shares to be used in the conversion, in the terms resolved by the Board of Directors.

Subject to whatever others limits may be applicable under prevailing regulations at any time, the value of the Company share for the purpose of the ratio for converting the securities into shares may not be below the nominal value of the Company share at the time of conversion, and securities may not be converted into shares when the nominal value of the securities is below that of the shares.

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

(...)

(v) Increase the Bank's share capital by the amount necessary to cover the conversion commitments or requests, within the limits that, where applicable, are in force and available at any time, being able to declare the issue undersubscribed, should this be the case, establishing the specifications of the Company shares to be issued to cover the conversion of the securities, and to redraft the corresponding article in the Company Bylaws.

(...)

(vi) Pursuant to the Corporate Enterprises Act, totally or partially exclude preemptive subscription rights within the framework of a specific issue of convertible securities, when corporate interest so requires, in compliance with any legal requirements established to such end.

However, for Mandatory Convertible Issues, the power to exclude preemptive subscription rights will be limited to ensure the nominal amount of the capital

increases resolved or carried out to cover the conversion of the Mandatory Convertible Issues in use of this authority (without prejudice to anti-dilution adjustments) with exclusion of preemptive subscription rights and of those likewise resolved or carried out with exclusion of preemptive subscription rights in use of the authority conferred under this General Meeting's agenda item four above, do not exceed the maximum nominal amount, overall, of 20% of the Bank's share capital at the time of this authorization, this limit being not applicable to Contingent Convertible Issues – CoCos."

2.2 Regulatory environment and capital requirements

As a Spanish credit institution, the Bank is subject to the solvency and own funds framework defined by Regulation (EU) 575/2013 and Directive 2013/36/EU of the European Parliament and of the Council, of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**", and jointly with Regulation (EU) 575/2013, "**CRD IV**"), implementing Basel III in Europe.

This CRD IV framework has been implemented in Spain through Act 10/2014, Royal Decree 84/2015, of February 13, implementing Act 10/2014, and Bank of Spain Circulars 2/2014 and 2/2016, notwithstanding the direct applicability of EU Regulation 575/2013, supplemented by several binding regulatory technical standards, and other recommendations and guidelines issued by various Spanish and supranational organizations.

These regulations provide that credit institutions must have in place different capital instruments to cover the different categories of regulatory capital which, in certain ratios, comprise their capital requirement, all in accordance with the composition and size of their balance sheets.

In this respect, CRD IV establishes, *inter alia*, a minimum capital requirement ("**Pillar 1**") and increases the capital required through the "combined buffer requirement", which must be met with Common Equity Tier 1 capital ("**CET1**"), in addition to such CET1 envisaged to comply with the minimum capital requirement of Pillar 1.

Moreover, the European Central Bank ("**ECB**") has established specific prudential capital requirements ("**Pillar 2**") applicable to each credit institution in the framework of the Supervisory Review and Evaluation Process ("**SREP**"). These requirements taken as a whole establish higher levels of capital than those for the minimum capital requirement of Pillar 1 and the "combined buffer requirement" provided for in CRD IV.

As a result of the latest SREP conducted in 2016, the ECB has required the Bank to maintain, with effect from 1 January 2017: (i) phased-in CET1 ratios of 7.625% on a consolidated basis and 7.25% on an individual basis; and (ii) phased-in total capital ratios of 11.125% on a consolidated basis and 10.75% on an individual basis over risk-weighted assets.

The phased-in total capital ratio of 11.125% at consolidated level includes: (i) the minimum CET1 capital ratio required by Pillar 1 (4.5%); (ii) the Additional Tier 1 ("**AT1**") capital requirement of Pillar 1 (1.5%); (iii) the Tier 2 capital requirement of Pillar 1 (2%); (iv) the CET1 requirement of Pillar 2 (1.5%); (v) the capital conservation buffer (1.25% of CET1); and (vi) the buffer for other systemically important institutions (0.375% of CET1).

On 30 June 2017, the Bank's phased-in total capital ratio was 15.49% on a consolidated basis and 22.56% on an individual basis. Its phased-in CET1 capital ratio was 11.76% on a consolidated basis and 17.62% on an individual basis. These ratios are comfortably above the capital requirements applicable to the Bank.

