Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., pursuant to articles 292 and 293.3 of the Companies Act (Consolidated Text approved under Legislative Royal Decree 1564/1989, 22nd December) with respect to the motion to issue bonds convertible into shares of the said entity and the authority to exclude pre-emptive subscription rights and increase share capital by the amount necessary, which is adopted on this same date under the authority conferred by the General Meeting of shareholders, 14th March 2008.

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1. INTRODUCTION

1.1.- Objective of this Report

This report is filed by the board of directors of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**" or the "**Bank**", in compliance with the provisions of articles 292 and 293.2 of the Companies Act (Consolidated Text approved under Legislative Royal Decree 1564/1989, 22nd December, hereinafter the "**Companies Act**" or "**LSA**") with respect to the issuance of convertible bonds with the exclusion of pre-emptive subscription rights and the corresponding increase in share capital.

1.2- Applicable regulations

Article 292 of the Companies Act allows the Company to issue bonds convertible into shares, provided the General Meeting determines the bases and the modalities of conversion and resolves to increase capital by the amount necessary.

The directors must draw up a report prior to calling the AGM, explaining the bases and modalities of conversion. This must be accompanied by another report from an auditors firm other than the firm that audits the Company accounts, designated for such purpose by the Companies Registry.

The convertible bonds may not be issued below par. Nor may the bonds be converted into shares when the nominal value of the bonds is lower than that of the shares.

The new article 293 of the Companies Act, as worded under Act 3/2009, 3rd April, on structural changes in trading companies ("**Act 3/2009**") and Act 5/2009, 29th June, amending Act 24/1988, 28th July, on the securities market, Act 26/1988, 29th July, on discipline and intervention of financial institutions and the consolidated text of the Act on regulation and oversight of the private insurance industry, passed by Legislative Royal Decree 6/2004, 29th October, for the reform of the regime for significant holdings in investment services and companies, in financial institutions and insurance companies ("**Act 5/2009**"), established:

"1. Shareholders in the company will have the right to pre-emptive subscription of the convertible bonds to which the provisions of article 158 of this Act shall be applicable.

2. In cases in which the company's best interest so requires, the General Meeting, on resolving to issue convertible bonds, may resolve to partially or totally suppress the *pre-emptive subscription right. This resolution must respect the provisions of article 144, and to be valid, the following are obligatory requirements:*

a) That the call to the General Meeting includes the proposal to suppress the pre-emptive subscription rights.

b) That the directors' report referred to in section 2 of article 292, provides detailed explanations regarding the proposal to suppress these rights.

c) That the auditors report referred to in section 2 of article 292, issue a technical judgement on the fairness of the data contained in the directors' report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae, to compensate possible dilution of the value of shareholders' interests.

3. For listed companies, when the General Meeting delegates authority to the directors to issue convertible bonds, it may also empower them to exclude the pre-emptive subscription right with respect to the issues of convertible bonds that are the object of delegation when the company's best interest so requires. To such end, express mention must be made of the exclusion proposal in the call to the General Meeting and the directors' report must be made available to the shareholders, explaining the grounds of the proposal. Likewise, at the time of each convertible bond issue made and charged to this authority, a directors' report and an auditors' report must be drawn up pursuant to sections 2.b) and c) above, with reference to each specific issue. These reports will be made available to the shareholders and communicated to the first General Meeting held after the resolution to increase capital.”

1.3.- On the advisory services received

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

2. ON THE ISSUANCE OF MANDATORY CONVERTIBLE BONDS

2.1.- Delegation of the General Meeting under which the issuance is made

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

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

(…)

3. The authority to issue securities that may be converted into or swapped for Company shares will extend to the following aspects and will also comprise the following powers:

(…)

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

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

(…)

Should the issue be made at a variable conversion and/or swap ratio, the share price for the conversion and/or swap must be the arithmetic mean of the closing prices of the Company's shares on the 24-hour market (Mercado Continuo) during a period to be determined by the Board of Directors. However, it may neither be greater than three *months nor less than five days before the conversion or swap date, with a premium or, as applicable, a discount on the ensuing price per share. The premium/discount may not be different for each date of conversion or swap of the issues. However, if a discount is established on said price per share, it may not be higher than 30%."*

The Finance Department, on the basis of the analysis made in its report and within the authority conferred by the AGM resolution, 14th March 2008, proposes to issue mandatory convertible bonds (the "**Mandatory Convertible Bonds**" or the "**Bonds**") that are to be exchanged for ordinary shares from a new BBVA issue (the "**Shares**"), with exclusion of pre-emptive subscription rights.

2.2.- The purpose of the transaction

As explained in detail in the Finance Department's report, BBVA's current capital situation is adequate and does not require additional capital to be raised immediately. Its capital adequacy, its capacity to organically generate capital, its risk profile and the additional capital available to it, meet the most demanding market standards. However, capital needs could rise in the future if the economic situation were to deteriorate more steeply, if regulatory capital requirements were increased or if growth opportunities arose. In order to face such circumstances with due anticipation and foresight, the Finance Department proposes to provide the Bank with a capital instrument that gives it optimal flexibility to deal with such possible future contingencies.

2.3.- Structures analysed

The Finance Department has analysed different alternative capital instruments. Basically these consist of a rights issue and the issue of mandatory convertible bonds.

A rights issue, in any of its possible modalities, would entail immediate dilution in the value of current BBVA shareholders' shares, granting discounts on the subscription price and also (bearing in mind the high volatility on today's equity markets) subjecting the BBVA stock to intense market pressure and bearing costs, such as the underwriting of the issue. These are matters that could be avoided by using an instrument that avoided exposure to volatility.

Consequently, issuing mandatory convertible bonds would be the most suitable option to obtain funding in the current situation. It would avoid immediate shareholder dilution; it would not be necessary to offer any kind of discount, and pressures and costs related to the current volatility on the markets would be avoided.

Mandatory Convertible Bonds meet all the parameters required by standards on the equity needed to calculate as TIER I; and the issue carries a right of partial or total early conversion that makes it possible to manage a potential mass sale of shares in the face of a flow-back conversion event and the potential stresses that could generate on the secondary trading.

Finally, the current environment of low interest rates and high risk aversion is favourable for issues with a fixed interest rate, minimal price volatility and low risk for the retail customers' initial capital outlay. The situation is generating demand for instruments based on the quality of assets that BBVA can show.

Consequently, in the current situation, the Finance Department recommends an increase in available capital for a maximum of €2 bn (2,000,000,000 euros) through issuance of Mandatory Convertible Bonds, preferably targeted at retail customers, avoiding dilution of current shareholder's stock at a time like the present in which there is no need to increase capital, but establishing a capital reserve that will be available if needed at any time over the next 5 years. In turn, this formula allows the Bank to optimise costs and expedites execution, avoiding adverse impacts from the high market volatility.

2.4.- Financial terms and conditions of the issue

The issue that the Finance Department is proposing would be for a maximum amount of €2 bn (2,000,000,000 euros). The nominal value per Bond would be €1,000 and the issue would have a tenor of approximately 5 years.

The proposed structure is different from other issues made in the network, as the number of shares to deliver against each Bond issued is not known until maturity, as it depends on the share price at the time of conversion. The following is the applicable formula:

$$NumShrs = \frac{Num_{convertible}}{P_{AccAño5}}$$

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

$Num_{convertible}$: *Nominal value of Mandatory Convertible Bonds €1,000*

Num_{Sha}: *Number of Shares Deliverable per Bond*

Sh_{PrYr5}: *Share Price at Term*

The objective is to deliver a number of shares to the investor at the moment of conversion whose value at that moment is similar to the nominal amount originally disbursed in cash when the Bond issue was made.

Investors will collect a coupon of about 5% each year, payable on quarters accrued, as determined by the issue terms and conditions, providing they pass the payment test that is obligatory under equity standards.

2.5.- Bases and modalities of the Conversion

The bases and modalities of the conversion of the Mandatory Convertible Bonds, as can be seen in the Finance Department's report, will essentially be the following:

a) Conversion scenarios

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

1. <u>Necessary Conversion</u>

   The Bonds will mandatory be converted into Shares in the following cases:

   (i) On the maturity date for the issue as determined in the issue terms and conditions;

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

   (iii) If BBVA adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 168 or 169 of the Companies Act; and

(iv) If BBVA is declared bankrupt or placed under administration or its governing and management bodies are replaced.

2. <u>Voluntary Conversion</u>

Should the Board of Directors, in accordance with BBVA's capital adequacy and liquidity, declare that interest remuneration will not be paid over a certain period of time, BBVA will open a period for voluntary conversion ("**Period of Voluntary Conversion**") during which bond holders may opt to convert their Bonds into BBVA Shares.

BBVA will open the Voluntary Conversion Period on the fifth working day prior to any remuneration payment date. The Voluntary Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

3. <u>Other Conversion Scenarios</u>

After a year has passed since the issue, BBVA, at its sole discretion, may open a conversion period (“**Conversion Period**") for all or some of the Mandatory Convertible Bonds. Should a Conversion Period be opened, the following procedures will be enacted:

a) BBVA will open the Conversion Period on the fifth working day prior to any remuneration payment date after the end of the first year following the issue date. Bond holders may opt to convert their bonds into BBVA Shares. The Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

b) BBVA will determine whether the Conversion Period is for conversion of all or only some of the Mandatory Convertible Bonds. Should it be only for some of the Bonds (partial), the maximum amount convertible will be determined as a percentage of the nominal value of the issue.

c) Should a partial Conversion Period be opened and should the maximum percentage of exchange established by BBVA not be fully covered, BBVA may convert the Bonds until it reaches the maximum percentage declared and not covered by drawing lots between all the Mandatory Convertible Bonds, as determined in the issue terms and conditions.

b Conversion Ratio

The ratio for converting the Bonds into Shares (the "**Conversion Ratio**") will be the amount resulting from dividing the nominal value of the Bonds (ie, €1,000) by the value attributable to the ordinary BBVA shares for the purposes of the conversion (the “**Conversion Price**”). Thus, the number of shares corresponding to each bond holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.

