

Board of Directors Report

Item 5 of the Annual General Shareholders' Meeting agenda, called to take place on 19 and 20 April 2021 on first and second call.

Delegation to the Board of Directors of the power to issue securities contingently convertible into shares (CoCos), with the power to exclude pre-emptive subscription rights

15 March 2021

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1. Introduction

1.1. Purpose of the Report

This report is drawn up by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Company**" or the "**Bank**"), pursuant to articles 414 and 511 of the consolidated text of the Corporate Enterprises Act approved under Royal Legislative Decree 1/2010, 2nd July, in its current wording (the "**Corporate Enterprises Act**"), with respect to the proposed resolutions presented to the Annual General Shareholders' Meeting under agenda item five, to confer authority on the Board of Directors to resolve, on one or several times, to issue securities contingently convertible into newly issued BBVA shares (CoCos) and to exclude pre-emptive subscription rights, as well as to increase the share capital by the amount necessary to cover the conversion and to amend the corresponding article of the Bylaws.

1.2. Applicable regulations

Article 414 of the Corporate Enterprises Act allows public limited liability companies to issue securities convertible into shares provided that the general meeting determines the terms and modalities of the conversion and resolves to increase the share capital by the necessary amount. To such end, directors must draft a report explaining the terms and modalities of the conversion. This must be accompanied by another report from an auditor other than the auditor of the company, appointed for this purposes by the Companies Registry.

For listed companies, article 511 of the Corporate Enterprises Act allows the general shareholders' meeting to confer authority on the directors not just to issue convertible securities, but also to exclude pre-emptive subscription rights over the convertible bond issues made under that authority when the company's interests so require. To do so, the announcement calling the general shareholders' meeting with the proposal to confer to the directors authority to issue convertible securities must also expressly mention the proposal to exclude pre-emptive subscription rights, and from the date on which the general shareholders' meeting has been called, a directors' report will be made available to shareholders substantiating the grounds for the proposed exclusion.

Additionally, the aforementioned Article 511 of the Corporate Enterprises Act requires that in the resolution to increase the share capital based on the delegation of the shareholders' meeting, the directors' report and the auditor's report mentioned above must refer to each specific issue. These

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

The eventuality of conversion of the instruments whose issuance is to be delegated is required by Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms for their eligibility as additional Tier 1 capital instruments.

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2. Description of the proposal

It is proposed to the BBVA Annual General Shareholders' Meeting to delegate to the Board of Directors, with powers of sub-delegation, the power to issue securities convertible into newly issued BBVA shares, whose conversion is contingent and which is intended to meet regulatory requirements for their eligibility as capital instruments, in accordance with the solvency regulations applicable from time to time (CoCos), subject to the legal and statutory provisions applicable at any time and, where appropriate, prior obtaining the authorisations that may be necessary to such end. The Board of Directors may make issues on one or several times within the maximum term of five (5) years from the date on which this resolution is adopted, up to a maximum overall amount of eight billion euro (EUR 8,000,000,000) or its equivalent in any other currency.

Likewise, it is proposed to authorise the Board of Directors, in the manner it deems most appropriate, to, inter alia:

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each issue of securities contingently convertible.
- (ii) Resolve, establish and determine the manner, timing and scenarios of conversion and the bases and methods of conversion.
- (iii) Agree, fix and determine the conversion ratio, which may be fixed or variable, within the limits provided for in the proposed resolutions transcribed below
- (iv) Request, where appropriate, the admission to trading of the contingently convertible securities, and/or the shares issued to cover their conversion.
- (v) Increase the Bank's share capital by the amount necessary to cover the conversion commitments or requests, redrafting the corresponding article in the bylaws.
- (vi) Exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a specific issue, when the corporate interest so demands, complying, in all cases, with the legal requirements and limitations established for this purpose at any given time.

As indicated above, at the first General Meeting held after the approval of each specific issue of securities made under the proposed delegation, the directors' report will be made available to

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shareholders along with, where appropriate, the report by the independent expert/statutory auditor other than the Company auditor, in accordance with the Corporate Enterprises Act.

