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

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1. INTRODUCTION

1.1 Purpose of the report

This report is drawn up by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”, the “**Bank**” or the “**Issuer**”) pursuant to articles 414, 417 and 511 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2, as currently in force (the “**Corporate Enterprises Act**”), in relation to the resolution to issue preferred securities contingent convertible into newly-issued ordinary shares of BBVA, which are issued in accordance with the first additional provision of Act 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions (“**Act 10/2014**”) and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms (“**EU Regulation 575/2013**”) so that they may be considered additional tier 1 capital instruments (the “**Securities**”), for a maximum nominal amount of 1,500 million euros, or the equivalent amount in any other currency, and with exclusion of preemptive subscription rights (the “**Issuance**”), and the corresponding share capital increase.

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

1.2 Applicable Regulations

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

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

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

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

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

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

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

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

1.3 Advisory services received

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

2. ON THE ISSUANCE OF THE SECURITIES

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

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

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

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

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt instruments convertible into newly issued Company shares in any form admitted by law; the amount, always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.*
- (ii) Resolve, establish and determine the form, the timing and the triggers for conversion and/or redemption, with the possibility of making perpetual issues; and the terms and modalities for conversion; distinguishing between: (a) perpetual issues or issues with no conversion and/or redemption deadline whose conversion is contingent, envisaged to meet regulatory requirements for the eligibility of the securities issued as capital instruments pursuant to solvency rules applicable at any time (“Contingent Convertible Issues - CoCos”); and (b) the rest of the convertible securities issues made under this resolution, including, by way of example and not limited to those issues with a predetermined mandatory conversion deadline (which may be on maturity or at any other time) or that are convertible at the option of the issuer and/or the investor, the total or partial nature of that conversion being determined by the Company, the securities holders or both (“Mandatory Convertible Issues”).*
- (iii) Resolve, establish and determine the conversion ratio, which may be fixed or variable, within the limits set forth below.*

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

securities market or exchange that the Board of Directors determines, the date prior to the date on which the specific issue of convertible securities is approved.

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

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

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

(...)

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

(...)

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

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

2.2 Regulatory environment and capital requirements

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

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

These regulations foresee the possibility for credit institutions to have in place different capital instruments to cover, in an efficient manner, the different categories of regulatory capital which, in certain ratios, comprise their capital requirement, all in accordance with the composition and size of their balance sheets.

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

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

As a result of the latest SREP conducted in 2017, the ECB has required the Bank to maintain, with effect from 1 January 2018: (i) phased-in CET1 ratios of 8.438% on a consolidated basis and 7.875% on an individual basis; and (ii) phased-in total capital ratios of 11.938% on a consolidated basis and 11.375% on an individual basis over risk-weighted assets.

The phased-in total capital ratio of 11.938% at consolidated level includes: (i) the minimum CET1 capital ratio required by Pillar 1 (4.5%); (ii) the Additional Tier 1 (“**AT1**”) capital requirement of Pillar 1 (1.5%); (iii) the Tier 2 capital requirement of Pillar 1 (2%); (iv) the CET1 requirement of Pillar 2 (1.5%); (v) the capital conservation buffer (1.875% of CET1); and (vi) the buffer for other systemically important institutions (0.563% of CET1).

On 31 December 2017, the Bank's phased-in total capital ratio was 15.37% on a consolidated basis and 22.54% on an individual basis. Its phased-in CET1 capital ratio was 11.67% on a consolidated basis and 17.67% on an individual basis. These ratios are comfortably above the capital requirements applicable to the Bank.

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

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

2.3 Rationale for the Issuance

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

2.3.1 Financial and market rationale

BBVA issued, in February 2014, financial instruments that met the characteristics required by CRD IV for their eligibility as AT1 instruments, amounting to 1.5 billion euros (the "**AT1 2014 Issuance**"), which is still outstanding.

The AT1 2014 Issuance is perpetual, but includes the possibility of early redemption by the Bank after the fifth year (i.e. as of next February 2019).

As observed in the execution of the last AT1 transactions performed by several entities and in the current prices in the AT1's secondary market, and as indicated by the Finance Area in its report, the current financial conditions are ideal to perform an AT1 issuance, which would allow: (i) anticipate the potential early redemption of the AT1 2014 Issuance in an orderly manner; and; (ii) its replacement with instruments with the same regulatory category,

but with an envisaged lower financial cost. This would continue with the optimization of the financial cost of the capital structure and the compliance with the corporate interest.

In this regard, it is worth noting that in 2017 BBVA already performed two issuances of AT1 instruments in order to replace the first issuance of AT1 instruments that BBVA made in May 2013 (the “**Original Issuance**”). This Original Issuance, which is expected to be redeemed next May, has a higher financial cost in comparison with the issuances that took place in 2017 (9% for the Original Issuance in comparison to the 5.875% and 6.125% for the issuances that took place in 2017).

Nevertheless, it should be considered that the circumstances surrounding the relevant rates for determining the suitability of the early redemption of the AT1 2014 Issuance will be those existing in 2019.

Lastly, as set forth in the report of the Finance Area, the current market conditions are also favourable to the performance of an AT1 issuance. In this regard, a solid demand for these instruments has been detected due to the current interest rate environment and the lack of yield financial products.

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

2.3.2 Regulatory rationale

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

As stated in section 2.2 above, CRD IV provides the possibility that credit institutions have in place different capital instruments to cover the different categories of regulatory capital efficiently which, in certain ratios, comprise

their own funds requirement, according to the composition and size of their balance sheets.

In this sense, in addition to CET1, CRD IV includes two additional regulatory capital categories in the composition of the Pillar 1 capital requirement, namely AT1 and "Tier 2 capital" which can be covered with specific instruments and, failing that, with CET1 and with CET1 or AT1, respectively, which would be more burdensome and less efficient. Therefore, it is proposed to issue the Securities that are eligible as AT1 according to CRD IV in order to potentially replace the AT1 2014 Issuance, as they are the only kind of instruments that comply with the features for its eligibility, as described hereunder and thus preserving at all times the Bank's capital position in the most effective way.

Specifically, the Issuance would raise BBVA's capital ratios in accordance with both current (phased-in) regulations and those applicable as from 2019 (fully-loaded), being able to potentially refinancing the AT1 2014 Issuance and guaranteeing at all times the efficient compliance with its solvency requirements and with a management margin that is in line with the current supervisory trend.

Lastly, as indicated by the Finance Area in its report, performing the proposed Issuance implies a prospective management of the refinancing of the AT1 2014 Issuance, such management being understood as the management of the supervisor's mandatory prior authorization to redeem a capital issuance (i.e. the AT1 2014 Issuance) without having started the replacement of the issuance subject to redemption with instruments of the same or greater quality (i.e. the Issuance).

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

provides that these securities must include, among others, the following characteristics:

- (i) be perpetual;
- (ii) rank below Tier 2 capital instruments in the event of insolvency of the entity;
- (iii) distributions on the securities are only paid out of distributable items and the entity has full discretion at all times to cancel distributions on the securities for an unlimited period and on a non-cumulative basis and non-restrictive effects on the compliance of the remaining obligations of the entity; and
- (iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5.1 below) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur in a very specific situation of shortfall in CET1 of the issuer or its group.

Consequently, it is considered convenient to perform the Issuance, with the required features for its eligibility as AT1, that may anticipate the refinancing of the AT1 2014 Issuance in an orderly manner (managing in a prospective manner the applicable regulatory authorizations and thus preserving at all times the capital position of the Bank) and with a lower financial cost, benefiting from the current favorable market circumstances, and considering that the relevant rates for determining the suitability of the early redemption of the AT1 2014 Issuance will be those existing in 2019, which is therefore, taken as a whole, in BBVA's best interest.

2.4 Financial conditions of the Issuance

The Issuance will be made for a maximum nominal amount of 1,500 million euros, or its equivalent amount in any other currency, with a nominal value of each

Security being, at least, 100,000 euros, or its equivalent amount in any other currency.

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

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

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

2.5 Terms and methods of conversion

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

2.5.1 Conversion trigger events

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

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

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

2.5.2 Conversion ratio

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

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

where:

Conv_{ratio}: Conversion Ratio

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

Sh_P: Conversion Price

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

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

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

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

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

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

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

2.5.3 Anti-dilution mechanism

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

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

2.6 Capital increase

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

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

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

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

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

3. GROUND FOR THE EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preemptive subscription rights

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

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

Furthermore, articles 417 and 511 of the Corporate Enterprises Act require that the preemptive subscription rights shall only be excluded in the event of convertible bond issuances when the corporate interest so requires, among others.

BBVA's Board of Directors, by virtue of said delegation granted by the General Shareholders' Meeting and based on the report issued by the Finance Area (which in turn is sustained on the report prepared by Citigroup Global Markets Limited) as well as on the legal report by J&A Garrigues, S.L.P., as external legal advisor helping BBVA in the legal design of this transaction, has resolved to exclude the preemptive subscription rights with respect to the Issuance, as it deems such exclusion to be fully substantiated and in compliance with the requirements

established by law, and necessary to achieve the corporate interest, for the following reasons.

In light of section 2.3, the proposed issuance of these Securities is for the purpose of prospectively managing the potential replacement of the AT1 2014 Issuance with other under more appropriate or suitable financial terms; and complying, in the most efficient way, with the Bank's current or future capital requirements, preserving at all times the Bank's capital position; taking advantage of the interest and demand detected in the market and thus meeting the corporate interest.

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

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

In the same sense the Spanish National Securities Market Commission has expressed its position through Circular 1/2018, of 12 March on warnings relating to financial instruments, by virtue of which the CNMV believes that the financial instruments that are eligible as additional Tier 1 (such as the Securities), are not appropriate for retail clients due to their complexity.

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

The combination of the factors described above (the characteristics of these securities, the market conditions and the investors to whom the Issuance is addressed) has led the Finance Area to consider that the optimal alternative for the corporate interest is to manage the potential replacement of the AT1 2014 Issuance by issuing the Securities, addressing the Issuance solely to qualified investors, as this is the appropriate group for subscribing this type of instruments and are also those who have shown interest.

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

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

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the regulations on own funds and solvency for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be taken into account that BBVA's solvency and own funds ratios currently fairly exceed from the conversion events, reinforcing the nature of the Securities as fixed-income security instruments and the eventuality of their conversion.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument.
- (iii) The Conversion Price proposed to cover an eventual conversion corresponds

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

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

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

3.2 Investors to whom the Securities should be attributed

The Issuance is aimed exclusively at qualified investors, as this term is defined in the securities market regulations, excluding, in any event, the retail clients.

4. PROPOSED RESOLUTIONS

“FIRST. - *In use of the authority conferred by the Annual General Shareholders’ Meeting of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”, the “Company” or the “Issuer”)* held on 17 March 2017 under agenda item five, to issue preferred securities contingent convertible into newly issued ordinary shares of the Company, in accordance with the first additional provision of Act 10/2014, of 26th June, on the regulation, supervision and solvency of credit institutions (***“Act 10/2014”***) and EU Regulation No. 575/2013 of the

European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms (“**EU Regulation 575/2013**”) so that they may be considered Additional Tier 1 capital instruments (the “**Securities**”), for a maximum nominal amount of one thousand five hundred million euros (€1,500,000,000) or the equivalent in any other currency, with exclusion of preemptive subscription rights (the “**Issuance**”), under the following terms:

Nature of the Securities: Preferred securities contingent convertible into newly issued ordinary shares of BBVA, pursuant to the first additional provision of Act 10/2014 and EU Regulation 575/2013, so that they may be considered Additional Tier 1 capital instruments.

Issuer: BBVA.

Target Investors: Exclusively at qualified investors, excluding, in any event, the retail clients.

Maximum Issuance amount: One thousand five hundred million euros (€1,500,000,000) euros, or the equivalent amount in any other currency, as set out in the terms and conditions of the Issuance. The Issuance may be made for a lower amount.

Nominal value: The Securities will have the nominal value set out in the terms and conditions of the Issuance, with a minimum amount of 100,000 euros, or the equivalent in any other currency.

Number of Securities: The number of Securities to be issued will be the result of dividing the total nominal amount of the Issuance by its nominal value. All the Securities will belong to a single series and the same terms and conditions will apply to all of them.

Distributions: Holders of the Securities may receive a non-cumulative distribution that will be based on the interest rate applicable to the nominal value of the Securities and which will be paid provided compliance with the conditions set out in the terms and conditions of the Issuance (the “**Distributions**”).

In particular, the Issuer shall have full discretion at all times to totally or partially cancel the payment of Distributions for an unlimited period and on a non-cumulative basis, and such cancelation may not

entail any restriction to meet the remaining obligations of the Issuer.

The foregoing notwithstanding other cases of cancellation of Distributions that may be set out in the terms and conditions of the Issuance or as determined by applicable regulations.

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

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

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

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

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

- (i) junior to privileged obligations, obligations against the estate and unsubordinated obligations;*
- (ii) junior to subordinated obligations and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*
- (iv) senior to the obligations and securities issued or guaranteed by BBVA, or that may be issued*

or guaranteed by BBVA, that rank senior to the Securities; and

(v) senior to BBVA's shares.

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

a) Conversion triggers events

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

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

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

b) Conversion Ratio

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

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

- i) the arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;*
- ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this amount depending on the application of the anti-dilution mechanism set out in paragraph d) (the "**Minimum Conversion Price**") ; and*

<p><i>This English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish original will prevail.</i></p>
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iii) *the nominal value of ordinary shares of BBVA at the time of conversion.*

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

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

c) *Conversion procedure*

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

d) *Anti-dilution mechanism*

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

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

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

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

expert/auditor of accounts different than the Company's auditor, appointed for such purposes by the Commercial Registry, and reported to the first General Shareholders' Meeting held after the capital increase resolution, expressly empowering the General Secretary and of the Board of Directors and the Vice secretary of the Board of Directors to certify the text.

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

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

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

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

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

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

- a) Determine the timing on which the Issuance is to take place, being also authorized to abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and to the Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution FIRST above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate, include new conversion terms and methods and/or amend those determined, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as determine any additional triggers for conversion and/or redemption any other terms and conditions deemed necessary or advisable for the successful outcome of the Issuance, expressing the amount drawn respect to the limit of the delegation granted by the General Shareholders' Meeting to the Board and the amount remaining, empowering them also to redeem the Securities early, carrying out any actions that may be needed or advisable.*
- c) Declare the Distributions of the Securities, whether partially or totally, and declare the total or partial cancellation of Distributions, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanisms as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, enter into, perform, execute, sign, amend, terminate or cancel all the contracts, instruments, agreements and documents, whether public or private, that may be necessary or advisable in connection with the Issuance (in particular, including, but not limited to, prospectuses, base prospectus, offering circulars, information documents, supplements, prospectus supplement, term sheets, form of security, liquidity contracts, subscription, placement or underwriting agreements, agency contracts, requests, communications, announcements or notices, with authority to determine the legal and economic conditions of all of them and to make the necessary or advisable designations or appointments, as well as other supplementary acts that may be required or advisable to implement what has been agreed upon.*
- f) With relation to the Issuance or the Securities, appear, personally or through the representative or agent designated in writing by any of the Proxies, before all the representatives, committees or bodies of any securities exchange or market or any supervisor, regulator or registry, including, but without limitation, the Spanish National Securities Market Commission (CNMV), AIAF Mercado de Renta Fija, Mercado Alternativo de Renta Fija or the Irish Stock Exchange, as well as any securities book-entry registration, clearing and/or settlement organization, with authority to execute, issue, sign, grant, modify, terminate and cancel such contracts,*

certificates and documents as may be necessary or advisable, in the manner that any of the Proxies deems necessary or advisable to comply with the applicable requirements imposed from time to time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement organization, including, but without limitation, IBERCLEAR, that are necessary or that are considered convenient for the satisfactory outcome of the Issuance.

