

Board of Directors' Report

Re-election of Jaime Félix Caruana Lacorte as independent director

15 March 2021

1. Introduction

In accordance with Article 3 of the Regulations of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, **BBVA** or the **Bank**), and in compliance with Article 529 *decies* of the Spanish Corporate Enterprises Act, the Appointments and Corporate Governance Committee is responsible for proposing the re-election of members of the Bank's Board of Directors who are classed as independent directors.

The aforementioned article of BBVA's Regulations of the Board of Directors, in accordance with the Spanish Corporate Enterprises Act, also states that proposals by the Appointments and Corporate Governance Committee must always be accompanied by a supporting report from the Board of Directors assessing the skills, experience and merits of the proposed candidate, which will be attached to the minutes of the General Shareholders' Meeting or the Board of Directors' meeting.

In order to comply with the foregoing, the Bank's Board of Directors has prepared this report, which accompanies the proposal to re-elect Jaime Félix Caruana Lacorte as a member of the Bank's Board of Directors, with the status of independent director, submitted to BBVA's Annual General Shareholders' Meeting (hereinafter, the **Report**).

2. Proposal by the Appointments and Corporate Governance Committee

In order to produce this Report, the Board of Directors considered the proposal of the BBVA Appointments and Corporate Governance Committee, which was drafted in accordance with Article 529 *decies* 4 of the Spanish Corporate Enterprises Act and Article 3 of the Bank's Regulations of the Board, following an analysis of the current structure, size and composition of the Board.

In accordance with the provisions of its Regulations, the Appointments and Corporate Governance Committee has analysed the current structure, size and composition of the Corporate Bodies, taking into account that these must remain balanced and adapted to the needs of these bodies at any given time, and that the Board, as a whole, must possess the appropriate knowledge, skills and experience to be able to understand the businesses,

activities and main risks of BBVA and its Group, and thus ensure its effective ability to make decisions independently and autonomously in the corporate interest of BBVA.

This analysis carried out by the Committee takes place within the framework of the progressive and orderly renewal of the Corporate Bodies developed by the Board, under which individuals with different profiles and experience are appointed as often as it sees fit, in order to increase diversity, as well as to ensure an appropriate rotation of the members of the Board of Directors, which ensures a balanced presence of directors with diverse experience on the Board. This renewal has led to the appointment of seven new directors in the last three years, placing the average experience of the directors in this body at around six years.

The analysis performed by the Committee also takes into account the forecasts and objectives set out in the applicable regulations, the regulations of the Corporate Bodies and in the BBVA Board of Directors selection, suitability and diversity policy (the **Selection Policy**).

As part of its analysis, the Committee takes into account the duration of the statutory mandate of the members of the Board and, in particular, that of the seven directors of the Bank whose mandate will expire on the occasion of the 2021 BBVA Annual General Shareholders' Meeting.

In addition, in its analysis, the Committee has taken into account the operation and performance of the Corporate Bodies in recent years, and especially its operation during the crisis generated by COVID-19, whereby the directors have shown great dedication to the Bank and where their knowledge, both within the environment and within the BBVA Group, has served not only for the proper development of the functions of the Corporate Bodies, but has also put the Group in a strong position to deal with the crisis.

Furthermore, in the analysis performed for the proposed re-election, the Committee has also taken into account the areas and matters that are of particular relevance to the Bank's strategy, activities and business, as well as the activities of the Corporate Bodies themselves, both at present and going forward.

Among the various sources of information used by the Committee to carry out its work, particularly noteworthy is the “matrix of skills and diversity” of the Board of Directors, developed by the Committee with a view to facilitating the identification of the skills, characteristics and experience that the Board already has, and those which could be strengthened in the future. This matrix covers skill categories and areas related to banking

and finance, as well as others that are of particular relevance to the Group's strategy and activities.

In this sense, this matrix covers areas such as banking and financial services; accounting and auditing; risk management; innovation and information technology; strategy and macroeconomic environment; human resources and remuneration; institutional, legal and regulatory; and corporate governance and sustainability.

Similarly, the matrix brings together the prior professional experience and career of directors in various areas such as the company, boards of directors, public administration and academia, among others, at both national and international level; and it also indicates the percentage of women and men on the Board.