Nevertheless, the regulator could impose capital buffers additional to those currently applicable, while the current Pillar 2 measures will be reviewed annually based on the conclusions drawn by the ECB in subsequent SREPs, who would be entitled to require Pillar 2 capital requirements higher than those currently applicable. In light of the foregoing, it is necessary for BBVA to maintain a capital buffer management that is in line with the supervisory trend.

Moreover, on 23 November 2016 the European Commission published a set of proposed amendments to, *inter alia*, the CRD IV, to strengthen the resilience of Europe's credit institutions and to increase financial stability, so the framework defined by CRD IV, described above, may be subject to significant changes, the implementation and final content of which are still unknown. Among the modifications to CRD IV proposed by the European Commission is the possibility that a part of the Pillar 2 requirement (18.75%) could be met with AT1 instruments.

2.3 Rationale for the Issuance

Although, as indicated previously, BBVA currently complies comfortably with all of its capital requirements at present and has enough issuances of instruments to meet its capital requirements efficiently, BBVA's Finance Area has considered advisable to carry out a new issuance of AT1 eligible securities in accordance with CRD IV for the reasons given below and included in its report:

2.3.1 Financial and market rationale

BBVA was the first institution to issue financial instruments meeting the characteristics required by CRD IV for their eligibility as AT1 instruments. This Issuance took place in May 2013 and amounted to 1.5 billion US dollars (the "**Original Issuance**"). The Original Issuance remains outstanding.

Like the proposed Issuance, the Original Issuance is perpetual, but includes the possibility of early redemption by the Bank after the fifth year (i.e. as of next May 2018).

Within the context of management of the Original Issuance, BBVA decided to issue AT1 instruments amounting to 500 million euros with a 5.875% coupon in May 2017 (the "**May Issuance**"): (i) benefiting from the favourable financial conditions then existing; (ii) partially anticipating a potential redemption of the Original Issuance in 2018; (iii) optimizing the capital structure's financial cost (due to the economic conditions being more

favourable than those of the Original Issuance); and (iv) preserving at all times the compliance with the applicable regulatory requirements.

As observed in the execution of the last AT1 transactions performed by several entities and in the current prices in the AT1's secondary market, and as indicated by the Finance Area in its report, the financial conditions continue to be ideal to perform an AT1 issuance, additional to the May Issuance, which would allow: (i) the completion of the potential early redemption of the Original Issuance in an orderly manner; and (ii) its replacement with instruments with the same regulatory category but with an envisaged lower financial cost. This would continue with the optimization of the financial cost of the capital structure and the compliance with the corporate interest. All considering that the circumstances surrounding the relevant rates for determining the suitability of the early redemption of the Original Issuance will be those existing in 2018.

Lastly, as set forth in the report of the Finance Area, the current market conditions are also favourable to the performance of an AT1 issuance. In this regard, a solid demand for these instruments has been detected due to the lack of financial products in the market that are capable of providing investors with returns that are above the average of the sector. In addition, such report states that the current market situation is appropriate to perform the Issuance, anticipating any potential oversupply that may derive from potential refinancing exercises of AT1 instruments outstanding in the market to be made by other entities, which will foreseeably take place since 2018.

In light of the foregoing and based on the content of the Finance Area's report, it is considered appropriate to carry out the Issuance, from both a financial and market perspective.

2.3.2 Regulatory rationale

In addition to the financial and market reasons for the Issuance, there are also regulatory reasons that make the launching of the proposed Issuance advisable.

CRD IV establishes that credit institutions may have in place different capital instruments to cover the different categories of regulatory capital efficiently which, in certain ratios, comprise their own funds requirement.

In this sense, in addition to CET1, CRD IV includes two additional regulatory capital categories in the composition of the Pillar 1 capital requirement, namely AT1 and "Tier 2 capital" which can be covered with specific instruments and, failing that, with CET1 and with CET1 or AT1, respectively, which would be more burdensome and less efficient. Therefore, the proposal is made to issue securities that are eligible as AT1 according to CRD IV that may complete the replacement of the Original Issuance, as such instruments are the only ones that comply with the features described and that allow at all times the preservation of the Bank's capital position.