- g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other category applicable, in accordance with the regulations that may apply from time to time.*
- h) Execute and sign any public or private documents as may be required, with authority to appear before a notary, raise these resolutions to public, execute all the deeds that the Proxies deem appropriate, including deeds of issue, rectification, clarification or correction, and those for total or partial subscription of the Issuance, as well as those for total or partial redemption or amendment and, where appropriate, execute any other public or private documents that may be necessary or advisable in relation to the Issuance, as well as complete all relevant formalities, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when mandatory. Where applicable, file the declaration referred to in article 318 of the Commercial Registry Regulations, in compliance with article 36 of the consolidated text of the Securities Markets Act, should this be necessary.*
- i) If deemed necessary or advisable, constitute the Issuance bondholders' syndicate, as well as to appoint the trustee of said syndicate, or, if deemed necessary or advisable, to establish the mechanisms for collective association or organization and/or representation and protection of Securities holders, including the determination of their characteristics and rules of operation, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and such holders, all in accordance with the terms and conditions deemed necessary or advisable.*
- j) Establish all other aspects not determined by this Board of Directors in relation to the Issuance, including any modification, where necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or advisable in relation to the above powers, executing for this purpose any private or public documents deemed necessary or advisable.*
- k) With respect to the contingent conversion of the Securities into newly issued ordinary shares of BBVA, establish, where appropriate, the Conversion Price, and, if applicable, the issue premium, the Minimum Conversion Price, the final Conversion Ratio for the Issuance, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and perform such acts as may be necessary, including, but not limited to, granting any public or private documents that may be necessary to implement the*

capital increase and amend, if applicable, the wording of the corresponding article in the Company Bylaws to adapt it to the new figure for share capital, being also authorized to appear for such purposes before any public or private bodies, including but not limited to a public notary or the Commercial Registry, as well as to execute any deeds deemed necessary or appropriate in this regard.

- l) Request, where appropriate, the admission to trading, or the inclusion to listing of the Securities and/or the ordinary shares of BBVA issued to cover the contingent conversion of the Securities, on secondary regulated and non-regulated, organized or non-organized, multilateral trading systems, Spanish and international markets, including, but without limitation, AIAF Mercado de Renta Fija, Mercado Alternativo de Renta Fija or the Irish Stock Exchange, and carry out procedures and actions as deemed necessary or advisable in any jurisdiction where the Securities or the newly issued shares of BBVA are offered or traded or requested to trading, where applicable. By way of example:*
 - (i) Draft, approve, formulate, subscribe and sign any documents, contracts, prospectuses, information documents, requests, communications or notifications as deemed necessary or advisable for these purposes and proceed to their subsequent amendment as deemed advisable.*
 - (ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalize such public and/or private documents as may be necessary and/or advisable for the full effectiveness of the resolutions, in any aspects or content.*

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

* * *

Madrid, 26 April 2018.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Special report regarding the issue of perpetual securities contingently convertible into shares with the exclusion of the pre-emptive subscription right in the case of articles 414, 417 and 511 of the Restated Text of the Companies Act

Bilbao, 11th May 2018



SPECIAL REPORT REGARDING THE ISSUE OF PERPETUAL SECURITIES CONTINGENTLY CONVERTIBLE INTO SHARES WITH THE EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHT IN THE CASE OF ARTICLES 414, 417 AND 511 OF THE RESTATED TEXT OF THE COMPANIES ACT

To the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.:

For purposes of the provisions of articles 414, 417 and 511 of the Restated Text of the Companies Act (Ley de Sociedades de Capital or "LSC"), and pursuant to the assignment of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "BBVA" or "the Bank"), by appointment of the Mercantile Registrar of Vizcaya, Mr Juan Alfonso Fernández Núñez, corresponding to file number 2018/46, we issue this Special Report regarding the issue of perpetual securities contingently convertible into shares of Banco Bilbao Vizcaya Argentaria, S.A., with the exclusion of pre-emptive rights, under the authorisation and therefore the delegation conferred by the Ordinary General Shareholders' Meeting of the Bank on 17 March 2017.

1. Background and purpose of our work

Banco Bilbao Vizcaya Argentaria, S.A. is a Spanish company organised under private law, subject to the rules and regulations of banking institutions operating in Spain, domiciled in Bilbao. The shares of the Bank are listed on the Continuous Market of the Spanish Securities Markets, as well as on other international markets. All the shares of the Bank have the same political and economic rights without there being any different voting right for any shareholder.

According to the information and documentation received under the delegation conferred by the Ordinary General Shareholders' Meeting of the Bank held on 17 March 2017 the Board of Directors has adopted a resolution to carry out an issue of perpetual securities contingently convertible (hereinafter, the "securities") into shares of the Bank in the amount of up to ONE THOUSAND FIVE HUNDRED MILLION EUROS (€ 1,500,000,000), or its equivalent in any other currency, with a provision for a possible incomplete subscription, with the exclusion of pre-emptive rights, and of a perpetual nature (except upon conversion or prepayment).

In addition, on 26 April 2018, the Board of Directors of the Bank prepared a Directors' Report, attached hereto as Annex I (hereinafter, the "Directors' Report") providing a rationale for the proposal and the rate of conversion into shares of the securities to be issued. According to the information obtained, the issue shall be implemented in accordance with the provisions of the terms and conditions contained in the Directors' Report.



The purpose of our work is not to certify the price of issue or conversion of the securities. The objectives of our work are exclusively the following:

- To state whether the attached Directors' Report of the Bank contains the minimum required information compiled in the Technical Rule on the Preparation of the Special Report regarding the issue of convertible obligations in the case of article 414 of the LSC which includes an explanation of the basis and methods of the conversion corresponding to the securities, by application of the procedures set forth in such Technical Rule.
- To issue a technical opinion, as independent experts, regarding the reasonableness of the data contained in the Directors' Report of the Bank in relation to the issue of the securities with the exclusion of pre-emptive rights, and regarding the suitability of the conversion ratio thereof and, if applicable, the formulas of adjustment thereof to compensate for possible dilution of the financial interest of the shareholders, all in accordance with the provisions of article 417 of the LSC, and by analogy, in those cases where the Technical Rule on the Preparation of the Special Report regarding the exclusion of pre-emptive rights is applicable.

The accounting information used in this work has been obtained from the consolidated annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. and companies making up the BBVA Group (hereinafter, "the Group" or "BBVA Group") for the financial year ended 31 December 2017, which were audited by KPMG Auditores, S.L., which issued its audit report on 13 February 2018, in which it expressed an unqualified opinion.

2. Procedures applied in our work

Our work consisted of the application of the following procedures in accordance with the Technical Rule on Preparation of the Special Report regarding the issue of convertible obligations in the case of article 414 of the Restated Text of the Companies Act, as well as those complementary procedures that we have deemed necessary to comply with the provisions of articles 417 and 511 of the Companies Act:

- a) Obtaining and analysing the resolution of the Ordinary General Shareholders' Meeting of the Bank of 17 March 2017 with respect to the delegation to the Bank's Board of Directors, with the express power of substitution in the Bank's Executive Committee, or in any other person with powers of attorney in the company, of the power to issue, among other things, convertible securities and to exclude the right to pre-emptive subscription.
- b) Obtaining of the report prepared by the Directors of Banco Bilbao Vizcaya Argentaria, S.A., explaining the basis and methods of the conversion and the justification of the exclusion of pre-emptive rights dated 26 April 2018, which as mentioned above is included as Annex I to this Report.



- c) Obtaining of the report from the Finance Area of BBVA, and other financial and legal reports issued by the Bank's advisors in relation to the planned transaction.
- d) Obtaining and analysing the following financial statements:
 - Stand alone and consolidated annual accounts together with the report of the auditor of Banco Bilbao Vizcaya Argentaria, S.A. and companies making up BBVA Group for the financial year ended 31 December 2017
 - Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report corresponding to the three month period ended March 31, 2018.
- e) Verification that the Directors' Report regarding the issue of the perpetual securities contingently convertible into shares contains the information deemed necessary and sufficient, within the context of the Resolution of 23 October 1991 of the Instituto de Contabilidad y Auditoría de Cuentas (ICAC), for a proper interpretation and comprehension by the addressees thereof.
- f) Obtaining and analysing the information used by the Directors of Banco Bilbao Vizcaya Argentaria, S.A. in determining the basis and methods of the conversion of the securities; verifying that they comply with the provisions established for such purpose in the delegation agreement adopted by the General Shareholders' Meeting of 17 March 2017 cited in paragraph a) above.
- g) Verification that, in accordance with the Directors' Report, the issue price of the contingent convertible perpetual securities is not below the nominal value thereof, and that the conversion price thereof into shares (the conversion price) is not below the nominal value of the shares into which they are to be converted.
- h) Evaluation of the reasonability of the data contained in the Directors' Report justifying the issue of the securities, and the reasons and documentation provided to justify the exclusion of the right of pre-emptive subscription.
- i) Verification that the accounting information contained in the Directors' Report, if any, matches the information contained in the audited consolidated annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. for financial year 2017.
- j) Reading of available minutes of the General Shareholders' Meetings and of meetings of the Board of Directors held since 1 January 2017 and through the date of issue of this Report.
- k) Holding of meetings with executives of Banco Bilbao Vizcaya Argentaria, S.A. in order to obtain information regarding the issues raised or that might be of interest for the objective of our work.



- l) Study of changes in the listing price of the shares of the Company and determination of the average listing value of such shares during the latest representative listing period prior to the date of this Special Report (the last quarter) and of the latest available listing price prior to such date, also considering the listing frequency and volume of the periods under analysis.
- m) Given that the conversion ratio proposed by the Directors is variable, verification that the application of the formula proposed by the Directors that serves as the basis to establish the applicable conversion price each time ensures that this is in no case less than the reasonable value of the shares of the Bank, as the Floor Price (as defined in section 4 below) will correspond to at least the reasonable value of the shares of the Bank. Evaluation in this regard of whether the proposed conversion mechanism is reasonable, considering the contingency terms of the conversion proposed by the Directors.
- n) Analysis of the suitability of the conversion ratio and the formulas for adjustment thereof, to compensate for a possible dilution of the financial interest of the shareholders.
- o) Analysis of material subsequent events occurring after the formulation of the latest consolidated and audited annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. for financial year 2017, and through the date of this Report that could significantly affect the issue of perpetual securities contingently convertible into Bank's shares.
- p) Obtaining a representations letter by the Management of Banco Bilbao Vizcaya Argentaria, S.A. in which they confirm, among other items, that they have provided us with all information needed for the preparation of our special Report, have informed us of all significant hypotheses, data or information, and that there have been no subsequent events through the date of our special report that we have not been made aware of and that might have a material effect on the conclusions of our work.

3. Characteristics of the issue

The amount of the issue will be up to a maximum of one thousand five hundred million euros (€ 1,500,000,000), or its equivalent in any other currency, made up of securities with a minimum nominal value of 100,000 euros which shall be issued at par, expressly providing for a possible incomplete subscription, all belonging to a single series, and suppressing the right of pre-emptive subscription.



The convertible securities shall be of a perpetual nature (except for conversion or prepayment upon the terms included in the Directors' Report included as Annex I) and shall give the right to a non-cumulative remuneration determined based on the applicable interest rate on the nominal value of the securities and provided that the rest of the conditions set forth in the issue terms are met.

Specifically the issuer will be able to cancel, at their discretion, when deemed necessary, the remuneration's payment during a limitless period, without cumulative effect, independently of other events that might be established in the terms and conditions of the issue.

The issue is of a perpetual nature, thus it lacks due date. The securities might be paid totally or partially at the issuer's choice in accordance with the final terms and conditions of the issue, provided that at least 5 years have elapsed from their issue and as long as the Bank of Spain or the competent supervisory authority has previously authorized it.

4. Evaluation of the conversion ratio and formulas for adjustment thereof

The Directors' Report proposes that the conversion ratio of the perpetual securities contingently convertible into shares of the Bank be variable. Due to this reason fluctuations in the market value of the shares of the Bank would give rise to adjustments in the conversion ratio, but with the establishment of a maximum limit on the number of shares to be delivered in the conversion.

The basis and methods of the conversion are the following:

Events of contingent conversion

The securities will necessarily be converted into newly-issued ordinary shares of BBVA in the event that the issuer or the issuer's consolidated group has a common equity tier 1 ratio less than 5.125%, calculated in accordance with Regulation (EU) No. 575/2013 or such other solvency rules as are applicable to the Bank at each time.

Furthermore, the securities might be converted into newly-issued ordinary shares of BBVA if the issuer adopts any measure resulting on the approval of a reduction of its share capital in the terms spelled out in article 418.3 of the LSC.

Nevertheless, the terms and conditions of the issue may establish additional events to safeguard the issuer's solvency or in order for the securities to count as additional equity tier 1.



Conversion ratio

The conversion ratio of the securities into ordinary shares of BBVA will be the one resulting from the ratio between their nominal value (i.e. a minimum of 100,000 euros) and the value attributed to the ordinary shares of BBVA for conversion purposes (the latter being the "Conversion Price"). The Conversion Price will correspond to the market value of the shares of BBVA at the time of the conversion of the securities, subject to the limitations outlined below.

Thus, the number of shares that will correspond to each security holder as a consequence of the conversion will be the result of multiplying the conversion ratio by the number of securities owned by the investor. In the case of fractions of shares, it will be based according to the provisions on the terms of the issue.

The Conversion Price will be the arithmetic average of the closing prices of BBVA's shares corresponding to the five listing days previous to the day in which the conversion event takes place, rounding to the closest cent euro and, in case of half a cent, the immediately higher cent euro (the "Price of Reference")

If the resulting Reference Price is lower than 3.75 euros, the Conversion Price will be 3.75 euros per share ("the Floor Price"), without prejudice of the modifications that this amount may suffer based on the expected application of anti-dilution mechanisms.

Independently of the aforementioned, the Conversion Price may not be in any case lower than the nominal value of the shares of BBVA at the time of the conversion, so that in all cases the provisions set forth in article 415 of the LSC will be met.

Therefore, the Conversion Price of the ordinary shares of the Bank will be the highest of the following:

- a) The Price of Reference
- b) The Conversion Floor Price of 3.75 euros (without prejudice of the modifications that this amount may suffer based on the application of the anti-dilution mechanism); and
- c) The Nominal Value of the shares of BBVA at the time of the conversion.

Based on the aforementioned, the Conversion price suggested by the Directors will correspond, at least, to the reasonable value of the shares in the Bank at the date of the conversion.

The listing price per share at the closing of 10th May 2018 was 6,85 euros and the average listing price per share of the last 3 months ended at of 10th May 2018 has been 6,64 euros.