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3. Grounds for the proposed conferral of authority to issue contingently convertible securities

The proposed resolutions for conferral of authority are substantiated on the grounds that it is advisable for the Company to have a mechanism, expressly established in prevailing corporate legislation, that enables it to resolve to issue securities contingently convertible into newly issued Company shares as necessary or appropriate, on one or several occasions, in an agile and flexible manner, without needing to call and hold a General Shareholders' Meeting on the occasion of each issue, providing the issuance is within the limits, terms and conditions that the General Shareholders' Meeting itself resolves when conferring such authority. All this must be done in accordance with the Bank's needs and the situation with respect to regulations and the financial markets on which it operates.

Thus, it must be taken into account that regulations on solvency and own funds require financial institutions to endow different capital instruments to cover the different categories of regulatory capital that, in certain proportions, make up their own funds requirements, depending on the composition and size of their balance sheets. These capital requirements may be covered, among others, by convertible instruments that meet certain requirements in order to be eligible as capital instruments for the Company and, where appropriate, its Group.

Specifically, the solvency regulations establish that the contingently convertible issues (CoCos) can be eligible as additional tier-1 capital instruments and thus serve to comply with the solvency requirements, provided that they envisage, amongst other things, their contingent conversion into newly issued shares upon occurrence of a significant shortfall in regulatory capital. This possibility enables financial institutions to cover their solvency requirements in a more flexible manner and under more appropriate financial and capital-management conditions, the issuance of such contingent convertible securities having become habitual practice amongst financial institutions, including BBVA.

For this reason, and despite the fact that BBVA's current consolidated and individual capital ratios are significantly higher than the regulatory requirements applicable to it, it is deemed appropriate that, for the sake of suitable management, the Board of Directors is empowered to flexibly and agilely issue those contingently convertible securities that enable the Company to renew its capital instruments and maintain and, as appropriate, increase capital ratios in line with the solvency rules in force at any time.

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In particular, it should be recognised that the contingently convertible issues that BBVA has made so far (and that are currently eligible as capital instruments) are subject to regulatory and market conditions that may evolve towards a situation in which suitable management could require they be rolled over for new contingently convertible issues with regulatory and financial conditions that are more appropriate or advisable for BBVA.

Likewise, although BBVA, as indicated, currently exceeds its total capital requirement, it must be taken into account that any organic or inorganic growth or change in the risk-weighted assets of the Company and its Group (on which the applicable capital requirements are calculated and established), and any other regulatory or interpretative change in the set of regulations applicable to the Bank, especially with regard to solvency and resolution, could entail the need for new issuance of instruments that efficiently meet these new requirements, including the issuance of convertible securities that can be eligible as capital instruments.

In this regard, the Company must have the corresponding mechanisms that allow the Bank to comply with all current or future requirements relating to solvency and own funds in an efficient, agile and flexible manner. The proposed authorisation allows the Company to secure funding and strengthen its solvency ratios by issuing contingently convertible securities at the time considered most appropriate given the conditions at that time, having sufficient flexibility and agility of execution and avoiding the delays and cost increases that would result from the requirement to seek authorisation at the General Meeting to issue these securities, whilst always within the limits, terms and conditions agreed by the General Meeting itself at the time of the delegation.

On the grounds of the above, and repealing the authority conferred by the General Meeting, held on 17 March 2017, the Board of Directors considers that conferring authority on it to resolve on one or several times, the issue of contingently convertible securities to a maximum overall amount of eight billion euro (EUR 8,000,000,000) is a suitable and flexible mechanism to ensure that at all times and in an agile and efficient manner, the Bank will be able to obtain finance and make up its own funds to the situation and the needs that may arise at any moment.

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4. Grounds for the proposal to confer authority to exclude pre-emptive subscription rights

The complex specifications of the contingently convertible issues (CoCos) in order to be eligible as BBVA own funds (perpetual, subordinated, with discretionary distributions and contingently convertible) and the regulatory requirements regarding their placement make them a product that cannot be addressed to all investors, especially not retail investors, which make up a major part of the BBVA shareholding structure, such that not to exclude the pre-emptive subscription rights would mean offering a product that does not match the investment profile of all the Bank shareholders.

On these grounds, it is proposed that, alongside the conferral of authority to resolve, on one or several times, to issue contingently convertible securities, the Board of Directors also be conferred power to totally or partially exclude pre-emptive subscription rights with respect to these issues, pursuant to article 511 of the Corporate Enterprises Act and in accordance, in any case, with the legal limitations and requirements established for this purpose at all times.