Specifically, the Issuance would raise BBVA's capital ratios in accordance with both current (phased-in) regulations and those applicable as from 2019 (fully-loaded), completing the potential refinancing of the Original Issuance and guaranteeing at all times the efficient compliance with its solvency requirements and with a management margin that is in line with the current supervisory trend.

Lastly, as indicated by the Finance Area in its report, performing the Issuance would reduce the execution risk of the refinancing of the Original Issuance, such risk being understood as the risk deriving from the management of the supervisor's mandatory prior authorization to redeem a capital issuance without having started the replacement of the issuance subject to redemption with instruments of the same or greater quality.

In this context, the Finance Area has proposed to the Board of Directors, which has approved, the issuance of a fixed-income instrument that is eligible as AT1 in accordance with the provisions of CRD IV. To this end, EU Regulation 575/2013 provides that these securities must include, among others, the following characteristics:

(i) be perpetual;

(ii) rank below Tier 2 capital instruments in the event of insolvency of the entity;

(iii) distributions on the securities are only paid out of distributable items and the entity has full discretion at all times to cancel distributions on the securities for an unlimited period and on a non-cumulative basis and non-restrictive effects on the compliance of the remaining obligations of the entity; and

(iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5.1 below) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur in a very specific situation of shortfall in CET1 of the issuer or its group.

Consequently, it is considered convenient to perform an AT1 transaction that, along with the May Issuance, may anticipate the total refinancing of the Original Issuance in an orderly manner (mitigating its execution risk and thus preserving at all times the capital position of the Bank) and with a lower financial cost, benefiting from the current favorable market circumstances, and considering that the relevant rates for determining the suitability of the early redemption of the Original Issuance will be those existing in 2018.

2.4 Financial conditions of the Issuance

The Issuance will be made for a maximum nominal amount of 1,500 million euros, or its equivalent amount in any other currency, with a nominal value of each Security being, at least, 100,000 euros, or its equivalent amount in any other currency.

For the purpose of being eligible as AT1, the Securities shall have the characteristics set out in CRD IV including, amongst others, those stated in section 2.3 above.

Investors may receive the distributions set out in the Issuance's final terms and conditions and which shall be in line with market prices for this type of instruments at the time of their issue. As provided for in CRD IV, payment of the distributions shall be conditional, among other factors, on there being distributable items, which will be described in detail in the Issuance's terms and conditions.

However, the Issuer shall have full discretion at all times to cancel, totally or partially, the payment of distributions on the Securities for an unlimited period and on a non-cumulative basis, without such cancellation implying any restriction to meet the rest of its obligations.

2.5 Terms and methods of conversion

The terms and methods of conversion of the Securities, resulting from the proposal of the Bank's Finance Area, will essentially be as follows:

2.5.1 Conversion trigger events

The Securities will be converted into newly-issued ordinary BBVA's shares if the Issuer, or its consolidated group or subgroup, has a CET1 ratio below 5.125%, calculated pursuant to EU Regulation 575/2013 or any other own funds and solvency regulation applicable at any given time.

The Securities may also be converted into newly-issued ordinary BBVA's shares if the Issuer adopts any measure whose consequence is the approval of

a share capital reduction in the terms and conditions set out in article 418.3 of the Corporate Enterprises Act.

The Issuance's terms and conditions may establish additional total or partial conversion events if this is required or advisable to safeguard the Issuer's solvency or so that the Securities may be considered Tier 1 capital instruments and, accordingly, be AT1 eligible.

2.5.2 Conversion ratio

Each Securities' holder will be entitled to receive the number of shares resulting from the multiplication of the Conversion Ratio (as defined below) by the number of Securities owned by such holder. If such multiplication provides fractions, these will be treated as stated in the Issuance's terms and conditions.

The ratio for converting the Securities into newly-issued ordinary BBVA's shares (the "**Conversion Ratio**") will be the result of dividing the nominal value of each of the Securities (which will be, at least, 100,000 euros, or its equivalent amount in any other currency) by the unitary value attributed to the ordinary shares of BBVA for the purposes of the conversion (the "**Conversion Price**").

$$Conv_{ratio} = Nom_{convertible} / Sh_P$$

where:

$Conv_{ratio}$: Conversion Ratio.