Since the conversion ratio is variable, the conversion ratio proposed by the Directors does not have a dilutive effect on the shareholders of the Bank for the reasons explained below:

- The contingent (non-mandatory) nature of the conversion; in other words, it is possible that the conversion never takes place, and thus the potential dilution of the Bank's shares would not be raised. The securities would only be converted in certain situations in which the solvency of the Bank or of the Bank's consolidable Group for regulatory purposes shows a common equity Tier 1 ratio of less than 5.125%. At 31 December 2017, according to information contained in the management report attached to the consolidated annual accounts for such financial year, the common equity Tier 1 ratio was 11.7%.
- A variable conversion ratio is established in the event of conversion, based on the listing price of the Bank's shares calculated, as for a determined date, as the arithmetic average of the closing price of the BBVA's share in the five working days immediately preceding such date. Therefore the types of issue of the shares that may be issued due to the conversion corresponds to the market value of BBVA's shares at the time of conversion (or at a fixed price per share of 3.75 euros, the Floor Price, if the market value is less) and thus at least with a reasonable value, so that there would be no dilution of the Bank's shareholders.
- Finally, the fixed conversion mechanism contains a Floor Price that by definition would be higher than the market price of the shares at the time of conversion, for which reason the economic dilution of the shareholders in such event would even be negative. This Floor Price will be adjusted if necessary by application of customary anti-dilution clauses in issues of convertible securities, but may not be less than the nominal value of the shares at the time of the conversion (currently 0.49 euros).

Taking into account both these same characteristics and the exchange ratio, the theoretical value of the pre-emptive subscription rights that are proposed to be suppressed would be null, estimating based on the higher of the listing price of the shares at the time of conversion of the securities and the Floor Price – adjusted if applicable by the anti-dilution mechanisms included in the Directors' Report attached as Annex I.

5. Significant aspects and special difficulties to consider in interpreting the results of our work

In addition to objective factors, both the interpretation of what is required in articles 414, 417 and 511 of the LSC, as well as the opinions expressed in this report, implicitly carry other subjective factors that involve judgment, and it is therefore not possible to guarantee that third parties will necessarily agree with the interpretation and judgments expressed in this Report.



The information necessary to carry out our work has been provided to us by the Management of Banco Bilbao Vizcaya Argentaria, S.A. or has been obtained from public sources.

As regards information obtained from public sources, our work did not compare such information with external evidence, although, to the extent possible, we have verified that the information submitted is consistent with other data obtained during the course of our work.

During our work we have performed tests and we have also applied judgments regarding the information contained in the Directors' Report, and we have also applied working hypotheses, compliance with which depends to a large extent on future events, for which reason it is not possible, at this time, to know the final result thereof.

We do not have the obligation to update our report based on events that may occur after the issue hereof. The content of this report should be understood to refer to all information received regarding events happening prior to the date hereof.

We assume that all authorisations and registrations that may be necessary for the effectiveness of the transaction and that might affect our work will be obtained without any adverse effect on the objective of the transaction that we have studied.

Finally, it is important to emphasise that our work is of an independent nature, and therefore does not involve any recommendation to the Management of Banco Bilbao Vizcaya Argentaria, S.A., to the shareholders thereof or to third parties with respect to the position they should take with respect to the issue of the securities or with respect to any exchange transactions offered to third parties with respect thereto.

6. Conclusion

According to the work performed, with the scope described in the preceding paragraphs, and subject to the significant aspects to consider in the interpretation of the results of our work, all for the sole purpose of complying with the requirements set forth in articles 414, 417 and 511 of the LSC, in our professional opinion:

- The attached Directors' Report of Banco Bilbao Vizcaya Argentaria, S.A. regarding the issue of perpetual securities contingently convertible into shares of the Bank, with the exclusion of pre-emptive subscription rights, contains the information required by the Technical Rule on the Preparation of special reports regarding the issue of convertible obligations in the case of article 414 of the Restated Text of the Companies Act.



- The data contained in the aforementioned Directors' Report to justify the exclusion of pre-emptive rights are reasonable as they are properly documented and outlined.
- The conversion ratio for the perpetual securities contingently convertible into shares of Banco Bilbao Vizcaya Argentaria, S.A., with exclusion of pre-emptive subscription rights and the formulas for adjustment thereof are suitable for offsetting a possible dilution of the financial interest of the shareholders. Thus at the date of the report and taking into account the characteristics and context of the proposed transaction of issue, the theoretical value of the pre-emptive subscription rights linked to such securities is null.

This Special Report has been prepared only for the purposes provisioned in articles 414, 417 and 511 of the Restated Text of the Companies Act. Therefore it should not be used for any other purpose.

Bilbao, 11th May 2018

MAZARS AUDITORES, S.L.P.

Francisco Tuset

Alberto Martínez



ANNEX 1:

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.'S BOARD OF DIRECTORS REPORT ON THE
ISSUE OF PERPETUAL SECURITIES CONTINGENTLY CONVERTIBLE INTO SHARES WITH
EXCLUSION PRE-EMPTIVE SUBSCRIPTION RIGHTS

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

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

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1. INTRODUCTION

1.1 Purpose of the report

This report is drawn up by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”, the “**Bank**” or the “**Issuer**”) pursuant to articles 414, 417 and 511 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Degree 1/2010, of July 2, as currently in force (the “**Corporate Enterprises Act**”), in relation to the resolution to issue preferred securities contingent convertible into newly-issued ordinary shares of BBVA, which are issued in accordance with the first additional provision of Act 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions (“**Act 10/2014**”) and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms (“**EU Regulation 575/2013**”) so that they may be considered additional tier 1 capital instruments (the “**Securities**”), for a maximum nominal amount of 1,500 million euros, or the equivalent amount in any other currency, and with exclusion of preemptive subscription rights (the “**Issuance**”), and the corresponding share capital increase.

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

1.2 Applicable Regulations

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

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

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

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

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

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

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

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

1.3 Advisory services received

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

2. ON THE ISSUANCE OF THE SECURITIES

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

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

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

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

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt instruments convertible into newly issued Company shares in any form admitted by law; the amount, always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.*
- (ii) Resolve, establish and determine the form, the timing and the triggers for conversion and/or redemption, with the possibility of making perpetual issues; and the terms and modalities for conversion; distinguishing between: (a) perpetual issues or issues with no conversion and/or redemption deadline whose conversion is contingent, envisaged to meet regulatory requirements for the eligibility of the securities issued as capital instruments pursuant to solvency rules applicable at any time (“Contingent Convertible Issues - CoCos”); and (b) the rest of the convertible securities issues made under this resolution, including, by way of example and not limited to those issues with a predetermined mandatory conversion deadline (which may be on maturity or at any other time) or that are convertible at the option of the issuer and/or the investor, the total or partial nature of that conversion being determined by the Company, the securities holders or both (“Mandatory Convertible Issues”).*
- (iii) Resolve, establish and determine the conversion ratio, which may be fixed or variable, within the limits set forth below.*

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

securities market or exchange that the Board of Directors determines, the date prior to the date on which the specific issue of convertible securities is approved.

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

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

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

(...)

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

(...)

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

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

2.2 Regulatory environment and capital requirements

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

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

These regulations foresee the possibility for credit institutions to have in place different capital instruments to cover, in an efficient manner, the different categories of regulatory capital which, in certain ratios, comprise their capital requirement, all in accordance with the composition and size of their balance sheets.

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

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

As a result of the latest SREP conducted in 2017, the ECB has required the Bank to maintain, with effect from 1 January 2018: (i) phased-in CET1 ratios of 8.438% on a consolidated basis and 7.875% on an individual basis; and (ii) phased-in total capital ratios of 11.938% on a consolidated basis and 11.375% on an individual basis over risk-weighted assets.

The phased-in total capital ratio of 11.938% at consolidated level includes: (i) the minimum CET1 capital ratio required by Pillar 1 (4.5%); (ii) the Additional Tier 1 (“**AT1**”) capital requirement of Pillar 1 (1.5%); (iii) the Tier 2 capital requirement of Pillar 1 (2%); (iv) the CET1 requirement of Pillar 2 (1.5%); (v) the capital conservation buffer (1.875% of CET1); and (vi) the buffer for other systemically important institutions (0.563% of CET1).

On 31 December 2017, the Bank's phased-in total capital ratio was 15.37% on a consolidated basis and 22.54% on an individual basis. Its phased-in CET1 capital ratio was 11.67% on a consolidated basis and 17.67% on an individual basis. These ratios are comfortably above the capital requirements applicable to the Bank.

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

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

2.3 Rationale for the Issuance

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

2.3.1 Financial and market rationale

BBVA issued, in February 2014, financial instruments that met the characteristics required by CRD IV for their eligibility as AT1 instruments, amounting to 1.5 billion euros (the “**AT1 2014 Issuance**”), which is still outstanding.

The AT1 2014 Issuance is perpetual, but includes the possibility of early redemption by the Bank after the fifth year (i.e. as of next February 2019).

As observed in the execution of the last AT1 transactions performed by several entities and in the current prices in the AT1's secondary market, and as indicated by the Finance Area in its report, the current financial conditions are ideal to perform an AT1 issuance, which would allow: (i) anticipate the potential early redemption of the AT1 2014 Issuance in an orderly manner; and; (ii) its replacement with instruments with the same regulatory category,

but with an envisaged lower financial cost. This would continue with the optimization of the financial cost of the capital structure and the compliance with the corporate interest.

In this regard, it is worth noting that in 2017 BBVA already performed two issuances of AT1 instruments in order to replace the first issuance of AT1 instruments that BBVA made in May 2013 (the “**Original Issuance**”). This Original Issuance, which is expected to be redeemed next May, has a higher financial cost in comparison with the issuances that took place in 2017 (9% for the Original Issuance in comparison to the 5.875% and 6.125% for the issuances that took place in 2017).

Nevertheless, it should be considered that the circumstances surrounding the relevant rates for determining the suitability of the early redemption of the AT1 2014 Issuance will be those existing in 2019.

Lastly, as set forth in the report of the Finance Area, the current market conditions are also favourable to the performance of an AT1 issuance. In this regard, a solid demand for these instruments has been detected due to the current interest rate environment and the lack of yield financial products.

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

2.3.2 Regulatory rationale

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

As stated in section 2.2 above, CRD IV provides the possibility that credit institutions have in place different capital instruments to cover the different categories of regulatory capital efficiently which, in certain ratios, comprise

their own funds requirement, according to the composition and size of their balance sheets.

In this sense, in addition to CET1, CRD IV includes two additional regulatory capital categories in the composition of the Pillar 1 capital requirement, namely AT1 and "Tier 2 capital" which can be covered with specific instruments and, failing that, with CET1 and with CET1 or AT1, respectively, which would be more burdensome and less efficient. Therefore, it is proposed to issue the Securities that are eligible as AT1 according to CRD IV in order to potentially replace the AT1 2014 Issuance, as they are the only kind of instruments that comply with the features for its eligibility, as described hereunder and thus preserving at all times the Bank's capital position in the most effective way.

Specifically, the Issuance would raise BBVA's capital ratios in accordance with both current (phased-in) regulations and those applicable as from 2019 (fully-loaded), being able to potentially refinancing the AT1 2014 Issuance and guaranteeing at all times the efficient compliance with its solvency requirements and with a management margin that is in line with the current supervisory trend.

Lastly, as indicated by the Finance Area in its report, performing the proposed Issuance implies a prospective management of the refinancing of the AT1 2014 Issuance, such management being understood as the management of the supervisor's mandatory prior authorization to redeem a capital issuance (i.e. the AT1 2014 Issuance) without having started the replacement of the issuance subject to redemption with instruments of the same or greater quality (i.e. the Issuance).

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

provides that these securities must include, among others, the following characteristics:

- (i) be perpetual;
- (ii) rank below Tier 2 capital instruments in the event of insolvency of the entity;
- (iii) distributions on the securities are only paid out of distributable items and the entity has full discretion at all times to cancel distributions on the securities for an unlimited period and on a non-cumulative basis and non-restrictive effects on the compliance of the remaining obligations of the entity; and
- (iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5.1 below) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur in a very specific situation of shortfall in CET1 of the issuer or its group.

Consequently, it is considered convenient to perform the Issuance, with the required features for its eligibility as AT1, that may anticipate the refinancing of the AT1 2014 Issuance in an orderly manner (managing in a prospective manner the applicable regulatory authorizations and thus preserving at all times the capital position of the Bank) and with a lower financial cost, benefiting from the current favorable market circumstances, and considering that the relevant rates for determining the suitability of the early redemption of the AT1 2014 Issuance will be those existing in 2019, which is therefore, taken as a whole, in BBVA's best interest.

2.4 Financial conditions of the Issuance

The Issuance will be made for a maximum nominal amount of 1,500 million euros, or its equivalent amount in any other currency, with a nominal value of each

Security being, at least, 100,000 euros, or its equivalent amount in any other currency.

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

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

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

2.5 Terms and methods of conversion

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

2.5.1 Conversion trigger events

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

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

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

2.5.2 Conversion ratio

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

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

where:

Conv_{ratio}: Conversion Ratio

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

Sh_P: Conversion Price

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

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

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

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

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

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

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

2.5.3 Anti-dilution mechanism

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

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

2.6 Capital increase

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

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

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

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

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

3. GROUND FOR THE EXCLUSION OF PREEMPTIVE SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preemptive subscription rights

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

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

Furthermore, articles 417 and 511 of the Corporate Enterprises Act require that the preemptive subscription rights shall only be excluded in the event of convertible bond issuances when the corporate interest so requires, among others.

BBVA's Board of Directors, by virtue of said delegation granted by the General Shareholders' Meeting and based on the report issued by the Finance Area (which in turn is sustained on the report prepared by Citigroup Global Markets Limited) as well as on the legal report by J&A Garrigues, S.L.P., as external legal advisor helping BBVA in the legal design of this transaction, has resolved to exclude the preemptive subscription rights with respect to the Issuance, as it deems such exclusion to be fully substantiated and in compliance with the requirements

established by law, and necessary to achieve the corporate interest, for the following reasons.

In light of section 2.3, the proposed issuance of these Securities is for the purpose of prospectively managing the potential replacement of the AT1 2014 Issuance with other under more appropriate or suitable financial terms; and complying, in the most efficient way, with the Bank's current or future capital requirements, preserving at all times the Bank's capital position; taking advantage of the interest and demand detected in the market and thus meeting the corporate interest.

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

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

In the same sense the Spanish National Securities Market Commission has expressed its position through Circular 1/2018, of 12 March on warnings relating to financial instruments, by virtue of which the CNMV believes that the financial instruments that are eligible as additional Tier 1 (such as the Securities), are not appropriate for retail clients due to their complexity.

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

The combination of the factors described above (the characteristics of these securities, the market conditions and the investors to whom the Issuance is addressed) has led the Finance Area to consider that the optimal alternative for the corporate interest is to manage the potential replacement of the AT1 2014 Issuance by issuing the Securities, addressing the Issuance solely to qualified investors, as this is the appropriate group for subscribing this type of instruments and are also those who have shown interest.

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

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

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the regulations on own funds and solvency for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be taken into account that BBVA's solvency and own funds ratios currently fairly exceed from the conversion events, reinforcing the nature of the Securities as fixed-income security instruments and the eventuality of their conversion.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument.
- (iii) The Conversion Price proposed to cover an eventual conversion corresponds

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

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

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

3.2 Investors to whom the Securities should be attributed

The Issuance is aimed exclusively at qualified investors, as this term is defined in the securities market regulations, excluding, in any event, the retail clients.