For the purposes of the Conversion Ratio, the Conversion Price will be the value attributed to the BBVA shares as a function of the following conversion scenarios:

(i) Necessary Conversion on the issue's maturity date: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the maturity date (tenor);

(ii) In any other Necessary Conversion scenario other than that described in section (i): The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the corresponding Necessary Conversion scenario occurs;

(iii) Voluntary Conversion: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

(iv) Other Conversion Scenarios as of one year from the issue: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Conversion Period.

If the arithmetic means described above (the "**Arithmetic Means**") were equal to or less than €4.5, the Conversion Price will be €4.5 per share. Likewise, if the Arithmetic Means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 or (ii) the resulting Arithmetic Mean multiplied by 0.75.

c) Procedures for Conversion

Should any of the conversion scenarios occur, as established in section a) above, the procedures to be followed will be determined within the issue terms and conditions by the Board of Directors, with express powers to substitute itself and delegate to the Executive Committee and the proxies that it appoints.

d) Anti-dilution Mechanism

With respect to the provisions of article 294.2 of the Companies Act, anti-dilution mechanisms will be established regarding the Conversion Price in accordance with habitual practice in this kind of transactions, pursuant to what the Board of Directors or the Executive Committee or such proxies as the Board of Directors may appoint determines in the terms and conditions of the issue.

In all cases, these anti-dilution measures must take into account the bases and modalities of conversion referred to above.

Finally, the Board of Directors, with express powers to substitute itself with the Executive Committee and the proxies that it appoints, may determine or develop in the issue conditions any circumstance that is not specified in this report, and may amend and/or determine other conversion scenarios, additional to those established herein, which may be necessary for the success of the transaction.

2.6.- Capital increase

According to the provisions of article 292 of the Companies Act, the share capital must be increased by the maximum amount necessary to be able to convert the Bonds issued. To such end, the maximum amount by which it is resolved to increase the share capital will be determined by the ratio between the nominal value of the Bonds (ie, €1,000) and the Conversion Price. Consequently, the number of shares that would correspond to each bond-holder as a consequence of the conversion will be the outcome of multiplying the Conversion Ratio by the number of Bonds that the investor holds. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.

This capital increase will be executed under the authorisation conferred by the Annual General Meeting of Banco Bilbao Vizcaya Argentaria, S.A. shareholders, 14th March 2008, under agenda item six, totally or partially, on the Board of Directors, which is expressly empowered to further delegating this authority on the Executive Committee or any other proxies the Board of Directors may appoint, to carry out the conversion of the Bonds, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares in circulation on the date(s) of execution of the corresponding resolution to issue capital. Every time that the Board of Directors or its proxies execute this resolution, article 5 of the bylaws, relating to the capital, will be re-worded.

It is not possible yet to determine the amount of share capital that will be necessary for the conversion, given that, in accordance with the bases and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion. However, considering that the Conversion price may not be below €4.5, and assuming that no anti-dilution measure is taken before the Bond's maturity date, we can state that the maximum number of shares in the new issue to be made will be 444,444,445 shares.

Pursuant to article 159.4 of the Companies Act, there need be no pre-emptive subscription right on the capital increase(s) resulting from the conversion of the Mandatory Convertible Bonds.

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

This proposal to issue Mandatory Convertible Bonds for exchange with newly issued ordinary shares, to be approved by the BBVA Board of Directors, entails the exclusion of the BBVA shareholders' pre-emptive right of subscription. At the date of this report, there is no issue date for the securities that will be mandatory converted into such shares.

Article 293 of the prevailing Companies Act, as indicated in section 1 herein, stipulates that corporate interest must require the exclusion of the pre-emptive subscription right in order for it to be excluded in the issues of convertible bonds. Additionally, the Act demands certain formal requirements be met. On the occasion of each resolution to issue convertible bonds made against the authority conferred, the directors and the account auditors must draw up the reports required under section 2.b) and c) of article 293.2 of the Companies Act. The directors' report must provide detailed grounds for the bases and modalities of the proposal to suppress the pre-emptive subscription rights. The auditors' report must be drawn up by an auditors' firm other than the auditors firm that audits the Company's accounts. Said firm is accountable for issuing a technical judgement on the fairness of the data contained in the directors' report and on the suitability of the conversion ratio. Where applicable, it will also contain the adjustment formulae to compensate any dilution of the shareholders' economic interest.

The BBVA General Meeting of shareholders, 14th March 2008, resolved under agenda item six, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the share capital. It also resolved to empower the Board of Directors to exclude the pre-emptive subscription right over the convertible bond issues made under such authority.

To such end, when issuing the call to the aforementioned General Meeting of shareholders, the BBVA Board of Directors gave shareholders access to the report explaining the grounds of the motion to confer such authority.

Now, the Board of Directors, pursuant to the authority conferred by resolution of the AGM, 14th March 2008, on the basis of the report issued by the Finance Department, has decided to issue bonds convertible into BBVA shares, excluding the pre-emptive subscription right, due to the need to be able to act sufficiently flexibly in the current economic scenario.

Accordingly, the directors are drawing up, adopting and making available to shareholders a report providing the grounds for the motion to exclude the pre-emptive subscription right, pursuant to the legal regime envisaged in section 1 hereof.

The BBVA directors, in view of the reports issued by the BBVA Finance Department and J&A Garrigues, S.L.P. as external consultant, which has assisted BBVA in the design of the transaction, consider that the exclusion of the shareholders' pre-emptive subscription right is in full compliance with the requirements established under the Companies Act and is necessary in order to ensure the Company's best interests.

The globalisation of financial markets and the speed and flexibility with which trading is done, along with the high volatility currently existing, requires the Board of Directors to have suitable, flexible instruments to provide suitable response to the demands of the Company's best interests from time to time.

Thus, in line with the details of the report drawn up by the Finance Department, BBVA's objective must be to rapidly endow itself with instruments to allow it to draw down on the regulatory capital necessary in situation where this must be done flexibly, proposing the Bond issue.

By reason of the above, with respect to the transaction to issue Mandatory Convertible Bonds and the later capital increase that is the subject of this Report, and in line with the grounds given by the Finance Department in its report, the main reasons justifying the Company's benefit from excluding the pre-emptive subscription right are as follows:

- The proposal to issue Mandatory Convertible Bonds established in section 4.- below, which has been summarised in section 2.- above, establishes that the conversion price of ordinary shares issued to cover the needs for the Bond conversion will be done, except in the event of reaching the minimum or maximum value indicated in the following paragraph, at the listed price at which the share is trading at the moment of conversion. Specifically, pursuant to the attached motion, the conversion price will be established by virtue of the arithmetic mean of the closing prices of the BBVA share corresponding to the five (5) trading sessions prior to the term of maturity of each quarterly payment date. Consequently, the maximum number of shares to convert is limited, by the establishment of a minimum conversion price.

  Moreover, the resolution establishes that the if the market price at the moment of conversion were below €4.5, the conversion price of the shares would be €4.5. This means they would be delivered with a premium against the market price. Likewise, a maximum conversion price of €50 is established to cover the requirements of the equity standards, in order to request the Bank of Spain to consider the issue eligible as *core capital* from the moment it is issued, and prior to the conversion.

In compliance with the resolution of the AGM, 14th March 2008, under agenda item six, the maximum discount on the Conversion Price is limited to 25%.

In line with the conversion bases and modalities described in section 2.- of this report, there is no fixed deadline for implementing the conversion, and thus the terms and conditions for conversion will be exclusively adapted to the market conditions at any time.

Pursuant to the content of the Finance Department's report, the theoretical price of the Pre-emptive Subscription Rights today would be zero, as investors have no interest in such rights, as they could directly obtain a better call price on the shares in the market.

Consequently, given the configuration of the proposed conversion bases and modalities, shareholders are not losing economic value by waiving their pre-emptive subscription right.

- As already indicated, the suggested conversion ratio for the Bonds is designed to comply with the Company's best interests, since by converting at a price equal to the share's listed or market price, BBVA maximises the funds obtained, such that the amount of the issue is used fully to boost BBVA's capital adequacy ratio (such that it strengthens the Company's best interests and complies with the main objective of the issue) in the most efficient manner possible, without producing capital costs.

- The design of the structure for the Mandatory Convertible Bonds, both for the interest rate, the tenor, and the other terms, conditions and specifications, according to the Finance Department's considerations, makes it especially attractive to retail investors. A potential demand has been detected for this type of product amongst BBVA's retail customers who wish to maximise returns with less risk. (The interest rate would be significantly higher than the rate offered on other bonds and that have a credit risk compared to BBVA's).

  We should take into account that approximately 50% of BBVA's shareholding is in the hands of institutional investors, who in principle would be less interested in acquiring Mandatory Convertible Bonds due to their specifications and because, although both are traded, they are evidently a less liquid product that BBVA's shares, which said investors could acquire on the market with the same conditions (and in larger amounts) under which the Mandatory Convertible Bonds will be converted.

Under these conditions, and taking into account that the estimated value of the Pre-emptive Subscription Rights is zero, as indicated in the Finance Department's report, the market for these pre-emptive subscription rights would be practically non-existent in comparison with other transactions in which the pre-emptive subscription value does have a value, such that there would not be an effective transfer of the pre-emptive subscription rights on those shareholders who are not interested in subscribing to the Mandatory Convertible Bonds towards those investors who do have a real interest in their subscription.