$Nom_{convertible}$: The nominal value of the Security subject to conversion.

Sh_P: Conversion Price.

The Conversion Price will correspond, at least, to the market price of BBVA's share at the time of the conversion of the Securities, subject to certain limits.

In this regard, the Conversion Price will be the greater of:

i) The arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;

ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this amount depending on the application of the anti-dilution mechanism set out in the following section (the "**Minimum Conversion Price**"); and

iii) the nominal value of ordinary shares of BBVA at the time of conversion.

In accordance with the above, the Conversion Price will at least be equal to the market price of BBVA's share upon conversion of the Securities, but in no event such price can be lower than the unitary nominal value of BBVA's ordinary shares at the time of conversion, so the transaction will, in all events, comply with article 415.2 of the Corporate Enterprises Act.

2.5.3 Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms on the Conversion Price will be established in line with the market practice in this type of transactions, in compliance with the Issuance's terms and conditions.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of BBVA's ordinary shares at the time of conversion.

2.6 Capital increase

In accordance with article 414 of the Corporate Enterprises Act, upon the adoption of the corporate resolution approving the issuance of the Securities, the share capital increase must be approved for the amount necessary to be able to cover its contingent conversion. For such purposes, the maximum number of BBVA's shares to be issued to cover the conversion of the Securities will be determined by dividing the total nominal amount of the Issuance by the Conversion Price.

This capital increase will be executed by the Board of Directors, which may delegate this authority to the Executive Committee, with express replacement powers, and will empower the proxies that the Board of Directors indicates, by virtue of the resolution adopted at the Annual General Shareholders' Meeting of BBVA held on 17 March 2017, under agenda item five, to cover the contingent conversion of the Securities, by issuing new ordinary shares of the same nominal value, of the same class and series, and with the same rights as BBVA's ordinary shares outstanding on the date of execution of the relevant capital increase. Should the capital increase be executed, the corresponding article in the Company Bylaws will be redrafted to adapt it to the new figure for share capital.

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

However, considering that the Issuance is for a nominal maximum amount of 1,500 million euros (or its equivalent amount in any other currency), that the Conversion Price may not be below 3.75 euros (or its equivalent amount in any other currency) and assuming no anti-dilution adjustments prior to the date when the Securities are converted takes place, the maximum number of new ordinary shares that would need to be issued is 400 million.

Pursuant to article 304.2 of the Corporate Enterprises Act, should the Securities be converted into ordinary shares, there would be no preemptive subscription rights on the resulting capital increase.

3. GROUNDS FOR THE EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preemptive subscription rights

As indicated above, BBVA's Annual General Shareholders Meeting held on 17 March 2017 resolved, under agenda item five, to delegate to the Board of Directors the authority to issue securities convertible into shares and to increase the share capital. It also resolved to confer on the Board of Directors the authority to exclude preemptive subscription rights over the convertible securities issuances covered by such delegation.

To such end, when convening the aforementioned Annual General Shareholders' Meeting, and in accordance with articles 417 and 511 of the Corporate Enterprises Act, the BBVA Board of Directors approved and gave shareholders access to a report explaining the grounds of the proposal to delegate the power to exclude preemptive subscription rights.

Articles 417 and 511 of the Corporate Enterprises Act require that preemptive subscription rights would only be excluded in the event of convertible bond issuances when corporate interest so requires.

BBVA's Board of Directors, by virtue of said delegation and with due substantiation provided by the report issued by the Finance Area, which in turn is based on the report prepared by HSBC Bank Plc, as well as on the legal report by J&A Garrigues, S.L.P., as external legal advisor helping BBVA in the legal design of this transaction, has resolved to exclude the preemptive subscription rights with respect to the Issuance, as it deems such exclusion to be fully substantiated and in

compliance with the requirements established by law, and necessary to achieve the corporate interest, as explained below.

In light of section 2.3, the proposed issuance of these Securities is for the purpose of (i) continuing to perform a gradual management of the potential replacement of BBVA's current issues of AT1 instruments with others under more appropriate or suitable financial terms; and (ii) complying, in the most efficient way, with the Bank's current or future capital requirements, preserving at all times the Bank's capital position; taking advantage of the interest and demand detected in the market and thus meeting the corporate interest.