However, it should be indicated that contingently convertible issues are by nature perpetual fixed-income instruments and are not issued in order to be converted, since they have no pre-established conversion date and their contingent conversion is only envisaged for the very specific event of a significant shortfall in regulatory capital under the solvency regulations, so that they are eligible as additional tier-1 capital and are not dilutive for the shareholders at the time of their issue.

Moreover, it should be taken into account that BBVA's own funds and solvency ratios are far removed from the conversion threshold, strengthening the "fixed-income" nature of these issues into the forefront and reducing the probability of their conversion.

Likewise, on the occasion of each resolution to issue contingently convertible securities with exclusion of pre-emptive subscription rights made under the authorisation from the General Shareholders' Meeting, the directors must draw up a report substantiating the details behind the suppression of pre-emptive subscription rights. Where applicable, this will be accompanied by a report from an independent expert/financial auditor other than the auditor of the Company, appointed for such purpose by the Companies Registry. This latter report will contain technical judgement regarding the fairness of the data contained in the directors' report and on the suitability of the conversion ratio and, where appropriate, its adjustment formulae, to offset

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possible dilution of shareholders' financial own funds. All this will be done pursuant to articles 417 and 511 of the Corporate Enterprises Act.

The directors' report and, if applicable, the report by the independent expert/statutory auditor other than the auditor of the Company must refer each specific issue and will be made available to shareholders and submitted to the first General Meeting held following the adoption of the resolution.

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5. Use made by the Board of Directors of the authority conferred by the Annual General Shareholders' Meeting on 17 March 2017

It is hereby stated that the authorisation conferred by the Annual General Shareholders' Meeting on 17 March 2017 under agenda item five that it is proposed to repeal insofar in the unused part, has been used by the Board of Directors on six occasions to make contingently convertible issues (CoCos) in order to shore up the Company's solvency ratios, in the terms detailed below:

- (i) On 26 April 2017, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of five hundred million euro (EUR 500,000,000) and to increase share capital by the amount required to cover their conversion, excluding pre-emptive subscription rights. This issue was made by BBVA on 24 May 2017 for the total nominal amount specified above.
- (ii) On 27 September 2017, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of one billion five hundred million euro (EUR 1,500,000,000) or its equivalent in any other currency and to increase share capital by the amount required to cover their conversion, excluding pre-emptive subscription rights. This issue was made by BBVA on 16 November 2017 for a total nominal amount of one billion US dollars (USD 1,000,000,000), equivalent to eight hundred and sixty-two million, two hundred and fifty-four thousand, seven hundred and ninety-six euro and twenty-nine point two cents (EUR 862,254,796.292).
- (iii) On 26 April 2018, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of one billion five hundred million euro (EUR 1,500,000,000) and to increase share capital by the amount required to cover their conversion, excluding pre-emptive subscription rights. This issue was made by BBVA on 24 September 2018 for a total nominal amount of one billion euro (EUR 1,000,000,000).
- (iv) On 31 January 2019, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of one billion five hundred million euro (EUR 1,500,000,000) and to increase share capital by the amount required to cover their conversion, excluding pre-emptive subscription rights. This issue was

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made by BBVA on 29 March 2019 for a total nominal amount of one billion euro (EUR 1,000,000,000).

- (v) On 25 June 2019, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of one billion five hundred million euro (EUR 1,500,000,000) or its equivalent in any other currency and to increase share capital by the amount necessary to cover their conversion, excluding pre-emptive subscription rights. This issue was made by BBVA on 5 September 2019 for a total nominal amount of one billion US dollars (USD 1,000,000,000), equivalent to nine hundred and two million, one hundred and nineteen thousand, nine hundred and eighty-one euro and ninety-six cents (EUR 902,119,981.96).
- (vi) On 26 February 2020, the BBVA Board of Directors resolved to issue preferred securities contingently convertible into Company shares up to a maximum amount of one billion five hundred million euro (EUR 1,500,000,000) and to increase share capital by the amount required to cover their conversion, excluding pre-emptive subscription rights. This issue was made by BBVA on 15 July 2020 for a total nominal amount of one billion euro (EUR 1,000,000,000).