4. PROPOSED RESOLUTIONS

“FIRST. - *In use of the authority conferred by the Annual General Shareholders’ Meeting of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”, the “Company” or the “Issuer”)* held on 17 March 2017 under agenda item five, to issue preferred securities contingent convertible into newly issued ordinary shares of the Company, in accordance with the first additional provision of Act 10/2014, of 26th June, on the regulation, supervision and solvency of credit institutions (***“Act 10/2014”***) and EU Regulation No. 575/2013 of the

*European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms (“**EU Regulation 575/2013**”) so that they may be considered Additional Tier 1 capital instruments (the “**Securities**”), for a maximum nominal amount of one thousand five hundred million euros (€1,500,000,000) or the equivalent in any other currency, with exclusion of preemptive subscription rights (the “**Issuance**”), under the following terms:*

Nature of the Securities: *Preferred securities contingent convertible into newly issued ordinary shares of BBVA, pursuant to the first additional provision of Act 10/2014 and EU Regulation 575/2013, so that they may be considered Additional Tier 1 capital instruments.*

Issuer: *BBVA.*

Target Investors: *Exclusively at qualified investors, excluding, in any event, the retail clients.*

Maximum Issuance amount: *One thousand five hundred million euros (€1,500,000,000) euros, or the equivalent amount in any other currency, as set out in the terms and conditions of the Issuance. The Issuance may be made for a lower amount.*

Nominal value: *The Securities will have the nominal value set out in the terms and conditions of the Issuance, with a minimum amount of 100,000 euros, or the equivalent in any other currency.*

Number of Securities: *The number of Securities to be issued will be the result of dividing the total nominal amount of the Issuance by its nominal value. All the Securities will belong to a single series and the same terms and conditions will apply to all of them.*

Distributions: *Holders of the Securities may receive a non-cumulative distribution that will be based on the interest rate applicable to the nominal value of the Securities and which will be paid provided compliance with the conditions set out in the terms and conditions of the Issuance (the “**Distributions**”).*

In particular, the Issuer shall have full discretion at all times to totally or partially cancel the payment of Distributions for an unlimited period and on a non-cumulative basis, and such cancelation may not

entail any restriction to meet the remaining obligations of the Issuer.

The foregoing notwithstanding other cases of cancellation of Distributions that may be set out in the terms and conditions of the Issuance or as determined by applicable regulations.

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

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

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

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

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

- (i) junior to privileged obligations, obligations against the estate and unsubordinated obligations;*
- (ii) junior to subordinated obligations and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with obligations and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*
- (iv) senior to the obligations and securities issued or guaranteed by BBVA, or that may be issued*

or guaranteed by BBVA, that rank senior to the Securities; and

(v) senior to BBVA's shares.

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

a) Conversion triggers events

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

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

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

b) Conversion Ratio

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

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

- i) the arithmetic mean of the closing prices of BBVA's share, on the stock exchange or securities market specified, in the five trading sessions prior to the occurrence of the trigger event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;*
- ii) the minimum conversion price to be determined in the terms and conditions of the Issuance, which cannot be lower than 3.75 euros or the equivalent amount in any other currency, all without prejudice to the amendments that can be made to this amount depending on the application of the anti-dilution mechanism set out in paragraph d) (the "**Minimum Conversion Price**") ; and*

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

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

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

c) *Conversion procedure*

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

d) *Anti-dilution mechanism*

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

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

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

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

expert/auditor of accounts different than the Company's auditor, appointed for such purposes by the Commercial Registry, and reported to the first General Shareholders' Meeting held after the capital increase resolution, expressly empowering the General Secretary and of the Board of Directors and the Vice secretary of the Board of Directors to certify the text.

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

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

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

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

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

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

- a) Determine the timing on which the Issuance is to take place, being also authorized to abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and to the Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution FIRST above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate, include new conversion terms and methods and/or amend those determined, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as determine any additional triggers for conversion and/or redemption any other terms and conditions deemed necessary or advisable for the successful outcome of the Issuance, expressing the amount drawn respect to the limit of the delegation granted by the General Shareholders' Meeting to the Board and the amount remaining, empowering them also to redeem the Securities early, carrying out any actions that may be needed or advisable.*
- c) Declare the Distributions of the Securities, whether partially or totally, and declare the total or partial cancellation of Distributions, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanisms as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, enter into, perform, execute, sign, amend, terminate or cancel all the contracts, instruments, agreements and documents, whether public or private, that may be necessary or advisable in connection with the Issuance (in particular, including, but not limited to, prospectuses, base prospectus, offering circulars, information documents, supplements, prospectus supplement, term sheets, form of security, liquidity contracts, subscription, placement or underwriting agreements, agency contracts, requests, communications, announcements or notices, with authority to determine the legal and economic conditions of all of them and to make the necessary or advisable designations or appointments, as well as other supplementary acts that may be required or advisable to implement what has been agreed upon.*
- f) With relation to the Issuance or the Securities, appear, personally or through the representative or agent designated in writing by any of the Proxies, before all the representatives, committees or bodies of any securities exchange or market or any supervisor, regulator or registry, including, but without limitation, the Spanish National Securities Market Commission (CNMV), AIAF Mercado de Renta Fija, Mercado Alternativo de Renta Fija or the Irish Stock Exchange, as well as any securities book-entry registration, clearing and/or settlement organization, with authority to execute, issue, sign, grant, modify, terminate and cancel such contracts,*

certificates and documents as may be necessary or advisable, in the manner that any of the Proxies deems necessary or advisable to comply with the applicable requirements imposed from time to time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement organization, including, but without limitation, IBERCLEAR, that are necessary or that are considered convenient for the satisfactory outcome of the Issuance.

- g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other category applicable, in accordance with the regulations that may apply from time to time.*
- h) Execute and sign any public or private documents as may be required, with authority to appear before a notary, raise these resolutions to public, execute all the deeds that the Proxies deem appropriate, including deeds of issue, rectification, clarification or correction, and those for total or partial subscription of the Issuance, as well as those for total or partial redemption or amendment and, where appropriate, execute any other public or private documents that may be necessary or advisable in relation to the Issuance, as well as complete all relevant formalities, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when mandatory. Where applicable, file the declaration referred to in article 318 of the Commercial Registry Regulations, in compliance with article 36 of the consolidated text of the Securities Markets Act, should this be necessary.*
- i) If deemed necessary or advisable, constitute the Issuance bondholders' syndicate, as well as to appoint the trustee of said syndicate, or, if deemed necessary or advisable, to establish the mechanisms for collective association or organization and/or representation and protection of Securities holders, including the determination of their characteristics and rules of operation, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and such holders, all in accordance with the terms and conditions deemed necessary or advisable.*
- j) Establish all other aspects not determined by this Board of Directors in relation to the Issuance, including any modification, where necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or advisable in relation to the above powers, executing for this purpose any private or public documents deemed necessary or advisable.*
- k) With respect to the contingent conversion of the Securities into newly issued ordinary shares of BBVA, establish, where appropriate, the Conversion Price, and, if applicable, the issue premium, the Minimum Conversion Price, the final Conversion Ratio for the Issuance, determine the number of shares by which the BBVA capital is finally to be increased, declaring under-subscription when this is the case, and perform such acts as may be necessary, including, but not limited to, granting any public or private documents that may be necessary to implement the*

capital increase and amend, if applicable, the wording of the corresponding article in the Company Bylaws to adapt it to the new figure for share capital, being also authorized to appear for such purposes before any public or private bodies, including but not limited to a public notary or the Commercial Registry, as well as to execute any deeds deemed necessary or appropriate in this regard.

- l) Request, where appropriate, the admission to trading, or the inclusion to listing of the Securities and/or the ordinary shares of BBVA issued to cover the contingent conversion of the Securities, on secondary regulated and non-regulated, organized or non-organized, multilateral trading systems, Spanish and international markets, including, but without limitation, AIAF Mercado de Renta Fija, Mercado Alternativo de Renta Fija or the Irish Stock Exchange, and carry out procedures and actions as deemed necessary or advisable in any jurisdiction where the Securities or the newly issued shares of BBVA are offered or traded or requested to trading, where applicable. By way of example:*
 - (i) Draft, approve, formulate, subscribe and sign any documents, contracts, prospectuses, information documents, requests, communications or notifications as deemed necessary or advisable for these purposes and proceed to their subsequent amendment as deemed advisable.*
 - (ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalize such public and/or private documents as may be necessary and/or advisable for the full effectiveness of the resolutions, in any aspects or content.*

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

* * *

Madrid, 26 April 2018.

THIS ENGLISH VERSION IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF A DISCREPANCY OR INCONSISTENCY BETWEEN THE SPANISH AND ENGLISH LANGUAGE VERSIONS OF THIS RATIFICATION REPORT, THE SPANISH LANGUAGE VERSION WILL PREVAIL.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A

Ratification of the special report regarding the issue of perpetual securities contingently convertible into shares with the exclusion of the pre-emptive subscription right in the case of articles 414, 417 and 511 of the Restated Text of the Companies Act, issued on 11th May 2018

Bilbao, 1st of August 2018

**RATIFICATION OF THE SPECIAL REPORT REGARDING THE ISSUE OF PERPETUAL SECURITIES
CONTINGENTLY CONVERTIBLE INTO SHARES WITH THE EXCLUSION OF THE PRE-EMPTIVE
SUBSCRIPTION RIGHT IN THE CASE OF ARTICLES 414, 417 AND 511 OF THE RESTATED TEXT
OF THE COMPANIES ACT**

To the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.:

On May 11th 2018, for purposes of the provisions of articles 414, 417 and 511 of the Restated Text of the Companies Act (Ley de Sociedades de Capital or "LSC"), and pursuant to the assignment of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "BBVA" or "the Bank"), by appointment of the Mercantile Registrar of Vizcaya, Mr Juan Alfonso Fernández Núñez, corresponding to file number 2018/46, we issued a Special Report regarding the issue of perpetual securities contingently convertible into shares of Banco Bilbao Vizcaya Argentaria, S.A., with the exclusion of pre-emptive rights, under the authorisation and therefore the delegation conferred by the Ordinary General Shareholders' Meeting of the Bank on 17 March 2017, with the following **conclusions**:

"According to the work performed, with the scope described in the preceding paragraphs, and subject to the significant aspects to consider in the interpretation of the results of our work, all for the sole purpose of complying with the requirements set forth in articles 414, 417 and 511 of the LSC, in our professional opinion:

- *The attached Directors' Report of Banco Bilbao Vizcaya Argentaria, S.A. regarding the issue of perpetual securities contingently convertible into shares of the Bank, with the exclusion of pre-emptive subscription rights, contains the information required by the Technical Rule on the Preparation of special reports regarding the issue of convertible obligations in the case of article 414 of the Restated Text of the Companies Act.*
- *The data contained in the aforementioned Directors' Report to justify the exclusion of pre-emptive rights are reasonable as they are properly documented and outlined.*
- *The conversion ratio for the perpetual securities contingently convertible into shares of Banco Bilbao Vizcaya Argentaria, S.A., with exclusion of pre-emptive subscription rights and the formulas for adjustment thereof are suitable for offsetting a possible dilution of the financial interest of the shareholders. Thus at the date of the report and taking into account the characteristics and context of the proposed transaction of issue, the theoretical value of the pre-emptive subscription rights linked to such securities is null.*

This Special Report has been prepared only for the purposes provisioned in articles 414, 417 and 511 of the Restated Text of the Companies Act. Therefore it should not be used for any other purpose."

As we have been informed by Banco Bilbao Vizcaya Argentaria, S.A. to date such issuance of perpetual securities eventually convertible into ordinary shares, excluding the right of pre-emptive subscription, has not yet occurred. In this context and under the provisions of Article 347 of the Mercantile Registry Regulation ("Expiration of the report: The report issued by the expert will expire three months after its date, unless previously ratified by the expert, in which case it will extend its validity three more months, counting from the date of ratification"), we have been requested to ratify our Special Report dated May 11, 2018.

1. Procedures applied in our work

In order to prepare the ratification of our special report we have updated the procedures applied detailed in our special report dated May 11th 2018. Specifically, we have carried out the following procedures:

- a) Obtaining confirmation that the Bank's Finance Area Report, as well as other financial and legal reports issued by the Bank's advisors in relation to the planned operation, are still valid.
- b) Obtaining and analysing the Interim Consolidated Financial Statements, Report from the auditors, Explanatory Notes and Management Report corresponding to the six month period ended June 30, 2018.
- c) Reading of available minutes of the General Shareholders' Meetings and of meetings of the Board of Directors held since the date of our Special Report (May 11th 2018) and through the date of issue of this ratification report.
- d) Holding of meetings with executives of Banco Bilbao Vizcaya Argentaria, S.A. in order to obtain information regarding the issues raised or that might be of interest for the objective of our work.
- e) Study of changes in the listing price of the shares of the Company and determination of the average listing value of such shares during the latest representative listing period prior to the date of this ratification report (the last quarter) and of the latest available listing price prior to such date, also considering the listing frequency and volume of the periods under analysis.
- f) Analysis of material subsequent events occurring after the formulation of the latest consolidated and audited annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. for financial year 2017, and through the date of this Report that could significantly affect the issue of perpetual securities contingently convertible into Bank's shares.
- g) Obtaining a representations letter by the Management of Banco Bilbao Vizcaya Argentaria, S.A. in which they confirm, among other items, that they have provided us with all information needed for the preparation of our ratification report, have informed

us of all significant hypotheses, data or information, and that there have been no subsequent events from the issue date of our special report (May 11th 2018) through the date of our ratification report that we have not been made aware of and that might have a material effect on the conclusions of our work.

2. Significant aspects and special difficulties to consider in interpreting the results of our work

In addition to objective factors, both the interpretation of what is required in articles 414, 417 and 511 of the LSC, as well as the opinions expressed in this report, implicitly carry other subjective factors that involve judgment, and it is therefore not possible to guarantee that third parties will necessarily agree with the interpretation and judgments expressed in our special report dated May 11th 2018.

The information necessary to carry out our work has been provided to us by the Management of Banco Bilbao Vizcaya Argentaria, S.A. or has been obtained from public sources.

As regards information obtained from public sources, our work did not compare such information with external evidence, although, to the extent possible, we have verified that the information submitted is consistent with other data obtained during the course of our work.

During our work we have performed tests and we have also applied judgments regarding the information contained in the Directors' Report, and we have also applied working hypotheses, compliance with which depends to a large extent on future events, for which reason it is not possible, at this time, to know the final result thereof.

We do not have the obligation to update our ratification report based on events that may occur after the issue hereof. The content of this ratification report should be understood to refer to all information received regarding events happening prior to the date hereof.

We assume that all authorisations and registrations that may be necessary for the effectiveness of the transaction and that might affect our work will be obtained without any adverse effect on the objective of the transaction that we have studied.

Finally, it is important to emphasise that our work is of an independent nature, and therefore does not involve any recommendation to the Management of Banco Bilbao Vizcaya Argentaria, S.A., to the shareholders thereof or to third parties with respect to the position they should take with respect to the issue of the securities or with respect to any exchange transactions offered to third parties with respect thereto.

3. Conclusión

In accordance with the work carried out and under the provisions of article 347 of the Mercantile Registry Regulation, we ratify the conclusion issued in our Special Report on the issue of perpetual securities eventually convertible into common shares of Banco Bilbao Vizcaya Argentaria, SA, with exclusion of the pre-emptive subscription right, dated May 11, 2018.

This ratification of our Special Report has been prepared only for the purposes set forth in articles 414, 417 and 511 of the Restated Text of the Capital Companies Act, so it should not be used for any other purpose.

Bilbao, 1st of August 2018

MAZARS AUDITORES, S.L.P.

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

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. for the purposes set out in Articles 414, 417 and 511 of the Ley de Sociedades de Capital (Spanish Corporate Enterprises Act) regarding the resolution to issue preferred securities contingent convertible into newly issued ordinary shares of the Bank, excluding preferential subscription rights and the corresponding increase in share capital by the necessary amount, which is adopted under the authority conferred by the Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five.