For the Securities to be eligible as AT1 capital under CRD IV, these fixed-income securities must be perpetual, subordinate, with discretionary distributions and convertible into newly-issued ordinary shares of BBVA in the event of a possible shortfall of CET1 capital, and therefore the issuance of Securities is being proposed as they are the only instruments that comply with these characteristics, which are indicated in section 2.3 above.

Such characteristics, required by CRD IV, and their sophistication, as well as the latest regulatory changes –specifically regarding placement of this type of instruments–, mean that the Securities are currently a complex product which cannot be allocated to all kind of investors, especially retail investors, which are a relevant part of BBVA's shareholders. In this regard, not excluding the preemptive subscription right would mean offering a product that does not fit the investment profile of all Bank shareholders, which could jeopardize the viability of the Issuance.

Nevertheless, interest for this type of instruments has been detected among qualified investors, who constitute a group that is appropriate for their subscription. In order to be able to directly target only this kind of investors (which are common subscribers of this kind of instruments), and not compromise the transaction, it is essential to exclude the preemptive subscription rights of BBVA's shareholders.

The combination of the factors described above (the characteristics of these securities, the market conditions and the investors to whom the Issuance is addressed) has led the Finance Area to consider that the optimal alternative for the corporate interest is to continue with the potential and gradual replacement of the Original Issuance by issuing the Securities, addressing the Issuance solely to qualified investors, as this is the appropriate group for subscribing this type of instruments and are also those who have shown interest.

Consequently, the optimal alternative for meeting the corporate interest and providing a joint and comprehensive solution to the matters at hand is the issuance of Securities with exclusion of preemptive subscription rights.

In addition, the following circumstances should be taken into account:

(i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the regulations on own funds and solvency for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be taken into account that BBVA's solvency and own funds ratios are currently very far from the conversion events, reinforcing the nature of the Securities as fixed-income security instruments and the eventuality of their conversion.

(ii) The issue price for the Securities will be in line with the market prices for this type of instrument.

(iii) The Conversion Price proposed to cover an eventual conversion corresponds to the market price of the share of BBVA at the time of conversion, except in the event of such price being less than the Minimum Conversion Price, in which case the Conversion Price would be equal to the Minimum Conversion Price, and therefore being the shares issued with a premium over the market price. In this way, the maximum number of shares to be issued is limited by establishing the minimum Conversion Price, which guarantees that they will

be issued at a price equal to or above the market price.

Taking into account that the Securities are issued as perpetual securities, that the issue price will be in line with the market price, that the conversion trigger events are very limited in number and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, pursuant to the Finance Area report and the report prepared by HSBC Bank Plc, the theoretical value of the preemptive subscription rights stemming from the Issuance is nil, meaning that current shareholders do not lose any economic value with their exclusion.

In light of the foregoing, the proposed Issuance is necessary for the purpose intended, thus achieving the corporate interest.

3.2 Investors to whom the Securities should be attributed

As stated above, the Issuance is aimed exclusively at non-Spanish tax resident qualified investors, notwithstanding the sale restrictions that may be determined in the Issuance's terms and conditions.

4. PROPOSED RESOLUTIONS

"***FIRST***.- *In use of the authority conferred by the Annual General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 17 March 2017 under agenda item five, to issue contingent preferred securities convertible into newly issued ordinary shares of the Company, in accordance with the first additional provision of Act 10/2014, of 26th June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and EU Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**EU Regulation 575/2013**") so that they may be considered Additional Tier 1 capital instruments (hereinafter, the "**Securities**"), for a maximum nominal amount of one thousand five hundred million euros (€1,500,000,000) or the equivalent in any other currency, with exclusion of pre-emptive subscription rights (the "**Issuance**"), under the following terms:*