In relation to the foregoing, the Committee has been able to confirm that the Board currently includes individuals with extensive knowledge and experience in the financial and banking field along with individuals who have experience and knowledge in each of the other areas analysed; it also notes that there is a diversity in the type of training undertaken and professional experience—both national and international—gained by the directors.

This diversity of the Board's skills, knowledge and experience has been strengthened following the in-depth process to renew the Corporate Bodies, which has been developed, with the appointment of seven new directors over the last three years. As a result, individuals who have been appointed have enabled the Board to strengthen its skills, knowledge and experience in areas of particular relevance to the Bank's strategy, business and activities.

In this regard, the Board currently comprises directors with diverse experience on the Board itself, combining recently appointed members with others who have experience in the Corporate Bodies, and who have significant knowledge of the strategy, business, activities and culture of the Group, as well as of its competitive, regulatory and supervisory environment. Similarly, their knowledge of the operational dynamics and working culture of the Corporate Bodies themselves is also noteworthy.

As such, these directors with experience on the Board facilitate the process of progressive renewal of the Corporate Bodies, which involves appointing new members with lesser knowledge of the Bank, without affecting the Board's proper functioning, facilitating the flexible and efficient appointment of new directors to the working dynamics of the Corporate Bodies, ensuring the proper performance of their duties at all times.

The Committee also believes that independent directors contribute to the appropriate composition of both the Board of Directors and its Committees and, in particular, those that assist the Board in its supervision and control duties. These Committees must have a significant number of independent directors, from among whom the Chairs of these Committees must also be appointed.

Lastly, the Committee has verified that the current composition of the Board complies with the provisions of the applicable legislation, the Regulations of the Corporate Bodies and the objectives of the Selection Policy, updated in December 2020, in this regard. In addition to the foregoing paragraphs, it is worth noting that:

- There is adequate balance between the different types of directors;
- Non-executive directors account for 86.67% of directors (thus meeting the target of having a large majority of non-executive directors);
- Independent directors represent two thirds of the Board (thus meeting the target of having independent directors represent at least 50%); and
- Women currently represent one third of directors (thus meeting the specific target for 2020 and 2021 of having female directors represent at least 30%).

For the aforementioned reasons, in the Committee's opinion, the Board of Directors, as a whole, currently has an adequate and diverse composition with a thorough knowledge of the environment, strategy, activities, business and risks of the Bank and its Group, resulting in a balanced composition and adapted to the needs of the moment, thus contributing to ensuring that the functions of the Corporate Bodies are developed in the best corporate interest.

Based on the foregoing analysis, the Committee has taken into consideration that the 3-year statutory mandate for which Mr Caruana Lacorte was appointed director on 16 March 2018 will expire in the 2021 financial year, and has determined that it is pertinent to consider the appropriateness of his re-election to that role for the statutory period of 3 years.

In this regard, the Committee has again analysed the knowledge, skills and experience of Mr Caruana Lacorte, his capacity to exercise good governance, his recognised commercial and professional repute, his status as a non-executive director and as an independent

director, as well as the absence of any incompatibilities, prohibitions and limitations to fulfil this role.

Thus, in view of the needs of the Corporate Bodies at present, and as a result of what is indicated in the foregoing paragraphs, the Appointments and Corporate Governance Committee deems Jaime Félix Caruana Lacorte to have the appropriate knowledge, skills and experience to fulfil the role of member of the Board of Directors, the ability to exercise good governance over the Bank, and that he also meets the other applicable suitability requirements. Moreover, it finds that he contributes to the diversity on the Board of Directors and to the Board having a large majority of non-executive directors and independent directors.

In view of all this, the Committee has agreed to propose his re-election as an independent director of the Bank.

3. Skills, experience and merits

In order to issue this Report, and as set out in the aforementioned regulations, the Board of Directors has assessed the skills, experience, merits, and knowledge of Mr Caruana Lacorte, appointed as director of the Bank on 16 March 2018. It has also analysed both his curriculum vitae, which is attached as an **Annex** to this Report, and his activities as a director in the Corporate Bodies during the years in which he has served as a member of the Board.