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1. INTRODUCTION

1.1 Purpose of the report

This report was drafted by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**") pursuant to Articles 414, 417 and 511 of the consolidated text of the Ley de Sociedades de Capital (Spanish Corporate Enterprises Act), approved by Royal Legislative Decree 1/2010, of 2 July, in its current draft ("**Corporate Enterprises Act**"), in relation to the resolution to issue preferred securities contingent convertible into newly issued BBVA ordinary shares, which are issued in accordance with the stipulations of the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**"), and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**Regulation (EU) 575/2013**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of EUR 1.5 billion, or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**") and the corresponding increase in share capital to cover the contingent conversion of the Securities, if applicable.

This resolution is adopted pursuant to the authority conferred by the Ordinary General Shareholders' Meeting of 17 March 2017 under agenda item five.

1.2 Applicable regulations

Article 401.3 of the Corporate Enterprises Act provides that, except for the provisions stipulated in special Acts, securities that recognise or create debt that are issued by a public limited company—such as the Securities in BBVA's case—will remain subject to the regulations established for bonds under title XI of the Corporate Enterprises Act.

In this regard, it should be noted that said Articles 414 *et seq.* of the Corporate Enterprises Act allow public limited companies to issue bonds that can be converted into shares, provided that the General Shareholders' Meeting determines the terms and methods of the conversion, and resolves to increase the capital by the necessary amount. To this end, the directors must draft a report explaining the terms and methods of the conversion. This must be accompanied by another report from an auditor other than the company's own auditor, appointed for this purpose by the Commercial Registry (Registro Mercantil).

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

For listed companies, Article 511 of the Corporate Enterprises Act allows the general meeting of these companies to authorise directors to issue convertible bonds and waive preferential subscription rights relating to the issuance of convertible bonds under such delegation, if in the company's best interest. To this end, the notice of the general meeting that includes the proposal to vest the power to issue convertible bonds in the directors shall also contain explicit mention of the proposal to waive the preemptive subscription right, and from the date on which the general meeting has been called, a directors' report will be made available to shareholders substantiating the grounds for the proposed exclusion.

For the increase resolution executed as authorised by the general meeting, Article 511 of the Corporate Enterprises Act also requires that the aforementioned directors' report and auditor's report reference each specific increase.

To this end, pursuant to Article 417 of the Corporate Enterprises Act, the aforementioned directors' report must give detailed justification for the proposal to waive preferential subscription rights, and the independent expert's report must contain a technical judgement on the reasonableness of the data contained in the directors' report and the appropriateness of the conversion ratio and, where

applicable, adjustment formulas to compensate for any possible dilution to shareholders' holdings.

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

1.3 Advisory services received

This report is issued based on (i) the report issued by the BBVA Finance area, which is in turn supported by the report prepared by HSBC Bank plc, a top-tier investment bank with recognised expertise in this type of issuances and (ii) the legal report from J&A Garrigues, S.L.P., an external legal advisor on Spanish issuance law.

2. ON THE ISSUANCE OF SECURITIES

2.1 Delegation of the General Meeting under which the Issuance is carried out

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

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

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

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt*

instruments convertible into newly issued Company shares in any form admitted by law; the amount, always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.

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

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

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

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

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

(...)

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

(...)

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

However, for Mandatory Convertible Issues, the power to exclude preemptive subscription rights will be limited to ensure the nominal amount of the capital increases resolved or carried out to cover the conversion of the Mandatory Convertible Issues in use of this authority (without prejudice to anti-dilution adjustments) with exclusion of preemptive subscription rights and of those

likewise resolved or carried out with exclusion of preemptive subscription rights in use of the authority conferred under this General Meeting's agenda item four above, do not exceed the maximum nominal amount, overall, of 20% of the Bank's share capital at the time of this authorization, this limit being not applicable to Contingent Convertible Issues – CoCos.”

2.2 Regulatory environment and capital requirements

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

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

This regulation provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In this regard, CRD IV has set out, among other provisions, a minimum capital requirement ("**Pillar 1**") and has increased the required level of capital through the "combined capital buffer requirement", which must be fulfilled with Common Equity Tier 1 ("**CET1**") capital in addition to the CET1 set out for compliance with Pillar 1.

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

According to the most recent information available, the Bank's current total capital ratio, as of 31 December 2018, was 15.45% on consolidated basis and 21.80% on individual basis, with the Bank's CET1 capital ratio at 11.34% on consolidated basis and 17.02% on individual basis. These ratios were comfortably above the capital requirements applicable to the Bank.

Nevertheless, the supervisor may implement additional capital buffers to those currently applicable, while the current Pillar 2 requirements will be reviewed periodically based on the conclusions drawn by the ECB in subsequent SREPs, and may be replaced with greater Pillar 2 capital requirements. In light of the foregoing, BBVA must maintain an adequate capital management buffer for such supervisory movement.

Moreover, on 23 November 2016, the European Commission published a first draft of proposals to reform, inter alia, CRD IV, followed by a second draft of proposals published by the Presidency of the European Council on 25 May 2018, including measures to strengthen the resilience of European credit institutions and to increase financial stability. The framework defined by CRD IV and described above may therefore be subject to significant changes, the implementation and final content of which are still unknown. Amongst the measures proposed by the European Commission and also incorporated by the Presidency of the European Council to modify CRD IV is the option for one part (up to 18.75%) of the Pillar 2 requirement to be made up of AT1 instruments.

2.3 Reasons for the issuance

Although, as previously indicated, BBVA comfortably complies with all of its capital requirements at present and has sufficient issuances of specific instruments to efficiently meet its capital requirements, the BBVA Finance area recommends the adoption of a resolution to make a new issuance of instruments that are eligible as AT1 capital—in accordance with CRD IV—as market conditions require, for the reasons indicated below and covered in its report:

2.3.1 Financial reasons

In February 2015, BBVA issued financial instruments that met the CRD IV specifications to be eligible as AT1 capital. These instruments (the "**2015 AT1 Issuance**") amount EUR 1.5 billion and are still outstanding.

The 2015 AT1 Issuance is perpetual, although its terms and conditions provide for the possibility of early redemption in favour of the Bank from the fifth year following issuance—an option that will be available from February 2020.

As BBVA has been doing in recent years, and according to the Financial area report, it is advisable to adopt a resolution to issue AT1 instruments to be able to proceed with executing it in an adaptable and efficient way when market conditions require, thereby: (i) anticipating the potential early redemption of the 2015 AT1 Issuance in an orderly way and (ii) replacing the Issuance with instruments from the same regulatory category, but with a predictably lower financial cost, which would further optimise the financial cost of the capital structure, in turn satisfying corporate interest.

In this regard, it should be noted that two sets of AT1 instruments were issued in 2017 to replace the first AT1 issuance by BBVA in May 2013 (the "**Initial Issuance**"), which was amortised the previous May and had a higher financial cost than the 2017 issuances replacing it (9% for the Initial Issuance compared to 5.875% and 6.125% for the 2017 issuances). Similarly, in September 2018,

the bank issued AT1 instruments to replace the AT1 issuance carried out by BBVA in February 2014 (the "**2014 AT1 Issuance**"), which is expected to amortise on 10 February and had a higher financial cost than the 2018 issuance (7% for the 2014 AT1 Issuance compared to 5.875% for the 2018 issuance).

In light of the foregoing, and based on the indications given by the Finance area in its report, it is considered appropriate to adopt a resolution to make the Issuance.

2.3.2 Regulatory reasons

In addition to the financial reasons discussed, there are also regulatory reasons to support resolving to make the Issuance.

As indicated in section 2.2 above, CRD IV provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In addition to CET1, CRD IV provides for two other categories of regulatory capital in the composition of the Pillar 1 requirement: AT1 and Tier 2 capital. These may be made up of specific instruments or, in their absence, of CET1 and of CET1 or AT1 respectively, which would be more burdensome and less efficient.

As previously indicated, the 2015 AT1 Issuance is currently eligible as the Bank's AT1 at individual and consolidated level. In order for it to be replaced, an instrument that can also count at least as AT1 will need to be issued. As a result, the Issuance must be resolved in order to proceed with the potential replacement of the 2015 AT1 Issuance in an orderly way, as it is expected that the Securities will have the required specifications to be eligible as AT1

in accordance with CRD IV (and described below), maintaining the Bank's capital position as efficiently as possible.

As indicated in the Finance area's report, making the proposed Issuance would also require prospective management of the refinancing of the 2015 AT1 Issuance, i.e. the management of the required prior authorisation of the supervisor to amortise a capital issuance (the 2015 AT1 Issuance), having previously replaced the issuance to be amortised with instruments of equal or higher quality (the Issuance).

This forward-looking management, coupled with the current market volatility, makes it advisable to decide on the Issuance early enough in order to be able to properly manage the regulatory timeframes required under the applicable regulations, while giving the Bank the flexibility to go to market in more favourable conditions, mitigating the risks related with execution and current market volatility.

In this context, the Board of Directors has agreed to the Finance area's proposal to issue a fixed-income instrument that is eligible as AT1 (in accordance with CRD IV) and which will be executed when the market conditions are favourable and the financing cost is predicted to be lower than that of the 2015 AT1 Issuance.

In particular, Regulation (EU) 575/2013 sets out the requirement for these securities to have, inter alia, the following characteristics:

- (i) be perpetual;
- (ii) be ranked below Tier 2 instruments in the event of the insolvency of the institution;
- (iii) their distributions are only paid out of distributable items and the institution has full discretion at all times to cancel the distributions on the instruments

for an unlimited period and on a non-cumulative basis, without restriction to meet the rest of its obligations;

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

In view of all this, it is considered appropriate to adopt the necessary resolutions to make the Issuance with the aim of anticipating the refinancing of the 2015 AT1 Issuance in an orderly way—prospectively managing the corresponding regulatory authorisations, thereby preserving the Bank's capital position—and with a predictably lower financial cost, without prejudice to the relevant rates context (which determines the suitability of early redemption of the 2015 AT1 Issuance) in 2020. This will, overall, work in BBVA's best interests.

2.4 Financial conditions of the Issuance

The maximum nominal value of the Issuance is EUR 1.5 billion (or its equivalent in any other currency), with a nominal value of at least EUR 100,000 per Security (or its equivalent in any other currency).

For the purpose of eligibility as AT1, the Securities must have the characteristics set out in CRD IV, including, inter alia, those stated in section 2.3 above.

The investor may receive distributions, which will be determined in the final terms and conditions of the Issuance and will be aligned with market prices for this type of instrument at the time of issuance. In this regard, as indicated in the Finance area's report, Securities are expected to be placed through a book-building procedure, through which the price of the Issuance will be determined by reference to the market offers received (investment banks advising the transaction will carry

out dissemination and promotional activities, receiving thereafter offers detailing the price and amount that each investor would be willing to subscribe the Securities). This process is generally accepted as the most suitable process to ensure that the issuance price matches with the market price.

As provided for in CRD IV, payment of the distributions will be conditional, among other factors, on there being distributable items, which will be described in detail in the terms and conditions of the Issuance.

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the distributions on the Securities for an unlimited period and on a non-cumulative basis, and said cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

2.5 Bases and methods of conversion

According to the proposal submitted by the Bank's Finance area, the bases and methods of conversion of the Securities will essentially be as follows:

2.5.1 Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the CET1 ratio of the Issuer or its consolidated group falls below 5.125%, calculated in accordance with Regulation (EU) 575/2013 or with any other regulation applicable at any time.

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

The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is necessary or advisable to safeguard the Issuer's

solvency or so that the Securities can be considered AT1 instruments and, in turn, are eligible as Tier 1 capital.

2.5.2 Conversion ratio

The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the "**Conversion Price**").

$$ConvRatio = Nom_{convertible} / Sh_P$$

where:

ConvRatio: Conversion Ratio

Nom_{convertible}: Nominal Value of the convertible item

Sh_P: Conversion Price

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

- i) the arithmetic mean of the closing prices of the BBVA share, on the specified stock exchange or securities market, in the five trading sessions prior to the conversion event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in the following section (the "**Minimum Conversion Price**"); and
- iii) the nominal value of ordinary BBVA shares at the time of conversion.

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

2.5.3 Anti-dilution mechanism

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

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

2.6 Share capital increase

In accordance with Article 414 of the Corporate Enterprises Act, when the resolution to issue Securities is adopted, it must also be resolved to increase the share capital by the amount necessary for the Securities to be converted. The maximum number of BBVA shares to be issued to cover the conversion of the Securities will therefore be determined by the quotient between the total nominal value of the Issuance and the Conversion Price.

This share capital increase will, if necessary, be executed by the Board of Directors, which may delegate this power to the Executive Committee, with express powers of substitution, and authorise those empowered by the Board of Directors, by virtue of the resolution adopted by the BBVA Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, in order to cover the potential conversion of the Securities by issuing new ordinary shares of equal nominal value, of the same class and series, and with the same rights as ordinary BBVA shares that are in circulation on the date on which the increase takes place. Should the share 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 currently possible to determine the exact value of the share capital that will be required to cover the potential future conversion of the Securities, as it will depend on the definitive nominal value of the Issuance and the Conversion Price, to be determined based on the bases and methods of conversion.

However, taking into account that the Issuance has a maximum nominal value of EUR 1.5 billion (or its equivalent in any other currency) and that the Conversion Price may not be lower than EUR 3.75 (or the equivalent in any other currency), and assuming that no anti-dilution adjustment is made prior to the date on which the Securities are converted, the maximum number of new ordinary shares that must be issued is 400 million.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no preferential subscription rights on the resulting share capital increase.

3. GROUND FOR THE EXCLUSION OF PREFERENTIAL SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preferential subscription rights

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

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

However, for the purpose of waiving preferential subscription rights for the issuance of convertible bonds, Articles 417 and 511 of the Corporate Enterprises Act require, among other matters, that this be in the company's best interest.

BBVA's Board of Directors, by virtue of said Meeting's authorisation and based on the report issued by the Finance area—which is in turn supported by the report prepared by HSBC Bank plc—and on the legal report from J&A Garrigues, S.L.P. as an external legal advisor helping BBVA in the legal design of this transaction, has resolved to waive preferential subscription rights relating to Issuance, as it deems such exclusion to be fully substantiated, in compliance with the requirements established by law and necessary to achieve the corporate interest, as explained below.

In accordance with section 2.3, it is proposed that these Securities be issued in order to prospectively manage the potential replacement of the 2015 AT1 Issuance with

another that has more desirable or appropriate financial terms, and thus comply with the Bank's current and future capital requirements as efficiently as possible, in turn satisfying corporate interest and preserving the Bank's capital position.

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

Likewise, according to the provisions of Article 217.3 of Royal Legislative Decree 4/2015 of 23 October approving the revised text of the Spanish Securities Market Act, any debt instruments which in turn are eligible liabilities for internal recapitalisation (bail-in) in the event of resolution of the issuer (as would be the case of the Securities), are considered complex instruments.

These characteristics, which are required by CRD IV, as well as their sophistication and the latest regulatory changes (specifically relating to this type of instruments being considered complex), mean that the Securities are currently a product that cannot be targeted towards all types of investors, especially retail investors, which form a significant portion of the BBVA shareholders. Not excluding preferential subscription rights would therefore entail offering a product that does not fit the investment profile of all of the Bank's shareholders, which could compromise the Issuance's viability.

In this regard, the Spanish National Securities Market Commission stated through its Circular 1/2018 of 12 March on warnings relating to financial instruments, that instruments eligible as additional Tier 1 capital (as is the case of the Securities) are products that, due to their particular complexity, are not suitable for retail clients.