The lack of interest contemplated in the previous paragraph, carries with it a clear risk to the best interests of the Company. It could mean that the issue is not subscribed within the time and up to the amount initially expected, although there is a market demand amongst another type of investor, as detected. It would thus be necessary to make a later additional placement amongst non-shareholding investors on the market under conditions that would foreseeably be less favourable for the issuer. This would entail effective, operational and time costs as well as capital costs and would clearly run contrary to BBVA's best interests.

- Another advantage for the best interests of the Company in issuing without pre-emptive subscription rights is that the necessary funds can be raised in a shorter time, cutting back the execution periods and reducing the costs of issue and placement. The equities market is currently subject to high volatility, such that reducing the execution period drastically reduces the strong risks stemming from such volatility if there is a long period between the announcement of the transaction and its completion. This means greater efficacy when placing the issue.

  Granting the right of pre-emptive subscription would entail opening up a minimum subscription period of two (2) weeks for all the entity's shareholders.

From the moment the transaction was announced, there would be exposure to market risk for at least three (3) weeks (an exposure analogous to that of a capital issue with pre-emptive subscription rights). Such a situation would subject the BBVA share to greater volatility and stresses and investors in the arbitrage market would further destabilise the share listing price.

- Apart from this, placing the products amongst interested customers through the BBVA distribution network in Spain (given that, as explained, we believe there is potential demand amongst retail investors) avoids wholesale placement risk and facilitates placement, making more efficient use of time and costs.

  The issue volume sought is achievable through the network, especially if we compare this instrument with similar ones issued by other financial institutions through their Spanish distribution networks.

  The product would also increase the base of retail and individual investors holding shares in the Bank, with a less speculative profile and interest in retaining their holdings for the long term. This mitigates the volatility of share prices and is in the BBVA's best interests, especially given current market circumstances.

- As indicated in the Finance Department's report, the value for BBVA shareholders of the Pre-emptive Subscription Rights on the issue of Mandatory Convertible Bonds is zero.

- Given the granular, disperse nature of the BBVA shareholding structure, with more than 900,000 shareholders at present, the relevance of the percentage of the holding is very limited with respect to influence or control.

  Likewise, the dilution of the shareholding stake will vary as a function of the conversion price. In the worst-case scenario, this will not be more than 11.86% for the scenario of conversion at the minimum price of €4.5.

- Dilution in the collection of dividends, would only occur in the event of the additional capital subscribed not generating additional returns to the entity equivalent to those it obtains on the capital it currently has.

In any case, this dilution will also depend on the BBVA payout policy in the future and not on the specific issuing of Mandatory Convertible Bonds.

- Finally, in terms of stock-exchange value, the dilution will depend exclusively on the market transactions relative to the trading session after the conversion.

  Therefore, according to the explanations given in the Finance Department's report, the maximum dilution is limited and the theoretical price of the right is zero or negative.

Consequently, as indicated in the Finance Department's report, it is necessary for the best interests of the Company to issue the Bonds excluding the right of pre-emptive subscription, as this makes it possible to maximise the fund raising potention in a short period of time in the most efficient manner possible and limits the impact on the share's listed price (reducing exposure to market and volatility risks) and will also encourage greater customer loyalty.

4. PROPOSED RESOLUTION

"PROPOSED RESOLUTIONS FOR THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A., 27th JULY 2009 REGARDING THE ISSUE OF MANDATORY CONVERTIBLE BONDS

ONE*.- By virtue of the authorisation conferred by the Company's Annual General Meeting of shareholders, 14th February 2008, under its agenda item six, to issue bonds mandatory convertible into ordinary shares newly issued by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "***Bonds***" or the "***Mandatory Convertible Bonds***") to a maximum value of two billion euros (€2,000,000,000), which will be issued by Banco Bilbao Vizcaya Argentaria, S.A. ("***BBVA***"), under the following terms and conditions:*

Type of bonds to be issued:	*The securities to be issued will be bonds mandatory convertible into ordinary shares newly issued by*

	BBVA.
Issuer:	*Banco Bilbao Vizcaya Argentaria, S.A.*
***Maximum value**:*	*Two billion euros (€2,000,000,000)*
Number of Bonds:	*The maximum number of Bonds to be issued is two billion (€2,000,000,000), all belonging to one single series and with the same terms and conditions. The possibility of incomplete subscription is expressly foreseen.*
Nominal value:	*The Bonds will have a nominal value of one thousand euros (€1,000).*
Type of issue:	*The issue will be made at par, ie, at one-hundred percent of nominal value, without commission fees or costs for the subscriber.*
***Remuneration**:*	*Bond holder may receive a predetermined non-cumulative remuneration that will be determined as a function of the interest rate applicable to the nominal value of the Bonds, as established in the issue terms and conditions (the "**Remuneration**").*
Tenor:	*The maturity date will be determined in the issue terms and conditions.*
***Representation of the Bonds**:*	*The Bonds will be represented by book entries.*
Order of Seniority:	*The order of seniority for the Bonds will be:* *(i) behind all BBVA's common and subordinate creditors;*

(ii) behind the preferred securities and/or preferred shares and/or equivalent securities that the Issuer may have issued (or underwritten) or may issue (or underwrite);

(iii) pari passu with the other issues of convertible bonds equivalent to the Mandatory Convertible Bonds that the Bank may issue directly or through a subsidiary; and

(iv) ahead of the BBVA ordinary shares.

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

a) Conversion scenarios

*The Bonds will be convertible into newly issued BBVA ordinary shares (the "**Shares**") in the following scenarios:*

1. Necessary Conversion

The Bonds will mandatory be converted into Shares in the following cases:

(i) on the maturity date for the issue as determined in the issue terms and conditions;

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

(iii) If the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 168 or 169 of the Companies Act; and

(iv) If the Issuer is declared bankrupt or placed under administration or its governing and management bodies are replaced.

2. *Voluntary Conversion:*

*Should the Board of Directors, in accordance with the Issuer's capital adequacy and liquidity, declare that interest remuneration will not be paid over a certain period of time, the Issuer will open a period for voluntary conversion ("**Period of Voluntary Conversion**") during which bond holders may opt to convert their Bonds into BBVA Shares.*

The Issuer will open the Voluntary Conversion Period on the fifth working day prior to any remuneration payment date. The Voluntary Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

3. *Other Conversion Scenarios*

*After a year has passed since the issue, the Issuer, at its sole discretion, may open a conversion period ("**Conversion Period**") for all or some of the Mandatory Convertible Bonds. Should a Conversion Period be opened, the following procedures will be followed:*

a) *The Issuer will open the Conversion Period on the fifth working day prior to any remuneration payment date after the end of the first year following the issue date. Bond holders may then opt to convert their bonds into BBVA Shares. The Conversion Period will end on the working day prior to the date on which the payment of the corresponding Remuneration would have to be made.*

b) *The Issuer will determine whether the Conversion Period is for conversion of all or only some of the Mandatory Convertible Bonds. Should it be only for some of the Bonds, the maximum amount convertible will be determined as a percentage of the nominal value of the issue.*

c) *Should a partial Conversion Period be opened and should the maximum percentage of exchange established by the Issuer not be fully covered, the Issuer may convert the Bonds until it reaches the maximum percentage declared and not* *covered by drawing lots between all the Mandatory Convertible Bonds, as determined in the issue terms and conditions.*

b Conversion Ratio

*The ratio for converting the Bonds into Shares (the "**Conversion Ratio**") will be the resulting amount from dividing the nominal value of the Bonds (ie, €1,000) by the value attributable to the ordinary BBVA stock for the purposes of the conversion (the "**Conversion Price**"). Thus, the number of shares corresponding to each bond holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.*

For the purposes of the Conversion Ratio, the Conversion Price will be the value attributed to the BBVA shares as a function of the following conversion scenarios:

(i) Necessary Conversion on the issue's maturity date: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the maturity date (tenor).

(ii) In any other Necessary Conversion scenario other than that described in section (i): The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the corresponding Necessary Conversion scenario occurs.

(iii) Voluntary Conversion: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

(iv) Other Conversion Scenarios as of one year from the issue: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Conversion Period.

*If the arithmetic means described above (the "**Arithmetic Means**") were equal to or less than €4.5, the Conversion Price will be €4.5 per share. Likewise, if the Arithmetic Means were equal to or more than €50, the Conversion Price will be* *the greater of either (i) €50 and (ii) the resulting Arithmetic Mean multiplied by 0.75.*

c) Procedures for Conversion

Should any of the conversion scenarios occur, as established in section a) above, the procedures to be followed will be determined within the issue terms and conditions by the Board of Directors, with express powers to substitute itself and delegate to the Executive Committee and the proxies that it appoints.

d) Anti-dilution Mechanism

With respect to the provisions of article 294.2 of the Companies Act, anti-dilution mechanisms will be established regarding the Conversion Price in accordance with habitual practice in this kind of transactions, pursuant to what the Board of Directors determines in the terms and conditions of the issue, or the Executive Committee or such proxies as the Board of Directors may appoint.

Whatever the case, these anti-dilution measures must take into account the bases and modalities of conversion referred to above.

