

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

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1. INTRODUCTION

1.1 Aim of this Report; Applicable regulations

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

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

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

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

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

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

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

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

1.2 Advisory services received

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

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

2. ON THE ISSUANCE OF PREFERRED SECURITIES

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

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

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

(...)

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

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

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

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

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

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

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

(...)

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

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

2.2 Rationale for the Issuance

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

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

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

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

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

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

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

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

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

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

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

2.3 Financial conditions of the Issue

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

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

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

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

Where:

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

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

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

2.4 Terms and modalities of the Conversion

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

2.4.1 Conversion triggers

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

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

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

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

2.4.2 Conversion Ratio

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

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

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

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

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

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

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

- a) the Reference Price;

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

2.4.3 *Anti-dilution mechanism*

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

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

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

2.5 Capital increase

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

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

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

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

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

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

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

3.1 Grounds for the exclusion of pre-emptive subscription rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2 Investors to whom the Preferred Securities should be attributed

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

4. PROPOSED RESOLUTION

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

Nature of the Preferred Securities

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

Issuer:

Banco Bilbao Vizcaya Argentaria, S.A.

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Target investors:	<i>Qualified investors and foreign private banking customers.</i>
Maximum amount:	<i>Two billion US dollars (US\$2,000,000,000).</i>
Nominal value:	<i>The Preferred Securities will have a nominal unit value of two hundred thousand US dollars (US\$200,000).</i>
Number of Preferred Securities:	<i>The maximum number of Preferred Securities to be issued is ten thousand (10,000), all belonging to one single series and with the same terms and conditions.</i>
Issue Price:	<i>The Issue will be at par, ie, at one hundred per cent of its nominal value.</i>
Distribution:	<p><i> Holders of Preferred Securities may receive a predetermined non-cumulative distribution that will be determined as a function of the interest rate applicable to the nominal value of the Preferred Securities, provided they comply with the rest of the conditions established in the Issue terms (the “Distribution”).</i></p> <p><i> In particular, the Issuer may, at its own discretion, cancel the Distribution payment when it deems this to be necessary during an unlimited period, without cumulative effect. Likewise, the Bank of Spain may demand cancellation of the Distribution payment on the basis of the Issuer's financial situation and capital adequacy.</i></p>
Maturity date and early redemption:	<p><i> The Issue is perpetual, such that it has no maturity date.</i></p> <p><i> The Preferred Securities may be totally or partially redeemed at the Issuer's option, in accordance with the final terms and conditions of the issue, provided that at least 5 years have elapsed from their issue, and always if</i></p>

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authorisation has been given by the Bank of Spain.

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

Form of the Preferred Securities:

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

Status of the Preferred Securities:

The Preferred Securities will be ranked in the following order:

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

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

a) Conversion triggers

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

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

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

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

b) Conversion Ratio

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

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

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

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

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

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

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

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

c) Procedures for Conversion

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

d) Anti-dilution Mechanism

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * *

Madrid, 3rd April 2013

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

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

1. INTRODUCTION

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

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

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

2. PURPOSE OF OUR SPECIAL REPORT

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

3. PROCEDURES EMPLOYED IN OUR WORK

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

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

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

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

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

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

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

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

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

5. CONCLUSIONS.

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

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

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

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

MOORE STEPHENS AMS, S.L.

Alfonso Gómez Bilbao

Bilbao, 11th April 2013

Annex I

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

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1. INTRODUCTION

1.1 Aim of this Report; Applicable regulations

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

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

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

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

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

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

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

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

1.2 Advisory services received

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

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

2. ON THE ISSUANCE OF PREFERRED SECURITIES

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

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

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

(...)

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

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

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

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

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

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

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

(...)

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

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

2.2 Rationale for the Issuance

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

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

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

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

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

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

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

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

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

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

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

2.3 Financial conditions of the Issue

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

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

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

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

Where:

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

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

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

2.4 Terms and modalities of the Conversion

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

2.4.1 Conversion triggers

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

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

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

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

2.4.2 Conversion Ratio

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

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

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

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

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

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

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

- a) the Reference Price;

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

2.4.3 *Anti-dilution mechanism*

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

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

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

2.5 Capital increase

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

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

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

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

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

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

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

3.1 Grounds for the exclusion of pre-emptive subscription rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2 Investors to whom the Preferred Securities should be attributed

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

4. PROPOSED RESOLUTION

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

Nature of the Preferred Securities

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

Issuer:

Banco Bilbao Vizcaya Argentaria, S.A.

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

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

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

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

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

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

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

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

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

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authorisation has been given by the Bank of Spain.

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

Form of the Preferred Securities:

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

Status of the Preferred Securities:

The Preferred Securities will be ranked in the following order:

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

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

a) Conversion triggers

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

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

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

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

b) Conversion Ratio

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

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

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

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

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

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

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

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

c) Procedures for Conversion

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

d) Anti-dilution Mechanism

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * *

Madrid, 3rd April 2013

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