Therefore, in order to directly allocate the potential Issuance to professional clients and eligible counterparties (who are also those who usually subscribe to this type

of instrument, as was the case for AT1 issued by the Bank to date), and to not compromise the transaction, it is essential that the preferential subscription rights are excluded for BBVA shareholders.

The combination of the aforementioned factors (the characteristics of the securities, and the Issuance recipients) means that the Finance area has suggested, as the most suitable alternative to corporate interest, executing the potential replacement of the 2015 AT1 Issuance by issuing Securities at market price, targeting the potential Issuance solely at professional clients and eligible counterparties, as they are the appropriate group to subscribe to this type of instrument. Consequently, the most suitable alternative to satisfy corporate interest and provide a whole and joint solution to the matters at hand is to resolve to issue Securities excluding preferential subscription rights.

The following circumstances should also be taken into account:

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the own funds and solvency regulations for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be noted that BBVA's solvency and equity ratios are currently much higher than the conversion trigger event, reinforcing the nature of the Securities as fixed-income instruments and the contingency of their conversion.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument (as indicated in section 2.4 above and as stated in the Finance area's report).
- (iii) The proposed Conversion Price to cover a contingent conversion corresponds to the market price of the BBVA share at the time of conversion, except in the event that said market price is less than the Minimum Conversion Price, in which case the Conversion Price would equal the Minimum Conversion Price and the shares would therefore be issued with a premium over the

market price. The maximum number of shares to be issued is therefore limited by determining the Minimum Conversion Price, which guarantees that the shares will be issued at a price equal to or higher than the market price.

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

In light of the foregoing, the exclusion of preferential subscription rights on the proposed Issuance is necessary for its intended purpose, thus achieving corporate interest.

3.2 Persons receiving Securities

The Issuance will be targeted exclusively at professional clients and eligible counterparties, as defined in the securities market regulations, excluding retail clients or investors in any case.

4. RESOLUTIONS PROPOSAL

"ONE. - Under the authority conferred by the Ordinary General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 17 March 2017, under agenda item five, issue preferred securities contingent convertible into newly issued ordinary Company shares, in accordance with the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**Regulation (EU) 575/2013**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of one billion five hundred million euro (EUR 1,500,000,000)

or the equivalent in any other currency, excluding preferential subscription rights ("Issuance"), in accordance with the following terms:

Nature of the Securities: *Preferred securities contingent convertible into newly issued ordinary BBVA shares, in accordance with the first additional provision of Act 10/2014 and Regulation (EU) 575/2013, so that these may be considered to be additional tier 1 capital instruments.*

Issuer: *BBVA.*

Issuance recipients: *Exclusively professional clients and eligible counterparties, excluding retail investors in any case.*

Maximum Issuance amount: *One billion five hundred million euro (EUR 1,500,000,000), or the equivalent in any other currency, as stipulated in the terms and conditions of the Issuance, with the possibility of a lower Issuance amount.*

Nominal unit value: *The nominal unit value of the Securities will be as stipulated in the terms and conditions of the Issuance, with a minimum value of one hundred thousand euro (EUR 100,000), or the equivalent in any other currency.*

Number of Securities: *The maximum number of Securities to be issued will be as a result of dividing the total nominal Issuance amount by its nominal unit value. All of the Securities will belong to a single series and will assume the same terms and conditions.*

Distribution: *Securities holders may receive non-cumulative distributions that will be determined based on the interest rate applicable to the nominal value of the Securities, which will be payable provided that the conditions established in the terms and conditions of the Issuance are met ("the **Distribution**").*

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the Distributions for an unlimited period, on a non-cumulative basis, and said cancellation will not

restrict the Issuer's ability to fulfil its other obligations in any way.

The foregoing is without prejudice to other Distribution cancellation instances that may be stipulated in the terms and conditions of the Issuance or as determined by applicable regulations.

Maturity date and early redemption:

The Issuance is perpetual and therefore has no maturity date.

The Securities may be wholly or partially amortised at the option of the Issuer, in accordance with the terms and conditions of the Issuance, provided that at least five years have elapsed since the date of their issuance and, where applicable, prior authorisation has been granted by the competent authority.

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

Representation of the Securities:

The Securities may be represented by physical certificates or book entries, as stipulated in the terms and conditions of the Issuance.

Ranking:

The Securities are subordinated credits with the following BBVA payment ranking in the event of bankruptcy:

- (i) junior to privileged claims, claims against the insolvency estate and ordinary claims;*
- (ii) junior to subordinated credits and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*

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

(v) *senior to BBVA shares.*

TWO.- *The bases and methods of the contingent conversion of the Securities will be as follows:*

a) *Conversion trigger events*

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

*Similarly, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure that results in the approval of a reduction of its share capital in the terms and conditions set out in Article 418.3 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Corporate Enterprises Act**").*

The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is required or advisable to safeguard the Issuer's solvency or so that the Securities can be considered tier 1 capital instruments.

b) *Conversion Ratio*

*The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the latter being the "**Conversion Price**").*

Consequently, the Conversion Price will be the greater of:

- i) the arithmetic mean of the closing prices of the BBVA share on the specified securities market or stock exchange in the five trading sessions prior to the day on which the conversion trigger event takes place, rounded to the nearest cent and, in the case of half a cent, rounded up to the nearest cent;*
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result*

of implementing the anti-dilution mechanism provided for in section d) below (the "**Minimum Conversion Price**"); and

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

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

c) Conversion procedure

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

d) Anti-dilution mechanism

Pursuant to Article 418.2 of the Corporate Enterprises Act and in accordance with standard practice for this type of transaction, anti-dilution mechanisms will be established based on the Minimum Conversion Price, as per the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the bases and methods of conversion described above and the requirement that the Conversion Price is never lower than the nominal value of ordinary BBVA shares at the time of conversion.

Notwithstanding other powers that may be conferred, the Executive Committee is empowered, with express powers of substitution, with the broadest powers conferred to Jaime Sáenz de Tejada Pulido, with DNI (Spanish national identity document) 00823996K; Antonio Joaquín Borraz Peralta, with DNI 29100035K; Javier Malagón Navas, with DNI 00407098K, Ignacio Echevarría Soriano, with DNI 00837871G, Francisco Javier Colomer Betoret, with DNI 25418655K; and Raúl Moreno Carnero, with DNI 52473664S, all of legal age, of Spanish nationality and domiciled for the purposes herein at Calle Azul, No. 4, Madrid, Spain (the "**Proxies**"), so that any of them may, jointly and severally and indistinctly establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend and/or adapt other conversion trigger events, as well as to determine other conversion trigger events in addition to those provided for in this resolution, under the terms and conditions that they deem necessary or advisable in the best interest of the Issuance.

THREE.- Based on the report prepared by the BBVA Finance area, in accordance with the report issued by J&A Garrigues, S.L.P. and pursuant to Articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/accounts auditor (other than the Company's auditor appointed for such purposes by the Commercial Registry) and reported to the first General Meeting held after the share capital increase resolution, expressly empowering the General Secretary and Secretary of the Board of Directors and the Deputy Secretary to the Board of Directors to certify the text.

FOUR.- As stated in the report by the Finance area, which is reflected in the Directors' Report approved under the above resolution, corporate interest requires the exclusion of preferential subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the powers conferred by the Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, and pursuant to Articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude preferential subscription rights in this Issuance.

FIVE.- Increase BBVA's share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, in accordance with the Conversion Ratio.

Taking into account that the Minimum Conversion Price cannot be lower than EUR 3.75 or its equivalent in any other currency, the maximum number of ordinary BBVA shares to be issued will be 400 million (each currently EUR 0.49 of the nominal unit value), assuming that no anti-dilution adjustment is made that affects the Minimum Conversion Price, and expressly foreseeing the possibility of a share capital increase with an issue premium for a lower number of shares and the possibility of undersubscription.

In the event that Securities are converted, newly issued BBVA shares that are issued to cover the conversion will be ordinary shares, of the same class and series as those that are currently in circulation, and will be represented in the same way as said ordinary shares (currently through book entries recorded by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**IBERCLEAR**" — Spanish Central Securities Depository), which performs this role together with its participating entities), granting their holders the same rights as the ordinary shares that are currently in circulation. Upon execution of this resolution to increase share capital, the corresponding article in the Bylaws will be adapted accordingly.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted into newly issued shares, there would be no preferential subscription rights on the resulting share capital increase.

SIX.- Under the authority conferred by the BBVA Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, empower the Executive

Committee with express powers of substitution and confer the broadest powers to the Proxies so that any of them may, jointly and severally and indistinctly, within the limits established in the above resolutions, execute the Issuance and:

- a) Determine when the Issuance should take place and even abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest rate accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate; include new bases and methods of conversion and/or amend those that already exist, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as establishing any additional conversion and/or amortisation trigger events and any other terms or conditions deemed necessary or appropriate in the best interest of the Issuance, expressing the amount available in terms of the limits of the authorisation conferred to the Board of Directors by the Ordinary General Shareholders' Meeting and the amount to be made available, also authorising the Board, where appropriate, to redeem the Securities in advance, performing any procedures deemed necessary or advisable.*
- c) Declare the Distribution of the Securities, whether wholly or partially, and declare the whole or partial cancellation of the Distribution, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, conclude, execute, sign, grant, modify, terminate or cancel all contracts, securities, agreements and documents, whether public or private, that are necessary or deemed appropriate with regard to the Issuance (in particular, including, but not limited to, prospectuses, base prospectuses, offering circulars, information documents, supplements, supplement prospectuses, term sheets, security forms, liquidity contracts, subscription contracts, placement and/or underwriting agreements, agency agreements, requests, communications, announcements or notices, as well as any other contracts formalising the Issuance or that are necessary to issue the Securities), with authority to determine the legal and economic conditions for them all and to make the necessary or appropriate designations or appointments, as well as other supplementary acts that may be required or advisable to implement the resolutions.*
- f) In relation to the Issuance or Securities, appear, personally or through the representative or agent authorised in writing by any of the Proxies, before all the*

representatives, committees or bodies of any securities market or stock exchange, or any supervisor, regulator or registry, including, but not limited to, the Spanish National Securities Market Commission, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Irish Stock Exchange or Euronext Dublin, as well as any book-entry, registration, clearing and/or settlement company for securities, with authority to underwrite, issue, sign, grant, modify, resolve and cancel any contracts, certificates and documents as deemed necessary or appropriate, in the manner in which any of the Proxies deems necessary or advisable in order to comply with the applicable requirements imposed at any time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement companies, including, but not limited to, IBERCLEAR, as deemed necessary or advisable in the best interest of the Issuance.

- g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other applicable category, in accordance with the regulations in force at any given time.*
- h) Authorise and underwrite any public or private documents as required, with authority to appear before a notary public, raise these resolutions to public, authorise all notary deeds and acts considered necessary by the Proxies, including deeds of issue, rectification, clarification or correction, those for whole or partial Issuance subscription and those for whole or partial amortisation or modification and, where appropriate, authorise any other public or private documents that may be necessary or advisable in relation to the Issuance, and complete all relevant procedures, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when required. Where applicable and if required, draft the declaration referred to in Article 318 of the Regulations of the Commercial Registry in order to comply with Article 36 of the consolidated text of the Spanish Securities Market Act.*
- i) Set up, if necessary, the syndicate of bondholders for the Issuance and appoint its commissioner or, if deemed necessary or advisable, establish the mechanisms for the collective association or organisation and/or representation and protection of Securities holders, including the determination of their characteristics and operating rules, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and said holders, all in accordance with the terms and conditions deemed necessary or advisable.*
- j) Establish all other aspects not determined by this Board of Directors relating to the Issuance, including any modifications if necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or appropriate in relation to the above powers, authorising any private or public documents deemed necessary or advisable for this purpose.*

- k) *With regard to the contingent conversion of the Securities into newly issued ordinary BBVA shares, where appropriate, establish the Conversion Price and, where applicable, the premium, the Minimum Conversion Price and the definitive Conversion Ratio of the Issuance, determine the number of shares by which BBVA's capital is to be increased, declaring undersubscription in such an event, and perform necessary acts, including, but not limited to, authorising any public or private documents that may be necessary to implement the share capital increase and amend, if applicable, the wording of the corresponding article in the Bylaws to adapt it to the new share capital figure, with authority to appear for such purposes before any public or private bodies, including, but not limited to, a notary public or the Commercial Registry, and authorise any deeds considered necessary or advisable for this purpose.*
- l) *Request, where appropriate, the admission to trading or listing of the Securities and/or ordinary BBVA shares issued to cover the contingent conversion of the Securities, on regulated or non-regulated, organised or non-organised secondary markets, Spanish or foreign multilateral trading systems, including, but not limited to, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Spanish securities markets or the Irish Stock Exchange or Euronext Dublin, and carry out any procedures or actions deemed necessary or advisable in any jurisdiction where the Securities and/or the newly issued BBVA shares to cover the contingent conversion of the Securities are offered or traded or requested to trade. Without limitation:*
- (i) Draft, approve, formulate, underwrite and sign any documents, contracts, prospectuses, information documents, requests, communications or notifications deemed necessary or advisable for these purposes and grant their subsequent amendment where appropriate.*
 - (ii) Take any necessary actions before competent authorities in each jurisdiction and approve and formalise any public or private documents as may be necessary or advisable for the full effectiveness of the resolutions, in any aspects or content.*

To conclude, and for the purpose of the applicable regulations on the issuance of securities, it is hereby resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public or private body. They will take responsibility for the content of the prospectuses of issue, information documents or any other similar documents, where applicable, and are similarly authorised to sign any additional public or private contracts and documents that are deemed necessary or advisable in the best interest of the Issuance."

* * *

Madrid, 31 January 2019

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

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

Bilbao, 12 February 2019

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

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

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

The purpose of our work is not to certify the price of issue or conversion of the Securities into shares but to state, from the application of the procedures set out in the relevant technical standards relating to the preparation of this type of special reports in accordance with the provisions of article 414 of the CEA, whether the Report from the Board of Directors, dated 31 January 2019, and attached as appendix to this report, contains the required information, which includes the explanation of the bases and forms relating to the conversion, as well as to issue a technical opinion, as independent experts and auditors, in accordance with article 417 of the CEA, on the sufficiency and reasonability of the information contained in the attached Report from the Board of Directors and on the suitability of the conversion ratio and, if applicable, its adjustment formulas for compensating a possible dilution of the economic value of shareholders' holdings.

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

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

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

- Audited consolidated and individual annual accounts of the Bank as of 31 December 2018.
 - Available resolutions of the General Shareholders' Meetings and the minutes of the meetings of the Board of Directors of the Bank for the last year.
 - Report from the Finance Department of BBVA in connection with the planned transaction.
 - Other financial and legal reports issued by the Bank's advisors in relation to the planned transaction.
 - Other information considered to be of interest for the performance of our work.
- b. Review and analysis of the main aspects of the above information in connection with the issuance of the Securities.
- c. Meetings held with the Bank's Management for the purpose of gathering other information considered to be of use in the performance of our work.
- d. Evaluation as to whether the Report from the Board of Directors contains the information considered to be necessary and sufficient for its adequate interpretation and understanding by its addressees.
- e. Verification of the calculations used by BBVA's Management in determining the bases and forms relating to the conversion and other rights, if any, guaranteed to the Securities' subscribers.
- f. Verification that the issue price for the Securities is not below their nominal value, and that the conversion price for the Securities is not below the nominal value of the shares for which they will be converted.
- g. Verification that the accounting information contained in the Report from the Board of Directors concurs, as applicable, with the Bank's accounting data that served as a basis for preparing its audited financial statements.
- h. Evaluation of the reasonability of the data contained in the Report from the Board of Directors justifying the exclusion of the shareholders' right to the preemptive subscription of the Securities.
- i. Evaluation of the suitability of the conversion ratio and, as applicable, of its adjustment formulas for compensating a possible dilution of the shareholders' economic holdings.
- j. Obtaining a letter signed by the Bank's Management in which it confirms to us that we have been provided with all the information necessary for preparing our report, as well as confirming that there have been no subsequent events between 31 December 2018 and the date of this report that have not been notified to us and which could have a significant effect on the results of our work.