*Without detriment to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr Manuel González Cid with ID number 51361870-H, Mr Pedro M. Urresti Laca with ID number 78866,442-V, Mr Ignacio Echevarria Soriano with ID number 837871-G and Mr Juan Isusi Garteiz Gogeascoa with ID number 44679846-T, all Spanish nationals of full age and domiciled to these effects at 81 Paseo de la Castellana in Madrid (the "**Proxies**"), to determine or develop in the issue terms and conditions any circumstances not established herein, and to amend and/or determine other conversion scenarios, over and above those established herein, which may be necessary for the successful completion of the transaction.*

***THREE**.- On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of the provisions of articles 292 and 293 of the Companies Act, to approve the Directors' Report on the* *issue of Mandatory Convertible Bonds, which will be made available to the shareholders and communicated to the first General Meeting held after the resolution to increase capital, conferring express authority to the Corporate Affairs Director and the Company Secretary to certify its wording.*

FOUR.- *Pursuant to the authority conferred by the AGM, 14th March 2008, upon the Board of Directors, given that the best interests of the Company require the suppression of the pre-emptive subscription right according to the report presented by the Finance Department for the transaction, and as reflected in the Directors' Report approved in the previous resolution, it is resolved to suppress it in this Bond issue in compliance with article 293.3 of the prevailing Companies Act. To such end, shareholders at the first General Meeting to be held will be given access, along with the aforementioned Directors' Report, to the corresponding report issued by an auditors' firm other than the Company's auditors, designated to such effect by the Companies Registry.*

FIVE.- *To increase the share capital by the amount and number of shares necessary to be able to convert the Bonds. The maximum number of shares in the new issue will be 444,444,445 shares. The possibility is expressly foreseen that the capital increase be executed in one or several issues, with issue premium, for a lesser number of shares and with the possibility of incomplete subscription of each such issue.*

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

The new shares will confer on their holders the right to participate in any distribution of corporate earnings paid out after the date on which they are entered on the Iberclear books and in any net assets resulting from a liquidation.

By virtue of article 159.4 of the Companies Act, there will be no pre-emptive subscription right over the capital issue, as it will be due to the conversion of the Bonds into shares.

SIX.- *By virtue of the authorisation conferred on this board of directors by the BBVA Annual General Meetings, 14th March 2008, to delegate to the Executive committee,* *which may in turn pass on such delegation, all powers necessary to effectively implement the afore-mentioned Bond issue. Likewise, to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, such that they may:*

a) *Determine the characteristics of the Bonds to be issued, including but not limited to the final amount of the issue within the limits established under resolution ONE, the nominal interest rate applicable to the Bonds, the timing of the issue, the interest accrual periods, the maturity date, declare the total or partial subscription of the issue and determine any parameter not established hereunder that may be necessary for the successful conclusion of the transaction. Also express the amount availed against the limit of the delegation granted by the Board and the amount still available.*

b) *Declare the Bond Remuneration, whether partial or complete, and declare that the Bonds will bear no Remuneration if BBVA's distributable profit is insufficient or if BBVA is obliged to limit payments according to applicable regulations due to a shortfall in equity, as determined under the issue terms and conditions.*

c) *Likewise, the Proxies may, should they deem it advisable, refrain from issuing the Bonds that are the subject matter of the previous resolution.*

d) *Request the Companies Registry to appoint an auditors firm other than the Company's auditors, as established under article 292 and 293 of the Companies Act, and to make any arrangement, request or appointment that may be legally necessary to successfully issue the Bonds.*

e) *Grant any public and private documents required and, where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Market, should this be necessary, appear before a Notary Public and finalise the formalities on the foregoing resolutions, including deeds to correct, clarify or rectify them, and deeds of the total or partial subscription of the issue, as well as the total or partial repayment and, where applicable, any others that may have preceded it of may be resolved in the future.*

f) *They are also empowered to formalise and file the Offering Circulars that may be necessary and the documents formalising the issue before the stock-market authority (CNMV), and any other necessary documents before the Bank of Spain, the Companies Registry, the Governing Companies of the Stock Exchanges, the AIAF Bond Market, Iberclear or any other bodies or markets. Where applicable, declare the subscription of the issue to be partial or incomplete and, if necessary, constitute a Bondholders Syndicate to determine the characteristics and regulations of operation, and to designate its Provisional Commissioner, and the fundamental rules governing the relationship between the Company and the Syndicate.*

g) *Establish any other parameters not established by this Board with respect to the Bond issue and determine any other parameter for the issue that may be necessary for its successful completion.*

h) *Negotiate, sign and grant public and/or private documents, including but not limited to liquidity contracts, payment agency contracts and any other contracts considered necessary to be able to make the issue under the conditions they deem most advisable.*

i) *Also, it is agreed to apply, where applicable, for the listing of the Bonds to trade on Spanish and non-Spanish, regulated and non-regulated, official and non-official secondary markets.*

j) *With respect to the conversion of the Bonds into BBVA shares, also empower each of the aforementioned persons to establish, where applicable, the final conversion ratio for the issue and the premium, determine the number of shares by which, on one or several occasions, the BBVA capital is finally increased, declaring, where applicable, the increase to have been incompletely subscribed, and amend the wording of article 5 of the company bylaws to adapt it to the new capital figure.*

k) *It is resolved to request, where applicable, listing for trading on official and non-official, regulated and non-regulated, Spanish and non-Spanish secondary markets and take any actions they consider necessary in any jurisdiction where* *the BBVA shares are offered or traded or listing for trading has been requested, to carry out the capital increase. By way of example:*

(i) Write and file any protocols, requests, communications or notifications that may be required by applicable legislation in each competent jurisdiction and agree later amendments to these that they deem advisable.

(ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.

l) Pursuant to article 27 of the Exchange Regulations, it is expressly stated that, in the event of later requesting the delisting of the Bonds issued under this authority, this will be adopted with the same formalities as those referred to in this article and, in such event, the best interest of the shareholders or Bond holders that oppose or do not vote for the resolution will be guaranteed, complying with the requirements established in the Companies Act and concordant provisions. All will be done in accordance with the provisions of the aforementioned Exchange Regulations, the Securities Market Act and the provisions that ramify it.

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

Madrid, twenty-seventh of July two-thousand and nine

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

SPECIAL REPORT ON THE ISSUANCE OF MANDATORY CONVERTIBLE BONDS EXCLUDING PRE-EMPTIVE SUBSCRIPTION RIGHTS FROM THE SCENARIOS GIVEN IN ARTICLES 292 AND 293 OF THE COMPANIES ACT (CONSOLIDATED TEXT)

Madrid, 30th July 2009

BDO

BDO Audiberia

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SPECIAL REPORT ON THE ISSUANCE OF MANDATORY CONVERTIBLE BONDS EXCLUDING PRE-EMPTIVE SUBSCRIPTION RIGHTS UNDER THE SCENARIOS GIVEN IN ARTICLES 292 AND 293 OF THE COMPANIES ACT (CONSOLIDATED TEXT)

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

For the purposes established in articles 292 and 293 of the Companies Act (Consolidated Text) and pursuant to the commission received from Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA or the Company), at the appointment of the Companies Registrar of the Province of Vizcaya, Mr Carlos Alonso Olarra, we hereby issue this Special Report on the issuance of mandatory convertible bonds excluding pre-emptive subscription rights, attached to the Report by the Company Directors. These are hereby made available to the shareholders of this Company.

The aim of our job is not to certify the price of the bonds on issue or at conversion. Rather we aim to apply the procedures established in the Technical Standard on drafting special reports on the issuance of convertible bonds under the scenario given in article 292 of the Companies Act, in order to declare whether the Report drafted by the Company Directors, dated 27th July 2009, which is attached as an annex to this report, contains the information required, brought together under the aforementioned Technical Standard, including the explanation of the bases and modalities of conversion. Likewise, pursuant to article 293 of the Companies Act and, by analogy, wherever applicable, the Technical Standard on the drafting of special reports on the exclusion of the pre-emptive subscription right under the scenario given in article 159 of the Companies Act, our job aims to issue a technical judgement on the fairness of the data contained in the attached Directors' Report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae, to compensate a possible dilution of the economic interest of the shareholders.

The Company Directors have drawn up the attached Report, in which they give a detailed description of the bases and modalities of conversion and the grounds for suppressing the pre-emptive subscription right of the Company shareholders.

Pursuant to articles 292 and 293 of the Companies Act and the aforementioned technical standards, we have applied the following procedures to our job:

a. Obtaining and analysing the following information:

   - Resolution by the Company's General Meeting to confer authority on the Directors to issue convertible bonds and exclude pre-emptive subscription rights.

   - Report by the Company Directors regarding issuance of mandatory convertible bonds and the exclusion of pre-emptive subscription rights.

   - The Company's audited consolidated and individual annual accounts for the year ending 31st December 2008.

   - The Company's audited consolidated and individual interim accounts at 30th June 2009.

   - Minutes of the Company's General Meetings of Shareholders, of its Board of Directors meetings and the meetings of its Executive Committee held between 1st January 2009 and the date of this report.

   - Other information deemed necessary to carry out our job.

b. Holding various meetings with the Company management in order to collect all the information deemed to be useful for our job.

c. Evaluating whether the Directors' Report contains the information deemed necessary and sufficient for its readers to be able to interpret it and understand it adequately.

d. Verifying the calculations used to determine the bases and modalities of the conversion and other rights to the bond subscribers.

e. Checking that the issue price of the mandatory convertible bonds is not below its own nominal value or the nominal value of the shares to which they must be converted.

f. Verifying that the accounting information contained in the Directors' Report reflects the entity's accounting data that served as the basis for preparing the Company's audited annual accounts.

g. Verifying that the Directors' Report mentions, where applicable, any later significant events that may affect the issuance of mandatory convertible bonds.

h. Evaluating the fairness of the data contained in the Directors' Report that justify suppressing the shareholders' pre-emptive rights.

i. Evaluating the suitability of the conversion ratio and, where applicable, its adjustment formulae, to compensate any possible dilution of the shareholders' economic interests.

j. Obtaining information from the auditor of the Company accounts, where applicable, regarding subsequent events with respect to the total assets and liabilities of the

Company that may have been known after the latest auditors' report facilitated to us was issued.

k. Obtaining a letter signed by the Company Management, confirming to us that we have been furnished with all the necessary information to draw up our report, and that no subsequent events have occurred between 30th June 2009 and the date of this report, which have not been brought to our notice and that could have a significant effect on the outcome of our work.