None of the convertible securities issues referred to have been converted into BBVA shares.

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6. Proposed resolutions

The full text of the proposed resolutions conferring authority on the Board of Directors to issue convertible securities and exclude the pre-emptive subscription rights and to resolve to increase the share capital by the amount necessary for the conversion, in compliance with articles 414 and following and 511 in the Corporate Enterprises Act, which is presented to the approval of the General Shareholders' Meeting, is as follows:

“One.- Authorise the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (the **Company** or the **Bank**), as broad as required by law, to issue convertible securities, whose conversion is contingent and which is intended to meet regulatory requirements for their eligibility as capital instruments, in accordance with the solvency regulations applicable from time to time (CoCos), subject to the legal and statutory provisions that may be applicable at any time and, where appropriate, prior obtaining the authorisations that may be necessary to such end. The Board of Directors may make issues on one or several times within the maximum term of five (5) years from the date on which this resolution is adopted, up to the maximum overall amount of EIGHT BILLION euro (EUR 8,000,000,000) or its equivalent in any other currency.

Likewise, authorise the Board of Directors, as broad as required by law by law, so that, in the manner it deems most appropriate, it may:

- (i) Resolve, establish and determine each and every one of the terms, characteristics and conditions of each of the issues of securities contingently convertible into newly issued Company shares made under this resolution, including, but not limited to the term of, expressly including the possibility of issuing perpetual securities; where applicable, the terms and early redemption options, which may be in favor of either the issuer or the holders of the securities; the amount, always within the maximum overall amount indicated above; the issue date(s); the interest rate; the issue price; the number of securities and the nominal value of each one; the form in which the securities are to be represented; the form and conditions of the remuneration, the interest rate, fixed or variable, and the dates and procedures for payment of the coupon; the priority of the securities and their potential subordination clauses; where appropriate, the anti-dilution clauses; the applicable law; and, where appropriate, the mechanisms for the collective organisation and association and/or representation and protection of the holders of the securities to be issued, including the appointment of their representatives.

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- (ii) Resolve, establish and determine the manner, timing and scenarios of conversion and the bases and methods of conversion.
- (iii) Resolve, establish and determine the conversion ratio, which may be fixed or variable, within the limits set forth below.

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

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

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

For the purposes of conversion, the value of the contingently convertible securities will be their nominal value, and may or may not include accrued and unpaid interest at the time of conversion, and rounding formulae as may be determined as appropriate.

- (iv) Request, where appropriate, that the contingently convertible securities issued hereunder and/or the shares issued to cover their conversion be listed for trading on official or unofficial,

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regulated or non-regulated, organised or non-organized secondary markets, domestic or foreign, and to carry out any procedures or actions that may be necessary or appropriate for this purpose with the corresponding public and/or private bodies.

It is expressly stated that the Company submits to the regulations that exist now or that could be enacted in the future with regard to trading, and particularly with regard to contracting, retention and exclusion from trading and the undertaking that, in the event that exclusion from the trading of securities or shares is subsequently requested, it will be adopted with the formalities required by the applicable regulations.

- (v) Increase the Bank's share capital by the amount necessary to cover the conversion commitments, within the limits that, where applicable, are in force and available at any time, and to declare the issue undersubscribed, where applicable, establishing the specifications of the Company shares to be issued to cover the conversion of the securities, and to redraft the corresponding article in the bylaws.
- (vi) Exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a concrete issuance, when corporate interest so demands, complying, in all cases, with the legal requirements and limitations established for this purpose at any given time.

Two.- To repeal the authority conferred by the Annual General Meeting of Shareholders held on 17 March 2017 under its agenda item five, in the unused part.

Three.- Authorise the Board of Directors, in the broadest terms, to exercise the authorisation contained in the resolution one above and to carry out any actions, procedures, requests or applications that may be necessary or advisable for its exercise, authorising the Board of Directors to sub-delegate this authority to the Executive Committee (with express powers to delegate this in turn); to the Chairman of the Board of Directors; to the Chief Executive Officer; or to any other director; and to confer authority, in the broadest terms, on any Company proxy.”

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Madrid, 15 March 2021