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

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

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

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

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

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

BDO Auditores, S.L.P.

Alfonso Berganza Hernández

Partner: Auditor

ROAC N°: 09501

Bilbao, 12 February 2019

APPENDIX:

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

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

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. for the purposes set out in Articles 414, 417 and 511 of the Ley de Sociedades de Capital (Spanish Corporate Enterprises Act) regarding the resolution to issue preferred securities contingent convertible into newly issued ordinary shares of the Bank, excluding preferential subscription rights and the corresponding increase in share capital by the necessary amount, which is adopted under the authority conferred by the Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five.

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1. INTRODUCTION

1.1 Purpose of the report

This report was drafted by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**") pursuant to Articles 414, 417 and 511 of the consolidated text of the Ley de Sociedades de Capital (Spanish Corporate Enterprises Act), approved by Royal Legislative Decree 1/2010, of 2 July, in its current draft ("**Corporate Enterprises Act**"), in relation to the resolution to issue preferred securities contingent convertible into newly issued BBVA ordinary shares, which are issued in accordance with the stipulations of the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**"), and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**Regulation (EU) 575/2013**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of EUR 1.5 billion, or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**") and the corresponding increase in share capital to cover the contingent conversion of the Securities, if applicable.

This resolution is adopted pursuant to the authority conferred by the Ordinary General Shareholders' Meeting of 17 March 2017 under agenda item five.

1.2 Applicable regulations

Article 401.3 of the Corporate Enterprises Act provides that, except for the provisions stipulated in special Acts, securities that recognise or create debt that are issued by a public limited company—such as the Securities in BBVA's case—will remain subject to the regulations established for bonds under title XI of the Corporate Enterprises Act.

In this regard, it should be noted that said Articles 414 *et seq.* of the Corporate Enterprises Act allow public limited companies to issue bonds that can be converted into shares, provided that the General Shareholders' Meeting determines the terms and methods of the conversion, and resolves to increase the capital by the necessary amount. To this end, the directors must draft a report explaining the terms and methods of the conversion. This must be accompanied by another report from an auditor other than the company's own auditor, appointed for this purpose by the Commercial Registry (Registro Mercantil).

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

For listed companies, Article 511 of the Corporate Enterprises Act allows the general meeting of these companies to authorise directors to issue convertible bonds and waive preferential subscription rights relating to the issuance of convertible bonds under such delegation, if in the company's best interest. To this end, the notice of the general meeting that includes the proposal to vest the power to issue convertible bonds in the directors shall also contain explicit mention of the proposal to waive the preemptive subscription right, and from the date on which the general meeting has been called, a directors' report will be made available to shareholders substantiating the grounds for the proposed exclusion.

For the increase resolution executed as authorised by the general meeting, Article 511 of the Corporate Enterprises Act also requires that the aforementioned directors' report and auditor's report reference each specific increase.

To this end, pursuant to Article 417 of the Corporate Enterprises Act, the aforementioned directors' report must give detailed justification for the proposal to waive preferential subscription rights, and the independent expert's report must contain a technical judgement on the reasonableness of the data contained in the directors' report and the appropriateness of the conversion ratio and, where

applicable, adjustment formulas to compensate for any possible dilution to shareholders' holdings.

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

1.3 Advisory services received

This report is issued based on (i) the report issued by the BBVA Finance area, which is in turn supported by the report prepared by HSBC Bank plc, a top-tier investment bank with recognised expertise in this type of issuances and (ii) the legal report from J&A Garrigues, S.L.P., an external legal advisor on Spanish issuance law.

2. ON THE ISSUANCE OF SECURITIES

2.1 Delegation of the General Meeting under which the Issuance is carried out

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

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

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

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities convertible into newly issued Company shares made under this resolution, including, but not limited to, the type of securities and their denomination, whether they be bonds, debentures, preferred securities, warrants or any other debt*

instruments convertible into newly issued Company shares in any form admitted by law; the amount, always within the maximum total overall amount indicated above; the date(s) of issue; the interest rate; the issue price and, in the case of warrants and similar securities, the issue price and/or issue premium, the strike price –which may be fixed or variable– and the procedure, term and other conditions applicable to the exercise of the subscription or purchase right over the underlying shares; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the seniority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; applicable law; and, where appropriate, the mechanism for the collective organization and association and/or representation and protection of the holders of the securities issued, including the appointment of their representatives.

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

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

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

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

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

(...)

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

(...)

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

However, for Mandatory Convertible Issues, the power to exclude preemptive subscription rights will be limited to ensure the nominal amount of the capital increases resolved or carried out to cover the conversion of the Mandatory Convertible Issues in use of this authority (without prejudice to anti-dilution adjustments) with exclusion of preemptive subscription rights and of those

likewise resolved or carried out with exclusion of preemptive subscription rights in use of the authority conferred under this General Meeting's agenda item four above, do not exceed the maximum nominal amount, overall, of 20% of the Bank's share capital at the time of this authorization, this limit being not applicable to Contingent Convertible Issues – CoCos.”

2.2 Regulatory environment and capital requirements

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

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

This regulation provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In this regard, CRD IV has set out, among other provisions, a minimum capital requirement ("**Pillar 1**") and has increased the required level of capital through the "combined capital buffer requirement", which must be fulfilled with Common Equity Tier 1 ("**CET1**") capital in addition to the CET1 set out for compliance with Pillar 1.

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

According to the most recent information available, the Bank's current total capital ratio, as of 31 December 2018, was 15.45% on consolidated basis and 21.80% on individual basis, with the Bank's CET1 capital ratio at 11.34% on consolidated basis and 17.02% on individual basis. These ratios were comfortably above the capital requirements applicable to the Bank.

Nevertheless, the supervisor may implement additional capital buffers to those currently applicable, while the current Pillar 2 requirements will be reviewed periodically based on the conclusions drawn by the ECB in subsequent SREPs, and may be replaced with greater Pillar 2 capital requirements. In light of the foregoing, BBVA must maintain an adequate capital management buffer for such supervisory movement.

Moreover, on 23 November 2016, the European Commission published a first draft of proposals to reform, inter alia, CRD IV, followed by a second draft of proposals published by the Presidency of the European Council on 25 May 2018, including measures to strengthen the resilience of European credit institutions and to increase financial stability. The framework defined by CRD IV and described above may therefore be subject to significant changes, the implementation and final content of which are still unknown. Amongst the measures proposed by the European Commission and also incorporated by the Presidency of the European Council to modify CRD IV is the option for one part (up to 18.75%) of the Pillar 2 requirement to be made up of AT1 instruments.

2.3 Reasons for the issuance

Although, as previously indicated, BBVA comfortably complies with all of its capital requirements at present and has sufficient issuances of specific instruments to efficiently meet its capital requirements, the BBVA Finance area recommends the adoption of a resolution to make a new issuance of instruments that are eligible as AT1 capital—in accordance with CRD IV—as market conditions require, for the reasons indicated below and covered in its report:

2.3.1 Financial reasons

In February 2015, BBVA issued financial instruments that met the CRD IV specifications to be eligible as AT1 capital. These instruments (the "**2015 AT1 Issuance**") amount EUR 1.5 billion and are still outstanding.

The 2015 AT1 Issuance is perpetual, although its terms and conditions provide for the possibility of early redemption in favour of the Bank from the fifth year following issuance—an option that will be available from February 2020.

As BBVA has been doing in recent years, and according to the Financial area report, it is advisable to adopt a resolution to issue AT1 instruments to be able to proceed with executing it in an adaptable and efficient way when market conditions require, thereby: (i) anticipating the potential early redemption of the 2015 AT1 Issuance in an orderly way and (ii) replacing the Issuance with instruments from the same regulatory category, but with a predictably lower financial cost, which would further optimise the financial cost of the capital structure, in turn satisfying corporate interest.

In this regard, it should be noted that two sets of AT1 instruments were issued in 2017 to replace the first AT1 issuance by BBVA in May 2013 (the "**Initial Issuance**"), which was amortised the previous May and had a higher financial cost than the 2017 issuances replacing it (9% for the Initial Issuance compared to 5.875% and 6.125% for the 2017 issuances). Similarly, in September 2018,

the bank issued AT1 instruments to replace the AT1 issuance carried out by BBVA in February 2014 (the "**2014 AT1 Issuance**"), which is expected to amortise on 10 February and had a higher financial cost than the 2018 issuance (7% for the 2014 AT1 Issuance compared to 5.875% for the 2018 issuance).

In light of the foregoing, and based on the indications given by the Finance area in its report, it is considered appropriate to adopt a resolution to make the Issuance.

2.3.2 Regulatory reasons

In addition to the financial reasons discussed, there are also regulatory reasons to support resolving to make the Issuance.

As indicated in section 2.2 above, CRD IV provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In addition to CET1, CRD IV provides for two other categories of regulatory capital in the composition of the Pillar 1 requirement: AT1 and Tier 2 capital. These may be made up of specific instruments or, in their absence, of CET1 and of CET1 or AT1 respectively, which would be more burdensome and less efficient.

As previously indicated, the 2015 AT1 Issuance is currently eligible as the Bank's AT1 at individual and consolidated level. In order for it to be replaced, an instrument that can also count at least as AT1 will need to be issued. As a result, the Issuance must be resolved in order to proceed with the potential replacement of the 2015 AT1 Issuance in an orderly way, as it is expected that the Securities will have the required specifications to be eligible as AT1

in accordance with CRD IV (and described below), maintaining the Bank's capital position as efficiently as possible.

As indicated in the Finance area's report, making the proposed Issuance would also require prospective management of the refinancing of the 2015 AT1 Issuance, i.e. the management of the required prior authorisation of the supervisor to amortise a capital issuance (the 2015 AT1 Issuance), having previously replaced the issuance to be amortised with instruments of equal or higher quality (the Issuance).

This forward-looking management, coupled with the current market volatility, makes it advisable to decide on the Issuance early enough in order to be able to properly manage the regulatory timeframes required under the applicable regulations, while giving the Bank the flexibility to go to market in more favourable conditions, mitigating the risks related with execution and current market volatility.

In this context, the Board of Directors has agreed to the Finance area's proposal to issue a fixed-income instrument that is eligible as AT1 (in accordance with CRD IV) and which will be executed when the market conditions are favourable and the financing cost is predicted to be lower than that of the 2015 AT1 Issuance.

In particular, Regulation (EU) 575/2013 sets out the requirement for these securities to have, inter alia, the following characteristics:

- (i) be perpetual;
- (ii) be ranked below Tier 2 instruments in the event of the insolvency of the institution;
- (iii) their distributions are only paid out of distributable items and the institution has full discretion at all times to cancel the distributions on the instruments

for an unlimited period and on a non-cumulative basis, without restriction to meet the rest of its obligations;

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

In view of all this, it is considered appropriate to adopt the necessary resolutions to make the Issuance with the aim of anticipating the refinancing of the 2015 AT1 Issuance in an orderly way—prospectively managing the corresponding regulatory authorisations, thereby preserving the Bank's capital position—and with a predictably lower financial cost, without prejudice to the relevant rates context (which determines the suitability of early redemption of the 2015 AT1 Issuance) in 2020. This will, overall, work in BBVA's best interests.

2.4 Financial conditions of the Issuance

The maximum nominal value of the Issuance is EUR 1.5 billion (or its equivalent in any other currency), with a nominal value of at least EUR 100,000 per Security (or its equivalent in any other currency).

For the purpose of eligibility as AT1, the Securities must have the characteristics set out in CRD IV, including, inter alia, those stated in section 2.3 above.

The investor may receive distributions, which will be determined in the final terms and conditions of the Issuance and will be aligned with market prices for this type of instrument at the time of issuance. In this regard, as indicated in the Finance area's report, Securities are expected to be placed through a book-building procedure, through which the price of the Issuance will be determined by reference to the market offers received (investment banks advising the transaction will carry

out dissemination and promotional activities, receiving thereafter offers detailing the price and amount that each investor would be willing to subscribe the Securities). This process is generally accepted as the most suitable process to ensure that the issuance price matches with the market price.

As provided for in CRD IV, payment of the distributions will be conditional, among other factors, on there being distributable items, which will be described in detail in the terms and conditions of the Issuance.

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the distributions on the Securities for an unlimited period and on a non-cumulative basis, and said cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

2.5 Bases and methods of conversion

According to the proposal submitted by the Bank's Finance area, the bases and methods of conversion of the Securities will essentially be as follows:

2.5.1 Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the CET1 ratio of the Issuer or its consolidated group falls below 5.125%, calculated in accordance with Regulation (EU) 575/2013 or with any other regulation applicable at any time.

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

The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is necessary or advisable to safeguard the Issuer's

solvency or so that the Securities can be considered AT1 instruments and, in turn, are eligible as Tier 1 capital.

2.5.2 Conversion ratio

The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the "**Conversion Price**").

$$ConvRatio = Nom_{convertible} / Sh_P$$

where:

ConvRatio: Conversion Ratio

Nom_{convertible}: Nominal Value of the convertible item

Sh_P: Conversion Price

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

- i) the arithmetic mean of the closing prices of the BBVA share, on the specified stock exchange or securities market, in the five trading sessions prior to the conversion event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in the following section (the "**Minimum Conversion Price**"); and
- iii) the nominal value of ordinary BBVA shares at the time of conversion.

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

2.5.3 Anti-dilution mechanism

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

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

2.6 Share capital increase

In accordance with Article 414 of the Corporate Enterprises Act, when the resolution to issue Securities is adopted, it must also be resolved to increase the share capital by the amount necessary for the Securities to be converted. The maximum number of BBVA shares to be issued to cover the conversion of the Securities will therefore be determined by the quotient between the total nominal value of the Issuance and the Conversion Price.

This share capital increase will, if necessary, be executed by the Board of Directors, which may delegate this power to the Executive Committee, with express powers of substitution, and authorise those empowered by the Board of Directors, by virtue of the resolution adopted by the BBVA Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, in order to cover the potential conversion of the Securities by issuing new ordinary shares of equal nominal value, of the same class and series, and with the same rights as ordinary BBVA shares that are in circulation on the date on which the increase takes place. Should the share 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 currently possible to determine the exact value of the share capital that will be required to cover the potential future conversion of the Securities, as it will depend on the definitive nominal value of the Issuance and the Conversion Price, to be determined based on the bases and methods of conversion.

However, taking into account that the Issuance has a maximum nominal value of EUR 1.5 billion (or its equivalent in any other currency) and that the Conversion Price may not be lower than EUR 3.75 (or the equivalent in any other currency), and assuming that no anti-dilution adjustment is made prior to the date on which the Securities are converted, the maximum number of new ordinary shares that must be issued is 400 million.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no preferential subscription rights on the resulting share capital increase.

3. GROUND FOR THE EXCLUSION OF PREFERENTIAL SUBSCRIPTION RIGHTS

3.1 Grounds for the exclusion of preferential subscription rights

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

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

However, for the purpose of waiving preferential subscription rights for the issuance of convertible bonds, Articles 417 and 511 of the Corporate Enterprises Act require, among other matters, that this be in the company's best interest.