With respect to the procedures applied, we should mention that, apart from the objective factors, there are other factors implicit in certain aspects of our job that entail judgement and the establishment of working hypotheses, whose compliance largely depends on future events, such that it is not possible for us to know how they will finally turn out at the present moment.

On the basis of the work done within the scope described in the previous paragraphs, the attached Report drawn up by the Banco Bilbao Vizcaya Argentaria, S.A. regarding the issuance of mandatory convertible bonds excluding preferential subscription rights, we conclude that:

- The Company Directors' Report contains the required information, reflected by the Technical Standard on the drafting of special reports on the issuance of convertible bonds under the scenario given in article 292 of the Companies Act.

- The data contained in the Company Directors' Report to provide the grounds for excluding the pre-emptive subscription rights are fair as they are adequately documented and explained.

- The conversion ratio for the bonds mandatory convertible into Company shares excluding pre-emptive subscription rights and, where applicable, its adjustment formulae to compensate a possible dilution of the shareholders' economic interest is suitable, as the theoretical value of the pre-emptive subscription right associated to said bonds is zero.

This special report has been drawn up solely for the purposes established under article 292 and 293 of the Companies Act, such that it must not be used for any other end.

BDO Audiberia Auditores, S.L.

[signature]

Carlos de Corral Gargallo

Partner-Account Auditor

Madrid, 30th July 2009

EXHIBIT:

Report of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. on the issuance of mandatory convertible bonds excluding pre-emptive subscription rights.

Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., pursuant to articles 292 and 293.3 of the Companies Act (Consolidated Text approved under Legislative Royal Decree 1564/1989, 22nd December) with respect to the motion to issue bonds convertible into shares of the said entity and the authority to exclude pre-emptive subscription rights and increase share capital by the amount necessary, which is adopted on this same date under the authority conferred by the General Meeting of shareholders, 14th March 2008.

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1. INTRODUCTION

1.1.- Objective of this Report

This report is filed by the board of directors of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**" or the "**Bank**", in compliance with the provisions of articles 292 and 293.2 of the Companies Act (Consolidated Text approved under Legislative Royal Decree 1564/1989, 22nd December, hereinafter the "**Companies Act**" or "**LSA**") with respect to the issuance of convertible bonds with the exclusion of pre-emptive subscription rights and the corresponding increase in share capital.

1.2- Applicable regulations

Article 292 of the Companies Act allows the Company to issue bonds convertible into shares, provided the General Meeting determines the bases and the modalities of conversion and resolves to increase capital by the amount necessary.

The directors must draw up a report prior to calling the AGM, explaining the bases and modalities of conversion. This must be accompanied by another report from an auditors firm other than the firm that audits the Company accounts, designated for such purpose by the Companies Registry.

The convertible bonds may not be issued below par. Nor may the bonds be converted into shares when the nominal value of the bonds is lower than that of the shares.

The new article 293 of the Companies Act, as worded under Act 3/2009, 3rd April, on structural changes in trading companies ("**Act 3/2009**") and Act 5/2009, 29th June, amending Act 24/1988, 28th July, on the securities market, Act 26/1988, 29th July, on discipline and intervention of financial institutions and the consolidated text of the Act on regulation and oversight of the private insurance industry, passed by Legislative Royal Decree 6/2004, 29th October, for the reform of the regime for significant holdings in investment services and companies, in financial institutions and insurance companies ("**Act 5/2009**"), established:

"1. Shareholders in the company will have the right to pre-emptive subscription of the convertible bonds to which the provisions of article 158 of this Act shall be applicable.

2. In cases in which the company's best interest so requires, the General Meeting, on resolving to issue convertible bonds, may resolve to partially or totally suppress the *pre-emptive subscription right. This resolution must respect the provisions of article 144, and to be valid, the following are obligatory requirements:*

a) That the call to the General Meeting includes the proposal to suppress the pre-emptive subscription rights.

b) That the directors' report referred to in section 2 of article 292, provides detailed explanations regarding the proposal to suppress these rights.

c) That the auditors report referred to in section 2 of article 292, issue a technical judgement on the fairness of the data contained in the directors' report and on the suitability of the conversion ratio and, where applicable, its adjustment formulae, to compensate possible dilution of the value of shareholders' interests.

3. For listed companies, when the General Meeting delegates authority to the directors to issue convertible bonds, it may also empower them to exclude the pre-emptive subscription right with respect to the issues of convertible bonds that are the object of delegation when the company's best interest so requires. To such end, express mention must be made of the exclusion proposal in the call to the General Meeting and the directors' report must be made available to the shareholders, explaining the grounds of the proposal. Likewise, at the time of each convertible bond issue made and charged to this authority, a directors' report and an auditors' report must be drawn up pursuant to sections 2.b) and c) above, with reference to each specific issue. These reports will be made available to the shareholders and communicated to the first General Meeting held after the resolution to increase capital."

1.3.- On the advisory services received

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

2. <u>ON THE ISSUANCE OF MANDATORY CONVERTIBLE BONDS</u>

2.1.- Delegation of the General Meeting under which the issuance is made

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

“Repealing the unavailed part of the authorisation conferred at the AGM, 1st March 2003, under agenda item three, delegate authority to the Board of Directors, pursuant to article 319 of the Companies Registry Regulations and under the general regime for bond issuance, and applying by analogy articles 153.1 b) and 159.2 of the Companies Act, to issue securities that may be converted into or swapped for Company shares, in accordance with the following terms and conditions:

(…)

3. The authority to issue securities that may be converted into or swapped for Company shares will extend to the following aspects and will also comprise the following powers:

(…)

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

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

(…)

Should the issue be made at a variable conversion and/or swap ratio, the share price for the conversion and/or swap must be the arithmetic mean of the closing prices of the Company's shares on the 24-hour market (Mercado Continuo) during a period to be determined by the Board of Directors. However, it may neither be greater than three *months nor less than five days before the conversion or swap date, with a premium or, as applicable, a discount on the ensuing price per share. The premium/discount may not be different for each date of conversion or swap of the issues. However, if a discount is established on said price per share, it may not be higher than 30%."*

The Finance Department, on the basis of the analysis made in its report and within the authority conferred by the AGM resolution, 14th March 2008, proposes to issue mandatory convertible bonds (the "**Mandatory Convertible Bonds**" or the "**Bonds**") that are to be exchanged for ordinary shares from a new BBVA issue (the "**Shares**"), with exclusion of pre-emptive subscription rights.

2.2.- The purpose of the transaction

As explained in detail in the Finance Department's report, BBVA's current capital situation is adequate and does not require additional capital to be raised immediately. Its capital adequacy, its capacity to organically generate capital, its risk profile and the additional capital available to it, meet the most demanding market standards. However, capital needs could rise in the future if the economic situation were to deteriorate more steeply, if regulatory capital requirements were increased or if growth opportunities arose. In order to face such circumstances with due anticipation and foresight, the Finance Department proposes to provide the Bank with a capital instrument that gives it optimal flexibility to deal with such possible future contingencies.

2.3.- Structures analysed

The Finance Department has analysed different alternative capital instruments. Basically these consist of a rights issue and the issue of mandatory convertible bonds.

A rights issue, in any of its possible modalities, would entail immediate dilution in the value of current BBVA shareholders' shares, granting discounts on the subscription price and also (bearing in mind the high volatility on today's equity markets) subjecting the BBVA stock to intense market pressure and bearing costs, such as the underwriting of the issue. These are matters that could be avoided by using an instrument that avoided exposure to volatility.

Consequently, issuing mandatory convertible bonds would be the most suitable option to obtain funding in the current situation. It would avoid immediate shareholder dilution; it would not be necessary to offer any kind of discount, and pressures and costs related to the current volatility on the markets would be avoided.

Mandatory Convertible Bonds meet all the parameters required by standards on the equity needed to calculate as TIER I; and the issue carries a right of partial or total early conversion that makes it possible to manage a potential mass sale of shares in the face of a flow-back conversion event and the potential stresses that could generate on the secondary trading.

Finally, the current environment of low interest rates and high risk aversion is favourable for issues with a fixed interest rate, minimal price volatility and low risk for the retail customers' initial capital outlay. The situation is generating demand for instruments based on the quality of assets that BBVA can show.

Consequently, in the current situation, the Finance Department recommends an increase in available capital for a maximum of €2 bn (2,000,000,000 euros) through issuance of Mandatory Convertible Bonds, preferably targeted at retail customers, avoiding dilution of current shareholder's stock at a time like the present in which there is no need to increase capital, but establishing a capital reserve that will be available if needed at any time over the next 5 years. In turn, this formula allows the Bank to optimise costs and expedites execution, avoiding adverse impacts from the high market volatility.

2.4.- Financial terms and conditions of the issue

The issue that the Finance Department is proposing would be for a maximum amount of €2 bn (2,000,000,000 euros). The nominal value per Bond would be €1,000 and the issue would have a tenor of approximately 5 years.

The proposed structure is different from other issues made in the network, as the number of shares to deliver against each Bond issued is not known until maturity, as it depends on the share price at the time of conversion. The following is the applicable formula:

$$NumShrs = \frac{Num_{convertible}}{P_{AccAño5}}$$

$Num_{convertible}$: Nominal value of Mandatory Convertible Bonds €1,000

Num_{Sha}: Number of Shares Deliverable per Bond

Sh_{PrYr5}: Share Price at Term

The objective is to deliver a number of shares to the investor at the moment of conversion whose value at that moment is similar to the nominal amount originally disbursed in cash when the Bond issue was made.