Nature of the Securities:	*Contingent preferred securities convertible into newly issued ordinary shares of BBVA, pursuant to the first additional provision of Act 10/2014*

	and EU Regulation 575/2013, so that they may be considered Additional Tier 1 capital instruments.
Issuer:	*BBVA.*
Target Investors:	*Qualified investors that are not tax residents in Spain, notwithstanding the sale restrictions that may be determined in the terms and conditions of the Issuance.*
Maximum Issuance amount:	*One thousand five hundred million euros (€1,500,000,000) euros, or the equivalent amount in any other currency, as set out in the terms and conditions of the Issuance. The Issuance may be made for a lower amount.*
Nominal value:	*The Securities will have the nominal value set out in the terms and conditions of the Issuance, with a minimum amount of 100,000 euros, or the equivalent in any other currency.*
Number of Securities:	*The number of Securities to be issued will be the result of dividing the total nominal amount of the Issuance by its nominal value. All the Securities will belong to a single series and the same terms and conditions will apply to all of them.*
Distributions:	*Holders of the Securities may receive a non-cumulative distribution that will be based on the interest rate applicable to the nominal value of the Securities and which will be paid provided compliance with the conditions set out in the terms and conditions of the Issuance (the "**Distributions**").* *In particular, the Issuer shall have full discretion at all times to totally or partially cancel the payment of Distributions for an unlimited period and on a non-cumulative basis, and such cancelation may not entail any restriction to meet the remaining obligations of the Issuer.* *The foregoing notwithstanding other cases of cancellation of Distributions that may be set out*

in the terms and conditions of the Issuance or as determined by applicable regulations.

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

The Securities may be totally or partially redeemed at the Issuer's option, in accordance with the terms and conditions of the Issuance, provided that at least 5 years have elapsed from their issuance and, where applicable, prior authorisation has been granted by the competent authority.

The terms and conditions of the Issuance may include other circumstances for early redemption in favour of the Issuer.

Representation of the Securities: *The Securities may be represented by physical certificates or by book entries, as determined in the Issuance's terms and conditions.*

Ranking: *The Securities are subordinated obligations with the following ranking:*

(i) junior to privileged obligations, obligations against the estate and unsubordinated obligations;

(ii) junior to subordinated obligations and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;

(iii) pari passu with obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;

(iv) senior to the obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank senior to the Securities; and

(v) senior to BBVA's shares.

SECOND.- *The terms and methods for the contingent conversion of the Securities will be as follows:*

a) Conversion triggers events

The Securities will be converted into newly issued ordinary shares of BBVA when the common equity tier 1 ratio of the Issuer or its consolidated group or subgroup falls below 5.125%, calculated pursuant to EU Regulation 575/2013 or to any other capital and solvency regulation applicable to BBVA at any given time.

*In addition, the Securities may be converted into newly issued ordinary shares of BBVA if the Issuer adopts any measure whose consequence is the approval of a share capital reduction as set out by article 418.3 of the consolidated text of the Corporate Enterprises Act, approved under Royal Legislative Decree 1/2010, of 2nd July, as amended (the "**Corporate Enterprises Act**").*

The terms and conditions of the Issuance may establish additional total or partial trigger events if this is required or advisable to shore up the Issuer's solvency or so that the Securities may be considered as tier 1 capital instruments.

b) Conversion Ratio

Each Securities' holder will be entitled to receive the number of shares resulting from the multiplication of the Conversion Ratio (as defined below) by the number of Securities owned by such holder. If such multiplication provides fractions, these will be treated as stated in the Issuance's terms and conditions.

*The ratio for converting the Securities into newly-issued ordinary shares of BBVA (the "**Conversion Ratio**") will be the result of dividing the nominal value of each of the Securities (which will be, at least, 100,000 euros, or its equivalent amount in any other currency) by the unitary value attributed to BBVA's ordinary shares for the purposes of the conversion (the "**Conversion Price**"). The Conversion Price will correspond, at least, to the market price of BBVA's share at the time of the conversion of the Securities, subject to certain limits.*

In this regard, the Conversion Price will be the greater of:

i) the arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;

ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this

*amount depending on the application of the anti-dilution mechanism set out in paragraph d) (the "**Minimum Conversion Price**"); and*

iii) the nominal value of ordinary shares of BBVA at the time of conversion.

In accordance with the above, the Conversion Price will at least be equal to the market price of BBVA's share upon conversion of the Securities, but in no event such price can be lower than the unitary nominal value of BBVA's ordinary shares at the time of conversion, so that the transaction will, in all events, comply with article 415.2 of the Corporate Enterprises Act.

c) Conversion procedure

The conversion procedure will be determined in the terms and conditions of the Issuance.