BBVA's Board of Directors, by virtue of said Meeting's authorisation and based on the report issued by the Finance area—which is in turn supported by the report prepared by HSBC Bank plc—and on the legal report from J&A Garrigues, S.L.P. as an external legal advisor helping BBVA in the legal design of this transaction, has resolved to waive preferential subscription rights relating to Issuance, as it deems such exclusion to be fully substantiated, in compliance with the requirements established by law and necessary to achieve the corporate interest, as explained below.

In accordance with section 2.3, it is proposed that these Securities be issued in order to prospectively manage the potential replacement of the 2015 AT1 Issuance with

another that has more desirable or appropriate financial terms, and thus comply with the Bank's current and future capital requirements as efficiently as possible, in turn satisfying corporate interest and preserving the Bank's capital position.

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

Likewise, according to the provisions of Article 217.3 of Royal Legislative Decree 4/2015 of 23 October approving the revised text of the Spanish Securities Market Act, any debt instruments which in turn are eligible liabilities for internal recapitalisation (bail-in) in the event of resolution of the issuer (as would be the case of the Securities), are considered complex instruments.

These characteristics, which are required by CRD IV, as well as their sophistication and the latest regulatory changes (specifically relating to this type of instruments being considered complex), mean that the Securities are currently a product that cannot be targeted towards all types of investors, especially retail investors, which form a significant portion of the BBVA shareholders. Not excluding preferential subscription rights would therefore entail offering a product that does not fit the investment profile of all of the Bank's shareholders, which could compromise the Issuance's viability.

In this regard, the Spanish National Securities Market Commission stated through its Circular 1/2018 of 12 March on warnings relating to financial instruments, that instruments eligible as additional Tier 1 capital (as is the case of the Securities) are products that, due to their particular complexity, are not suitable for retail clients.

Therefore, in order to directly allocate the potential Issuance to professional clients and eligible counterparties (who are also those who usually subscribe to this type

of instrument, as was the case for AT1 issued by the Bank to date), and to not compromise the transaction, it is essential that the preferential subscription rights are excluded for BBVA shareholders.

The combination of the aforementioned factors (the characteristics of the securities, and the Issuance recipients) means that the Finance area has suggested, as the most suitable alternative to corporate interest, executing the potential replacement of the 2015 AT1 Issuance by issuing Securities at market price, targeting the potential Issuance solely at professional clients and eligible counterparties, as they are the appropriate group to subscribe to this type of instrument. Consequently, the most suitable alternative to satisfy corporate interest and provide a whole and joint solution to the matters at hand is to resolve to issue Securities excluding preferential subscription rights.

The following circumstances should also be taken into account:

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the own funds and solvency regulations for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be noted that BBVA's solvency and equity ratios are currently much higher than the conversion trigger event, reinforcing the nature of the Securities as fixed-income instruments and the contingency of their conversion.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument (as indicated in section 2.4 above and as stated in the Finance area's report).
- (iii) The proposed Conversion Price to cover a contingent conversion corresponds to the market price of the BBVA share at the time of conversion, except in the event that said market price is less than the Minimum Conversion Price, in which case the Conversion Price would equal the Minimum Conversion Price and the shares would therefore be issued with a premium over the

market price. The maximum number of shares to be issued is therefore limited by determining the Minimum Conversion Price, which guarantees that the shares will be issued at a price equal to or higher than the market price.

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

In light of the foregoing, the exclusion of preferential subscription rights on the proposed Issuance is necessary for its intended purpose, thus achieving corporate interest.

3.2 Persons receiving Securities

The Issuance will be targeted exclusively at professional clients and eligible counterparties, as defined in the securities market regulations, excluding retail clients or investors in any case.

4. RESOLUTIONS PROPOSAL

"ONE. - Under the authority conferred by the Ordinary General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 17 March 2017, under agenda item five, issue preferred securities contingent convertible into newly issued ordinary Company shares, in accordance with the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**Regulation (EU) 575/2013**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of one billion five hundred million euro (EUR 1,500,000,000)

*or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**"), in accordance with the following terms:*

Nature of the Securities: *Preferred securities contingent convertible into newly issued ordinary BBVA shares, in accordance with the first additional provision of Act 10/2014 and Regulation (EU) 575/2013, so that these may be considered to be additional tier 1 capital instruments.*

Issuer: *BBVA.*

Issuance recipients: *Exclusively professional clients and eligible counterparties, excluding retail investors in any case.*

Maximum Issuance amount: *One billion five hundred million euro (EUR 1,500,000,000), or the equivalent in any other currency, as stipulated in the terms and conditions of the Issuance, with the possibility of a lower Issuance amount.*

Nominal unit value: *The nominal unit value of the Securities will be as stipulated in the terms and conditions of the Issuance, with a minimum value of one hundred thousand euro (EUR 100,000), or the equivalent in any other currency.*

Number of Securities: *The maximum number of Securities to be issued will be as a result of dividing the total nominal Issuance amount by its nominal unit value. All of the Securities will belong to a single series and will assume the same terms and conditions.*

Distribution: *Securities holders may receive non-cumulative distributions that will be determined based on the interest rate applicable to the nominal value of the Securities, which will be payable provided that the conditions established in the terms and conditions of the Issuance are met ("the **Distribution**").*

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the Distributions for an unlimited period, on a non-cumulative basis, and said cancellation will not

restrict the Issuer's ability to fulfil its other obligations in any way.

The foregoing is without prejudice to other Distribution cancellation instances that may be stipulated in the terms and conditions of the Issuance or as determined by applicable regulations.

Maturity date and early redemption:

The Issuance is perpetual and therefore has no maturity date.

The Securities may be wholly or partially amortised at the option of the Issuer, in accordance with the terms and conditions of the Issuance, provided that at least five years have elapsed since the date of their issuance and, where applicable, prior authorisation has been granted by the competent authority.

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

Representation of the Securities:

The Securities may be represented by physical certificates or book entries, as stipulated in the terms and conditions of the Issuance.

Ranking:

The Securities are subordinated credits with the following BBVA payment ranking in the event of bankruptcy:

- (i) junior to privileged claims, claims against the insolvency estate and ordinary claims;*
- (ii) junior to subordinated credits and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*

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

(v) *senior to BBVA shares.*

TWO- *The bases and methods of the contingent conversion of the Securities will be as follows:*

a) Conversion trigger events

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

*Similarly, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure that results in the approval of a reduction of its share capital in the terms and conditions set out in Article 418.3 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Corporate Enterprises Act**").*

The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is required or advisable to safeguard the Issuer's solvency or so that the Securities can be considered tier 1 capital instruments.

b) Conversion Ratio

*The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the latter being the "**Conversion Price**").*

Consequently, the Conversion Price will be the greater of:

- i) the arithmetic mean of the closing prices of the BBVA share on the specified securities market or stock exchange in the five trading sessions prior to the day on which the conversion trigger event takes place, rounded to the nearest cent and, in the case of half a cent, rounded up to the nearest cent;*
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result*

*of implementing the anti-dilution mechanism provided for in section d) below (the "**Minimum Conversion Price**")*; and

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

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

c) Conversion procedure

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

d) Anti-dilution mechanism

Pursuant to Article 418.2 of the Corporate Enterprises Act and in accordance with standard practice for this type of transaction, anti-dilution mechanisms will be established based on the Minimum Conversion Price, as per the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the bases and methods of conversion described above and the requirement that the Conversion Price is never lower than the nominal value of ordinary BBVA shares at the time of conversion.

*Notwithstanding other powers that may be conferred, the Executive Committee is empowered, with express powers of substitution, with the broadest powers conferred to Jaime Sáenz de Tejada Pulido, with DNI (Spanish national identity document) 00823996K; Antonio Joaquín Borraz Peralta, with DNI 29100035K; Javier Malagón Navas, with DNI 00407098K, Ignacio Echevarría Soriano, with DNI 00837871G, Francisco Javier Colomer Betoret, with DNI 25418655K; and Raúl Moreno Carnero, with DNI 52473664S, all of legal age, of Spanish nationality and domiciled for the purposes herein at Calle Azul, No. 4, Madrid, Spain (the "**Proxies**"), so that any of them may, jointly and severally and indistinctly establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend and/or adapt other conversion trigger events, as well as to determine other conversion trigger events in addition to those provided for in this resolution, under the terms and conditions that they deem necessary or advisable in the best interest of the Issuance.*

THREE.- Based on the report prepared by the BBVA Finance area, in accordance with the report issued by J&A Garrigues, S.L.P. and pursuant to Articles 414, 417 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/accounts auditor (other than the Company's auditor appointed for such purposes by the Commercial Registry) and reported to the first General Meeting held after the share capital increase resolution, expressly empowering the General Secretary and Secretary of the Board of Directors and the Deputy Secretary to the Board of Directors to certify the text.

FOUR.- As stated in the report by the Finance area, which is reflected in the Directors' Report approved under the above resolution, corporate interest requires the exclusion of preferential subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the powers conferred by the Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, and pursuant to Articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude preferential subscription rights in this Issuance.

FIVE.- Increase BBVA's share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, in accordance with the Conversion Ratio.

Taking into account that the Minimum Conversion Price cannot be lower than EUR 3.75 or its equivalent in any other currency, the maximum number of ordinary BBVA shares to be issued will be 400 million (each currently EUR 0.49 of the nominal unit value), assuming that no anti-dilution adjustment is made that affects the Minimum Conversion Price, and expressly foreseeing the possibility of a share capital increase with an issue premium for a lower number of shares and the possibility of undersubscription.

In the event that Securities are converted, newly issued BBVA shares that are issued to cover the conversion will be ordinary shares, of the same class and series as those that are currently in circulation, and will be represented in the same way as said ordinary shares (currently through book entries recorded by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**IBERCLEAR**" — Spanish Central Securities Depository), which performs this role together with its participating entities), granting their holders the same rights as the ordinary shares that are currently in circulation. Upon execution of this resolution to increase share capital, the corresponding article in the Bylaws will be adapted accordingly.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted into newly issued shares, there would be no preferential subscription rights on the resulting share capital increase.

SIX.- Under the authority conferred by the BBVA Ordinary General Shareholders' Meeting held on 17 March 2017, under agenda item five, empower the Executive

Committee with express powers of substitution and confer the broadest powers to the Proxies so that any of them may, jointly and severally and indistinctly, within the limits established in the above resolutions, execute the Issuance and:

- a) Determine when the Issuance should take place and even abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and Securities to be issued, including, but not limited to, the final amount of the Issuance within the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest rate accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate; include new bases and methods of conversion and/or amend those that already exist, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as establishing any additional conversion and/or amortisation trigger events and any other terms or conditions deemed necessary or appropriate in the best interest of the Issuance, expressing the amount available in terms of the limits of the authorisation conferred to the Board of Directors by the Ordinary General Shareholders' Meeting and the amount to be made available, also authorising the Board, where appropriate, to redeem the Securities in advance, performing any procedures deemed necessary or advisable.*
- c) Declare the Distribution of the Securities, whether wholly or partially, and declare the whole or partial cancellation of the Distribution, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, conclude, execute, sign, grant, modify, terminate or cancel all contracts, securities, agreements and documents, whether public or private, that are necessary or deemed appropriate with regard to the Issuance (in particular, including, but not limited to, prospectuses, base prospectuses, offering circulars, information documents, supplements, supplement prospectuses, term sheets, security forms, liquidity contracts, subscription contracts, placement and/or underwriting agreements, agency agreements, requests, communications, announcements or notices, as well as any other contracts formalising the Issuance or that are necessary to issue the Securities), with authority to determine the legal and economic conditions for them all and to make the necessary or appropriate designations or appointments, as well as other supplementary acts that may be required or advisable to implement the resolutions.*
- f) In relation to the Issuance or Securities, appear, personally or through the representative or agent authorised in writing by any of the Proxies, before all the*

representatives, committees or bodies of any securities market or stock exchange, or any supervisor, regulator or registry, including, but not limited to, the Spanish National Securities Market Commission, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Irish Stock Exchange or Euronext Dublin, as well as any book-entry, registration, clearing and/or settlement company for securities, with authority to underwrite, issue, sign, grant, modify, resolve and cancel any contracts, certificates and documents as deemed necessary or appropriate, in the manner in which any of the Proxies deems necessary or advisable in order to comply with the applicable requirements imposed at any time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement companies, including, but not limited to, IBERCLEAR, as deemed necessary or advisable in the best interest of the Issuance.

- g) Request, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other applicable category, in accordance with the regulations in force at any given time.*
- h) Authorise and underwrite any public or private documents as required, with authority to appear before a notary public, raise these resolutions to public, authorise all notary deeds and acts considered necessary by the Proxies, including deeds of issue, rectification, clarification or correction, those for whole or partial Issuance subscription and those for whole or partial amortisation or modification and, where appropriate, authorise any other public or private documents that may be necessary or advisable in relation to the Issuance, and complete all relevant procedures, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when required. Where applicable and if required, draft the declaration referred to in Article 318 of the Regulations of the Commercial Registry in order to comply with Article 36 of the consolidated text of the Spanish Securities Market Act.*
- i) Set up, if necessary, the syndicate of bondholders for the Issuance and appoint its commissioner or, if deemed necessary or advisable, establish the mechanisms for the collective association or organisation and/or representation and protection of Securities holders, including the determination of their characteristics and operating rules, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and said holders, all in accordance with the terms and conditions deemed necessary or advisable.*
- j) Establish all other aspects not determined by this Board of Directors relating to the Issuance, including any modifications if necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or appropriate in relation to the above powers, authorising any private or public documents deemed necessary or advisable for this purpose.*

- k) *With regard to the contingent conversion of the Securities into newly issued ordinary BBVA shares, where appropriate, establish the Conversion Price and, where applicable, the premium, the Minimum Conversion Price and the definitive Conversion Ratio of the Issuance, determine the number of shares by which BBVA's capital is to be increased, declaring undersubscription in such an event, and perform necessary acts, including, but not limited to, authorising any public or private documents that may be necessary to implement the share capital increase and amend, if applicable, the wording of the corresponding article in the Bylaws to adapt it to the new share capital figure, with authority to appear for such purposes before any public or private bodies, including, but not limited to, a notary public or the Commercial Registry, and authorise any deeds considered necessary or advisable for this purpose.*
- l) *Request, where appropriate, the admission to trading or listing of the Securities and/or ordinary BBVA shares issued to cover the contingent conversion of the Securities, on regulated or non-regulated, organised or non-organised secondary markets, Spanish or foreign multilateral trading systems, including, but not limited to, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Spanish securities markets or the Irish Stock Exchange or Euronext Dublin, and carry out any procedures or actions deemed necessary or advisable in any jurisdiction where the Securities and/or the newly issued BBVA shares to cover the contingent conversion of the Securities are offered or traded or requested to trade. Without limitation:*
- (i) Draft, approve, formulate, underwrite and sign any documents, contracts, prospectuses, information documents, requests, communications or notifications deemed necessary or advisable for these purposes and grant their subsequent amendment where appropriate.*
 - (ii) Take any necessary actions before competent authorities in each jurisdiction and approve and formalise any public or private documents as may be necessary or advisable for the full effectiveness of the resolutions, in any aspects or content.*

To conclude, and for the purpose of the applicable regulations on the issuance of securities, it is hereby resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public or private body. They will take responsibility for the content of the prospectuses of issue, information documents or any other similar documents, where applicable, and are similarly authorised to sign any additional public or private contracts and documents that are deemed necessary or advisable in the best interest of the Issuance."

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Madrid, 31 January 2019



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