Investors will collect a coupon of about 5% each year, payable on quarters accrued, as determined by the issue terms and conditions, providing they pass the payment test that is obligatory under equity standards.

2.5.- Bases and modalities of the Conversion

The bases and modalities of the conversion of the Mandatory Convertible Bonds, as can be seen in the Finance Department's report, will essentially be the following:

a) Conversion scenarios

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

1. <u>Necessary Conversion</u>

   The Bonds will mandatory be converted into Shares in the following cases:

   (i) On the maturity date for the issue as determined in the issue terms and conditions;

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

   (iii) If BBVA adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 168 or 169 of the Companies Act; and

(iv) If BBVA is declared bankrupt or placed under administration or its governing and management bodies are replaced.

2. Voluntary Conversion

Should the Board of Directors, in accordance with BBVA's capital adequacy and liquidity, declare that interest remuneration will not be paid over a certain period of time, BBVA will open a period for voluntary conversion ("**Period of Voluntary Conversion**") during which bond holders may opt to convert their Bonds into BBVA Shares.

BBVA will open the Voluntary Conversion Period on the fifth working day prior to any remuneration payment date. The Voluntary Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

3. Other Conversion Scenarios

After a year has passed since the issue, BBVA, at its sole discretion, may open a conversion period (“**Conversion Period**") for all or some of the Mandatory Convertible Bonds. Should a Conversion Period be opened, the following procedures will be enacted:

a) BBVA will open the Conversion Period on the fifth working day prior to any remuneration payment date after the end of the first year following the issue date. Bond holders may opt to convert their bonds into BBVA Shares. The Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

b) BBVA will determine whether the Conversion Period is for conversion of all or only some of the Mandatory Convertible Bonds. Should it be only for some of the Bonds (partial), the maximum amount convertible will be determined as a percentage of the nominal value of the issue.

c) Should a partial Conversion Period be opened and should the maximum percentage of exchange established by BBVA not be fully covered, BBVA may convert the Bonds until it reaches the maximum percentage declared and not covered by drawing lots between all the Mandatory Convertible Bonds, as determined in the issue terms and conditions.

b Conversion Ratio

The ratio for converting the Bonds into Shares (the "**Conversion Ratio**") will be the amount resulting from dividing the nominal value of the Bonds (ie, €1,000) by the value attributable to the ordinary BBVA shares for the purposes of the conversion (the “**Conversion Price**”). Thus, the number of shares corresponding to each bond holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.

For the purposes of the Conversion Ratio, the Conversion Price will be the value attributed to the BBVA shares as a function of the following conversion scenarios:

(i) <u>Necessary Conversion on the issue's maturity date</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the maturity date (tenor);

(ii) <u>In any other Necessary Conversion scenario other than that described in section (i)</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the corresponding Necessary Conversion scenario occurs;

(iii) <u>Voluntary Conversion</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

(iv) <u>Other Conversion Scenarios as of one year from the issue</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Conversion Period.

If the arithmetic means described above (the "**Arithmetic Means**") were equal to or less than €4.5, the Conversion Price will be €4.5 per share. Likewise, if the Arithmetic Means were equal to or more than €50, the Conversion Price will be the greater of either (i) €50 or (ii) the resulting Arithmetic Mean multiplied by 0.75.

c) Procedures for Conversion

Should any of the conversion scenarios occur, as established in section a) above, the procedures to be followed will be determined within the issue terms and conditions by the Board of Directors, with express powers to substitute itself and delegate to the Executive Committee and the proxies that it appoints.

d) Anti-dilution Mechanism

With respect to the provisions of article 294.2 of the Companies Act, anti-dilution mechanisms will be established regarding the Conversion Price in accordance with habitual practice in this kind of transactions, pursuant to what the Board of Directors or the Executive Committee or such proxies as the Board of Directors may appoint determines in the terms and conditions of the issue.

In all cases, these anti-dilution measures must take into account the bases and modalities of conversion referred to above.

Finally, the Board of Directors, with express powers to substitute itself with the Executive Committee and the proxies that it appoints, may determine or develop in the issue conditions any circumstance that is not specified in this report, and may amend and/or determine other conversion scenarios, additional to those established herein, which may be necessary for the success of the transaction.

2.6.- Capital increase

According to the provisions of article 292 of the Companies Act, the share capital must be increased by the maximum amount necessary to be able to convert the Bonds issued. To such end, the maximum amount by which it is resolved to increase the share capital will be determined by the ratio between the nominal value of the Bonds (ie, €1,000) and the Conversion Price. Consequently, the number of shares that would correspond to each bond-holder as a consequence of the conversion will be the outcome of multiplying the Conversion Ratio by the number of Bonds that the investor holds. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.

This capital increase will be executed under the authorisation conferred by the Annual General Meeting of Banco Bilbao Vizcaya Argentaria, S.A. shareholders, 14th March 2008, under agenda item six, totally or partially, on the Board of Directors, which is expressly empowered to further delegating this authority on the Executive Committee or any other proxies the Board of Directors may appoint, to carry out the conversion of the Bonds, by issuing new ordinary shares of the same nominal value and containing the same rights as the shares in circulation on the date(s) of execution of the corresponding resolution to issue capital. Every time that the Board of Directors or its proxies execute this resolution, article 5 of the bylaws, relating to the capital, will be re-worded.

It is not possible yet to determine the amount of share capital that will be necessary for the conversion, given that, in accordance with the bases and modalities of the conversion, it will be a function of the market price of the BBVA shares at the time of conversion. However, considering that the Conversion price may not be below €4.5, and assuming that no anti-dilution measure is taken before the Bond's maturity date, we can state that the maximum number of shares in the new issue to be made will be 444,444,445 shares.

Pursuant to article 159.4 of the Companies Act, there need be no pre-emptive subscription right on the capital increase(s) resulting from the conversion of the Mandatory Convertible Bonds.

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

This proposal to issue Mandatory Convertible Bonds for exchange with newly issued ordinary shares, to be approved by the BBVA Board of Directors, entails the exclusion of the BBVA shareholders' pre-emptive right of subscription. At the date of this report, there is no issue date for the securities that will be mandatory converted into such shares.

Article 293 of the prevailing Companies Act, as indicated in section 1 herein, stipulates that corporate interest must require the exclusion of the pre-emptive subscription right in order for it to be excluded in the issues of convertible bonds. Additionally, the Act demands certain formal requirements be met. On the occasion of each resolution to issue convertible bonds made against the authority conferred, the directors and the account auditors must draw up the reports required under section 2.b) and c) of article 293.2 of the Companies Act. The directors' report must provide detailed grounds for the bases and modalities of the proposal to suppress the pre-emptive subscription rights. The auditors' report must be drawn up by an auditors' firm other than the auditors firm that audits the Company's accounts. Said firm is accountable for issuing a technical judgement on the fairness of the data contained in the directors' report and on the suitability of the conversion ratio. Where applicable, it will also contain the adjustment formulae to compensate any dilution of the shareholders' economic interest.

The BBVA General Meeting of shareholders, 14th March 2008, resolved under agenda item six, to confer authority on the Board of Directors to issue securities that could be converted into shares and to increase the share capital. It also resolved to empower the Board of Directors to exclude the pre-emptive subscription right over the convertible bond issues made under such authority.

To such end, when issuing the call to the aforementioned General Meeting of shareholders, the BBVA Board of Directors gave shareholders access to the report explaining the grounds of the motion to confer such authority.

Now, the Board of Directors, pursuant to the authority conferred by resolution of the AGM, 14th March 2008, on the basis of the report issued by the Finance Department, has decided to issue bonds convertible into BBVA shares, excluding the pre-emptive subscription right, due to the need to be able to act sufficiently flexibly in the current economic scenario.

Accordingly, the directors are drawing up, adopting and making available to shareholders a report providing the grounds for the motion to exclude the pre-emptive subscription right, pursuant to the legal regime envisaged in section 1 hereof.

The BBVA directors, in view of the reports issued by the BBVA Finance Department and J&A Garrigues, S.L.P. as external consultant, which has assisted BBVA in the design of the transaction, consider that the exclusion of the shareholders' pre-emptive subscription right is in full compliance with the requirements established under the Companies Act and is necessary in order to ensure the Company's best interests.

The globalisation of financial markets and the speed and flexibility with which trading is done, along with the high volatility currently existing, requires the Board of Directors to have suitable, flexible instruments to provide suitable response to the demands of the Company's best interests from time to time.

Thus, in line with the details of the report drawn up by the Finance Department, BBVA's objective must be to rapidly endow itself with instruments to allow it to draw down on the regulatory capital necessary in situation where this must be done flexibly, proposing the Bond issue.

By reason of the above, with respect to the transaction to issue Mandatory Convertible Bonds and the later capital increase that is the subject of this Report, and in line with the grounds given by the Finance Department in its report, the main reasons justifying the Company's benefit from excluding the pre-emptive subscription right are as follows:

- The proposal to issue Mandatory Convertible Bonds established in section 4.- below, which has been summarised in section 2.- above, establishes that the conversion price of ordinary shares issued to cover the needs for the Bond conversion will be done, except in the event of reaching the minimum or maximum value indicated in the following paragraph, at the listed price at which the share is trading at the moment of conversion. Specifically, pursuant to the attached motion, the conversion price will be established by virtue of the arithmetic mean of the closing prices of the BBVA share corresponding to the five (5) trading sessions prior to the term of maturity of each quarterly payment date. Consequently, the maximum number of shares to convert is limited, by the establishment of a minimum conversion price.