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 market practice in this type of transactions, in compliance with the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of BBVA's ordinary shares at the time of conversion.

*Notwithstanding other powers that may be granted, the Executive Committee is empowered, with express replacement authority, and the broadest powers are conferred on Mr Jaime Sáenz de Tejada Pulido, with identity card number 823996-K, Mr Antonio Joaquín Borraz Peralta, with identity card number 29100035-K, Mr Javier Malagón Navas, with identity card number 407098-K; Mr Ignacio Echevarría Soriano, with identity card number 837871-G; Mr Francisco Javier Colomer Betoret, with identity card number 25418655-K; and Mr Raúl Moreno Carnero, with identity card number 52473664-S, all of legal age, Spanish nationals and domiciled for these purposes in Madrid, calle Azul n.º 4 (the "**Proxies**"), so that either of them, indistinctly, jointly and severally, may establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, amend and/or adapt the conversion events, as well as to determine other trigger events, additional to those provided for in this resolution, under the terms and conditions they deem necessary or advisable for the successful outcome of the Issuance.*

***THIRD**.- On the basis of the report drawn up by BBVA Finance Area, in accordance with the report issued by J&A Garrigues, S.L.P., and pursuant to articles 414, 417 and 511 of the Corporate Enterprises Act, to approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/auditor of accounts different than the Company's auditor, appointed for such*

purposes by the Commercial Registry, and reported to the first General Shareholders' Meeting held after the capital increase resolution, expressly empowering the General Secretary and of the Board of Directors and the Vice secretary of the Board of Directors to certify the text.

FOURTH.- *In line with the Finance Area's statement reflected in its report, which is reflected in the Directors' Report approved under the above resolution, the corporate interest requires the suppression of pre-emptive subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017, under agenda item five, and pursuant to articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude said pre-emptive subscription rights in this Issuance.*

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

Considering that the Minimum Conversion Price cannot be lower than 3.75 euros or its equivalent amount in any other currency, the maximum number of ordinary shares of BBVA to be issued is 400 million (currently with a nominal value of 0.49 euros per share), assuming that no anti-dilution adjustments are made which may impact the Minimum Conversion Price, and expressly envisaging the possibility of the capital increase being implemented with an issue premium, for a lower number of shares and with the possibility of under-subscription.

Should the Securities be converted, the new shares of BBVA issued to cover the conversion will be ordinary shares, of the same class and series as those outstanding at that time and will be represented in the same way (currently by book entries, whose recording is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal, which performs this function together with its participating entities), granting their holders the same rights as the ordinary shares outstanding at that time. Upon execution of this resolution to increase share capital, the corresponding article of the Bylaws will be redrafted accordingly.

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

SIXTH.- *In use of the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017 under agenda item five, it is hereby resolved to delegate the authority on the Executive Committee, with express replacement authority, and to empower the Proxies in the broadest terms, so that either of them, indistinctly and jointly and severally, may, within the limits established in the above resolutions, carry out the aforementioned Issuance and:*

a) Determine the timing on which the Issuance is to take place, being also authorized to abstain from executing the Issuance if deemed necessary or advisable, with the faculty to execute the Issuance through the SHELF programme that the Bank may have registered with the Securities and Exchange Commission at any time.

b) Determine the terms, characteristics and conditions applicable to the Issuance and to the Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate, include new conversion terms and methods and/or amend those determined, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as determine any additional triggers for conversion and/or redemption any other terms and conditions deemed necessary or advisable for the successful outcome of the Issuance, expressing the amount drawn respect to the limit of the delegation granted by the General Shareholders' Meeting to the Board and the amount remaining, empowering them also to redeem the Securities early, carrying out any actions that may be needed or advisable.

c) Declare the Distributions of the Securities, whether partially or totally, and declare the total or partial cancellation of Distributions, as determined in the terms and conditions of the Issuance.

d) Apply, where appropriate, the anti-dilution mechanisms as determined in the terms and conditions of the Issuance.