  Moreover, the resolution establishes that the if the market price at the moment of conversion were below €4.5, the conversion price of the shares would be €4.5. This means they would be delivered with a premium against the market price. Likewise, a maximum conversion price of €50 is established to cover the requirements of the equity standards, in order to request the Bank of Spain to consider the issue eligible as *core capital* from the moment it is issued, and prior to the conversion.

In compliance with the resolution of the AGM, 14th March 2008, under agenda item six, the maximum discount on the Conversion Price is limited to 25%.

In line with the conversion bases and modalities described in section 2.- of this report, there is no fixed deadline for implementing the conversion, and thus the terms and conditions for conversion will be exclusively adapted to the market conditions at any time.

Pursuant to the content of the Finance Department's report, the theoretical price of the Pre-emptive Subscription Rights today would be zero, as investors have no interest in such rights, as they could directly obtain a better call price on the shares in the market.

Consequently, given the configuration of the proposed conversion bases and modalities, shareholders are not losing economic value by waiving their pre-emptive subscription right.

- As already indicated, the suggested conversion ratio for the Bonds is designed to comply with the Company's best interests, since by converting at a price equal to the share's listed or market price, BBVA maximises the funds obtained, such that the amount of the issue is used fully to boost BBVA's capital adequacy ratio (such that it strengthens the Company's best interests and complies with the main objective of the issue) in the most efficient manner possible, without producing capital costs.

- The design of the structure for the Mandatory Convertible Bonds, both for the interest rate, the tenor, and the other terms, conditions and specifications, according to the Finance Department's considerations, makes it especially attractive to retail investors. A potential demand has been detected for this type of product amongst BBVA's retail customers who wish to maximise returns with less risk. (The interest rate would be significantly higher than the rate offered on other bonds and that have a credit risk compared to BBVA's).

  We should take into account that approximately 50% of BBVA's shareholding is in the hands of institutional investors, who in principle would be less interested in acquiring Mandatory Convertible Bonds due to their specifications and because, although both are traded, they are evidently a less liquid product that BBVA's shares, which said investors could acquire on the market with the same conditions (and in larger amounts) under which the Mandatory Convertible Bonds will be converted.

Under these conditions, and taking into account that the estimated value of the Pre-emptive Subscription Rights is zero, as indicated in the Finance Department's report, the market for these pre-emptive subscription rights would be practically non-existent in comparison with other transactions in which the pre-emptive subscription value does have a value, such that there would not be an effective transfer of the pre-emptive subscription rights on those shareholders who are not interested in subscribing to the Mandatory Convertible Bonds towards those investors who do have a real interest in their subscription.

The lack of interest contemplated in the previous paragraph, carries with it a clear risk to the best interests of the Company. It could mean that the issue is not subscribed within the time and up to the amount initially expected, although there is a market demand amongst another type of investor, as detected. It would thus be necessary to make a later additional placement amongst non-shareholding investors on the market under conditions that would foreseeably be less favourable for the issuer. This would entail effective, operational and time costs as well as capital costs and would clearly run contrary to BBVA's best interests.

- Another advantage for the best interests of the Company in issuing without pre-emptive subscription rights is that the necessary funds can be raised in a shorter time, cutting back the execution periods and reducing the costs of issue and placement. The equities market is currently subject to high volatility, such that reducing the execution period drastically reduces the strong risks stemming from such volatility if there is a long period between the announcement of the transaction and its completion. This means greater efficacy when placing the issue.

  Granting the right of pre-emptive subscription would entail opening up a minimum subscription period of two (2) weeks for all the entity's shareholders.

From the moment the transaction was announced, there would be exposure to market risk for at least three (3) weeks (an exposure analogous to that of a capital issue with pre-emptive subscription rights). Such a situation would subject the BBVA share to greater volatility and stresses and investors in the arbitrage market would further destabilise the share listing price.

- Apart from this, placing the products amongst interested customers through the BBVA distribution network in Spain (given that, as explained, we believe there is potential demand amongst retail investors) avoids wholesale placement risk and facilitates placement, making more efficient use of time and costs.

  The issue volume sought is achievable through the network, especially if we compare this instrument with similar ones issued by other financial institutions through their Spanish distribution networks.

  The product would also increase the base of retail and individual investors holding shares in the Bank, with a less speculative profile and interest in retaining their holdings for the long term. This mitigates the volatility of share prices and is in the BBVA's best interests, especially given current market circumstances.

- As indicated in the Finance Department's report, the value for BBVA shareholders of the Pre-emptive Subscription Rights on the issue of Mandatory Convertible Bonds is zero.

- Given the granular, disperse nature of the BBVA shareholding structure, with more than 900,000 shareholders at present, the relevance of the percentage of the holding is very limited with respect to influence or control.

  Likewise, the dilution of the shareholding stake will vary as a function of the conversion price. In the worst-case scenario, this will not be more than 11.86% for the scenario of conversion at the minimum price of €4.5.

- Dilution in the collection of dividends, would only occur in the event of the additional capital subscribed not generating additional returns to the entity equivalent to those it obtains on the capital it currently has.

In any case, this dilution will also depend on the BBVA payout policy in the future and not on the specific issuing of Mandatory Convertible Bonds.

- Finally, in terms of stock-exchange value, the dilution will depend exclusively on the market transactions relative to the trading session after the conversion.

  Therefore, according to the explanations given in the Finance Department's report, the maximum dilution is limited and the theoretical price of the right is zero or negative.

Consequently, as indicated in the Finance Department's report, it is necessary for the best interests of the Company to issue the Bonds excluding the right of pre-emptive subscription, as this makes it possible to maximise the fund raising potention in a short period of time in the most efficient manner possible and limits the impact on the share's listed price (reducing exposure to market and volatility risks) and will also encourage greater customer loyalty.

4. PROPOSED RESOLUTION

"PROPOSED RESOLUTIONS FOR THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A., 27th JULY 2009 REGARDING THE ISSUE OF MANDATORY CONVERTIBLE BONDS

***ONE**.- By virtue of the authorisation conferred by the Company's Annual General Meeting of shareholders, 14th February 2008, under its agenda item six, to issue bonds mandatory convertible into ordinary shares newly issued by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "**Bonds**" or the "**Mandatory Convertible Bonds**") to a maximum value of two billion euros (€2,000,000,000), which will be issued by Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), under the following terms and conditions:*

Type of bonds to be issued:	*The securities to be issued will be bonds mandatory convertible into ordinary shares newly issued by*

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

	BBVA.
Issuer:	*Banco Bilbao Vizcaya Argentaria, S.A.*
***Maximum value**:*	*Two billion euros (€2,000,000,000)*
Number of Bonds:	*The maximum number of Bonds to be issued is two billion (€2,000,000,000), all belonging to one single series and with the same terms and conditions. The possibility of incomplete subscription is expressly foreseen.*
Nominal value:	*The Bonds will have a nominal value of one thousand euros (€1,000).*
Type of issue:	*The issue will be made at par, ie, at one-hundred percent of nominal value, without commission fees or costs for the subscriber.*
***Remuneration**:*	*Bond holder may receive a predetermined non-cumulative remuneration that will be determined as a function of the interest rate applicable to the nominal value of the Bonds, as established in the issue terms and conditions (the "**Remuneration**").*
Tenor:	*The maturity date will be determined in the issue terms and conditions.*
***Representation of the Bonds**:*	*The Bonds will be represented by book entries.*
Order of Seniority:	*The order of seniority for the Bonds will be:* *(i) behind all BBVA's common and subordinate creditors;*

(ii) *behind the preferred securities and/or preferred shares and/or equivalent securities that the Issuer may have issued (or underwritten) or may issue (or underwrite);*

(iii) *pari passu with the other issues of convertible bonds equivalent to the Mandatory Convertible Bonds that the Bank may issue directly or through a subsidiary; and*

(iv) *ahead of the BBVA ordinary shares.*

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

a) Conversion scenarios

*The Bonds will be convertible into newly issued BBVA ordinary shares (the "**Shares**") in the following scenarios:*

1. Necessary Conversion

The Bonds will mandatory be converted into Shares in the following cases:

(i) on the maturity date for the issue as determined in the issue terms and conditions;

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

(iii) If the Issuer adopts any measures that may lead to the approval of a reduction in its share capital pursuant to the provisions of articles 168 or 169 of the Companies Act; and

(iv) If the Issuer is declared bankrupt or placed under administration or its governing and management bodies are replaced.

2. *Voluntary Conversion:*

*Should the Board of Directors, in accordance with the Issuer's capital adequacy and liquidity, declare that interest remuneration will not be paid over a certain period of time, the Issuer will open a period for voluntary conversion ("**Period of Voluntary Conversion**") during which bond holders may opt to convert their Bonds into BBVA Shares.*

The Issuer will open the Voluntary Conversion Period on the fifth working day prior to any remuneration payment date. The Voluntary Conversion Period will end on the working day prior to the date on which the payment of the corresponding remuneration would have to be made.

3. *Other Conversion Scenarios*

*After a year has passed since the issue, the Issuer, at its sole discretion, may open a conversion period (“**Conversion Period**") for all or some of the Mandatory Convertible Bonds. Should a Conversion Period be opened, the following procedures will be followed:*

a) *The Issuer will open the Conversion Period on the fifth working day prior to any remuneration payment date after the end of the first year following the issue date. Bond holders may then opt to convert their bonds into BBVA Shares. The Conversion Period will end on the working day prior to the date on which the payment of the corresponding Remuneration would have to be made.*

b) *The Issuer will determine whether the Conversion Period is for conversion of all or only some of the Mandatory Convertible Bonds. Should it be only for some of the Bonds, the maximum amount convertible will be determined as a percentage of the nominal value of the issue.*

c) *Should a partial Conversion Period be opened and should the maximum percentage of exchange established by the Issuer not be fully covered, the Issuer may convert the Bonds until it reaches the maximum percentage declared and not* *covered by drawing lots between all the Mandatory Convertible Bonds, as determined in the issue terms and conditions.*

b Conversion Ratio

*The ratio for converting the Bonds into Shares (the "**Conversion Ratio**") will be the resulting amount from dividing the nominal value of the Bonds (ie, €1,000) by the value attributable to the ordinary BBVA stock for the purposes of the conversion (the "**Conversion Price**"). Thus, the number of shares corresponding to each bond holder as a consequence of the conversion will be the number resulting from multiplying the Conversion Ratio by the number of bonds held by the investor. If this transaction results in fractions, these will be subject to whatever is determined in the issue terms and conditions.*

For the purposes of the Conversion Ratio, the Conversion Price will be the value attributed to the BBVA shares as a function of the following conversion scenarios:

(i) <u>Necessary Conversion on the issue's maturity date</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the maturity date (tenor).

(ii) <u>In any other Necessary Conversion scenario other than that described in section (i)</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the date on which the corresponding Necessary Conversion scenario occurs.

(iii) <u>Voluntary Conversion</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Voluntary Conversion Period.

(iv) <u>Other Conversion Scenarios as of one year from the issue</u>: The arithmetic mean of the closing prices of the BBVA share corresponding to the five trading days prior to the end of the corresponding Conversion Period.

*If the arithmetic means described above (the "**Arithmetic Means**") were equal to or less than €4.5, the Conversion Price will be €4.5 per share. Likewise, if the Arithmetic Means were equal to or more than €50, the Conversion Price will be* *the greater of either (i) €50 and (ii) the resulting Arithmetic Mean multiplied by 0.75.*

c) Procedures for Conversion

Should any of the conversion scenarios occur, as established in section a) above, the procedures to be followed will be determined within the issue terms and conditions by the Board of Directors, with express powers to substitute itself and delegate to the Executive Committee and the proxies that it appoints.

d) Anti-dilution Mechanism

With respect to the provisions of article 294.2 of the Companies Act, anti-dilution mechanisms will be established regarding the Conversion Price in accordance with habitual practice in this kind of transactions, pursuant to what the Board of Directors determines in the terms and conditions of the issue, or the Executive Committee or such proxies as the Board of Directors may appoint.

Whatever the case, these anti-dilution measures must take into account the bases and modalities of conversion referred to above.

*Without detriment to other proxies that may be conferred by virtue of these resolutions, the Executive Committee is empowered, with express authority to delegate these powers, and joint and several powers are conferred on Mr Manuel González Cid with ID number 51361870-H, Mr Pedro M. Urresti Laca with ID number 78866,442-V, Mr Ignacio Echevarria Soriano with ID number 837871-G and Mr Juan Isusi Garteiz Gogeascoa with ID number 44679846-T, all Spanish nationals of full age and domiciled to these effects at 81 Paseo de la Castellana in Madrid (the "**Proxies**"), to determine or develop in the issue terms and conditions any circumstances not established herein, and to amend and/or determine other conversion scenarios, over and above those established herein, which may be necessary for the successful completion of the transaction.*

***<u>THREE</u>**.- On the basis of the report drawn up by the BBVA Finance Department, in accordance with the report by J&A Garrigues, S.L.P., and by virtue of the provisions of articles 292 and 293 of the Companies Act, to approve the Directors' Report on the* *issue of Mandatory Convertible Bonds, which will be made available to the shareholders and communicated to the first General Meeting held after the resolution to increase capital, conferring express authority to the Corporate Affairs Director and the Company Secretary to certify its wording.*

***FOUR**.- Pursuant to the authority conferred by the AGM, 14th March 2008, upon the Board of Directors, given that the best interests of the Company require the suppression of the pre-emptive subscription right according to the report presented by the Finance Department for the transaction, and as reflected in the Directors' Report approved in the previous resolution, it is resolved to suppress it in this Bond issue in compliance with article 293.3 of the prevailing Companies Act. To such end, shareholders at the first General Meeting to be held will be given access, along with the aforementioned Directors' Report, to the corresponding report issued by an auditors' firm other than the Company's auditors, designated to such effect by the Companies Registry.*

***FIVE**.- To increase the share capital by the amount and number of shares necessary to be able to convert the Bonds. The maximum number of shares in the new issue will be 444,444,445 shares. The possibility is expressly foreseen that the capital increase be executed in one or several issues, with issue premium, for a lesser number of shares and with the possibility of incomplete subscription of each such issue.*

*The newly issued shares shall be ordinary shares, equal to those that are currently in circulation. They will be represented by book entries, and the books will be managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (“**Iberclear**”) and its subsidiaries.*

The new shares will confer on their holders the right to participate in any distribution of corporate earnings paid out after the date on which they are entered on the Iberclear books and in any net assets resulting from a liquidation.

By virtue of article 159.4 of the Companies Act, there will be no pre-emptive subscription right over the capital issue, as it will be due to the conversion of the Bonds into shares.

***SIX**.- By virtue of the authorisation conferred on this board of directors by the BBVA Annual General Meetings, 14th March 2008, to delegate to the Executive committee,* *which may in turn pass on such delegation, all powers necessary to effectively implement the afore-mentioned Bond issue. Likewise, to empower the Proxies in the broadest terms, jointly and severally, within the limits herein established, such that they may:*

a) *Determine the characteristics of the Bonds to be issued, including but not limited to the final amount of the issue within the limits established under resolution ONE, the nominal interest rate applicable to the Bonds, the timing of the issue, the interest accrual periods, the maturity date, declare the total or partial subscription of the issue and determine any parameter not established hereunder that may be necessary for the successful conclusion of the transaction. Also express the amount availed against the limit of the delegation granted by the Board and the amount still available.*

b) *Declare the Bond Remuneration, whether partial or complete, and declare that the Bonds will bear no Remuneration if BBVA's distributable profit is insufficient or if BBVA is obliged to limit payments according to applicable regulations due to a shortfall in equity, as determined under the issue terms and conditions.*

c) *Likewise, the Proxies may, should they deem it advisable, refrain from issuing the Bonds that are the subject matter of the previous resolution.*

d) *Request the Companies Registry to appoint an auditors firm other than the Company's auditors, as established under article 292 and 293 of the Companies Act, and to make any arrangement, request or appointment that may be legally necessary to successfully issue the Bonds.*

e) *Grant any public and private documents required and, where applicable, file the declaration referred to in article 318 of the Companies Registry Regulations, in order to comply with the procedures established in article 26 of Act 24/1988, 28th July, on the Securities Market, should this be necessary, appear before a Notary Public and finalise the formalities on the foregoing resolutions, including deeds to correct, clarify or rectify them, and deeds of the total or partial subscription of the issue, as well as the total or partial repayment and, where applicable, any others that may have preceded it of may be resolved in the future.*

f) *They are also empowered to formalise and file the Offering Circulars that may be necessary and the documents formalising the issue before the stock-market authority (CNMV), and any other necessary documents before the Bank of Spain, the Companies Registry, the Governing Companies of the Stock Exchanges, the AIAF Bond Market, Iberclear or any other bodies or markets. Where applicable, declare the subscription of the issue to be partial or incomplete and, if necessary, constitute a Bondholders Syndicate to determine the characteristics and regulations of operation, and to designate its Provisional Commissioner, and the fundamental rules governing the relationship between the Company and the Syndicate.*

g) *Establish any other parameters not established by this Board with respect to the Bond issue and determine any other parameter for the issue that may be necessary for its successful completion.*

h) *Negotiate, sign and grant public and/or private documents, including but not limited to liquidity contracts, payment agency contracts and any other contracts considered necessary to be able to make the issue under the conditions they deem most advisable.*

i) *Also, it is agreed to apply, where applicable, for the listing of the Bonds to trade on Spanish and non-Spanish, regulated and non-regulated, official and non-official secondary markets.*

j) *With respect to the conversion of the Bonds into BBVA shares, also empower each of the aforementioned persons to establish, where applicable, the final conversion ratio for the issue and the premium, determine the number of shares by which, on one or several occasions, the BBVA capital is finally increased, declaring, where applicable, the increase to have been incompletely subscribed, and amend the wording of article 5 of the company bylaws to adapt it to the new capital figure.*

k) *It is resolved to request, where applicable, listing for trading on official and non-official, regulated and non-regulated, Spanish and non-Spanish secondary markets and take any actions they consider necessary in any jurisdiction where* *the BBVA shares are offered or traded or listing for trading has been requested, to carry out the capital increase. By way of example:*

(i) Write and file any protocols, requests, communications or notifications that may be required by applicable legislation in each competent jurisdiction and agree later amendments to these that they deem advisable.

(ii) Take such actions as may be necessary before any competent authorities in each jurisdiction and approve and formalise such public and/or private documents as may be necessary and/or advisable for any aspects or content of the resolutions to increase capital to enter into full force.

l) Pursuant to article 27 of the Exchange Regulations, it is expressly stated that, in the event of later requesting the delisting of the Bonds issued under this authority, this will be adopted with the same formalities as those referred to in this article and, in such event, the best interest of the shareholders or Bond holders that oppose or do not vote for the resolution will be guaranteed, complying with the requirements established in the Companies Act and concordant provisions. All will be done in accordance with the provisions of the aforementioned Exchange Regulations, the Securities Market Act and the provisions that ramify it.

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

Madrid, twenty-seventh of July two-thousand and nine