e) Negotiate, examine, enter into, perform, execute, sign, amend, terminate or cancel all the contracts, instruments, agreements and documents, whether public or private, that may be necessary or advisable in connection with the Issuance (in particular, including, but not limited to, prospectuses, base prospectus, offering circulars, supplements, prospectus supplement, indentures, supplemental indentures, F-3, term sheets, form of security, liquidity contracts, subscription, placement or underwriting agreements, agency contracts, requests, communications, announcements or notices, as well as any other contracts formalizing the Issuance or that are necessary for the issuance of the Securities, as well as any other additional documents that form part or that may be related to the Bank's SHELF programme), with authority to determine the legal and economic conditions of all of them and to make the necessary or advisable designations or appointments, as well as other supplementary acts that may be required or advisable to implement what has been agreed upon.

f) With relation to the Issuance or the Securities, appear, personally or through the representative or agent designated in writing by any of the Proxies, before all the representatives, committees or bodies of any securities exchange or market or any

supervisor, regulator or registry, including, but without limitation, the Securities and Exchange Commission, the New York Stock Exchange or the Irish Stock Exchange, as well as any securities book-entry registration, clearing and/or settlement organization, with authority to execute, issue, sign, grant, modify, terminate and cancel such contracts, certificates and documents as may be necessary or advisable, in the manner that any of the Proxies deems necessary or advisable to comply with the applicable requirements imposed from time to by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement organization, that are necessary or that are considered convenient for the satisfactory outcome of the Issuance.

g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other own fund category of the Company and/or of its group, in accordance with the capital and solvency regulations that may apply from time to time.

h) Execute and sign any public or private documents as may be required, with authority to appear before a notary, raise these resolutions to public, execute deeds of issue, rectification, clarification or correction, and those for total or partial subscription of the Issuance, as well as those for total or partial redemption or amendment and, where appropriate, execute any other public or private documents that may be necessary or advisable in relation to the Issuance, as well as complete all relevant formalities, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when mandatory. Where applicable, file the declaration referred to in article 318 of the Commercial Registry Regulations, in compliance with article 36 of the consolidated text of the Securities Markets Act, should this be necessary.

i) If deemed necessary or advisable, establish the mechanisms for collective association or organization and/or representation and protection of Securities holders, including the determination of their characteristics and rules of operation, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and such holders, all in accordance with the terms and conditions deemed necessary or advisable.

j) Establish all other aspects not determined by this Board of Directors in relation to the Issuance, including any modification, where necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or advisable in relation to the above powers, executing for this purpose any private or public documents deemed necessary or advisable.

k) With respect to the contingent conversion of the Securities into newly issued ordinary shares of BBVA, establish, where appropriate, the Conversion Price, the Minimum Conversion Price, the final conversion rate for the Issuance and, if applicable, the issue premium, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case,

and perform 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, if applicable, the wording of the corresponding article in the Company Bylaws to adapt it to the new figure for share capital, being also authorized to appear for such purposes before any public or private bodies, including but not limited to a public notary or the Commercial Registry.

l) Request, where appropriate, the admission to trading of the Securities and/or the ordinary shares of BBVA issued to cover the contingent conversion of the Securities, on regulated and non-regulated, organized or non-organized, Spanish and international secondary markets, including, but without limitation, the New York Stock Exchange or the Irish Stock Exchange, and carry out procedures and actions as deemed necessary or advisable in any jurisdiction where the Securities or the newly issued shares of BBVA are offered or traded or requested to trading, where applicable. By way of example:

i) Draft, approve, formulate, subscribe and sign any documents, contracts, prospectuses, requests, communications or notifications as deemed necessary or advisable for these purposes and proceed to their subsequent amendment as deemed advisable.

ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalize such public and/or private documents as may be necessary and/or advisable for the full effectiveness of the resolutions, in any aspects or content.

Lastly, and for the purposes of the applicable regulations on issuance of securities, it is resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public and/or private body. They will bear responsibility for the content of the prospectuses, information documents or any other similar documents, where applicable, being likewise authorized to sign any additional contracts and documents, whether public or private, that may be necessary or advisable for the successful outcome of the Issuance."

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Madrid, 27 September 2017.

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BDO Auditores, S.L.P., a Spanish limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the trade name used by the whole BDO network and all of its member firms.