Firstly, the Board highly values his first-rate training and excellent professional experience gained prior to his appointment to the Bank's Board of Directors, as well as in relation to his current positions outside the Bank.

In this regard, it is worth noting that Mr Caruana holds a degree in Telecommunications Engineering from the *Escuela Técnica Superior de Ingenieros de Telecomunicación* (ETSIT) and is a Commercial Technician and State Economist. Also, during his professional career he has held various positions of the highest responsibility in the fields of finance and banking, both in the public and private sector, in Spain and abroad, having led institutions of great importance to the national and international banking system.

All of his experience, which is reflected in his curriculum vitae (Annex) is noteworthy; of particular note is the fact that, in the last few years prior to joining the BBVA Board of

Directors, he was Governor of the Bank of Spain and a member of the Governing Council of the European Central Bank (2000–2006), Chair of the Basel Banking Supervisory Committee (2003–2006), Head of Monetary, Capital Markets Department and Financial Counselor and General Manager at the International Monetary Fund (2006–2009) and, finally, General Manager of the Bank for International Settlements (2009–2017).

In addition, since joining the Board of Directors, Mr Caruana has shown that he has a broad knowledge of the Bank's strategy, businesses, activities, risks, regulatory environment and culture, from the different perspectives that are the subject of analysis by the Corporate Bodies. He currently chairs the Audit Committee and is a member of the Executive and Risk and Compliance Committees.

Thus, in the years in which he has been part of the Bank's Corporate Bodies, Mr Caruana Lacorte has contributed his extensive knowledge and experience in very relevant areas, such as the financial system, banking regulation and supervision, analysis of the macroeconomic environment, accounting and auditing, and risk management, among others.

Mr Caruana Lacorte has also contributed his dedication and availability to the Corporate Bodies, and has shown objectivity and independence of judgement in matters submitted to them for consideration over the years. He has therefore contributed to the proper functioning and performance of the duties of the Corporate Bodies.

All of the foregoing is of particular importance for the proper performance of the duties of the Corporate Bodies in their decision-making and supervision and control of the Bank's strategy, business, activities and risks in the complex global situation and current economic environment.

Furthermore, as an independent director of BBVA, Jaime Félix Caruana Lacorte directly contributes to the achievement of the targets set out in the Selection Policy that are aimed at having a large majority of non-executive directors and that independent directors represent at least 50% of all directors.

Consequently, the Board deems Mr Caruana Lacorte to have the appropriate knowledge, experience and merits to be a member of the Bank's Board of Directors.

4. Conclusion

As a result of the foregoing, taking into account the proposal submitted for this purpose by the Bank's Appointments and Corporate Governance Committee, and in order to propose to the Bank's Annual General Shareholders' Meeting his re-election as a member of the Board of Directors, with the status of independent director, for the statutory period of three years, the Board of Directors deems Jaime Félix Caruana Lacorte to have the necessary skills, experience and merits to be a member of BBVA's Board of Directors.

To this end, the Board of Directors issues this Report, in light of the requirements established by Article 529 *decies* of the Spanish Corporate Enterprises Act.

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Annex: CV

Mr. Jaime Félix Caruana Lacorte

Director

Born in 1952

Spanish national

Telecommunications Engineer by the ETSIT (*Escuela Técnica Superior de Ingenieros de Telecomunicación*) of the Universidad Politécnica de Madrid

Commercial Technician and State Economist (*Técnico Comercial y Economista del Estado*)

Professional Background:

1979-1984	Ministry of Commerce. General Manager of Imports, Subdelegation of Commerce and Spanish Institute of Foreign Commerce (ICEX)
1984-1987	Commercial Attaché in the Spanish Commercial Office in New York
1987-1996	General Manager and Chief Executive Officer in Renta 4 and in its investment fund manager
1996-1999	General Manager of Treasury and Financial Policy, director of Bank of Spain and of the Spanish National Securities Market Commission. Spanish representative in the Monetary Committee of the European Union and Director of the Spanish Net Equity Stakes (<i>Sociedad Estatal de Participaciones Patrimoniales</i>)
1999-2000	General Manager of Banking Supervision at the Bank of Spain
2000-2006	Governor of the Bank of Spain and member of the Governing Council of the European Central Bank
2003-2006	Chair of the Basel Banking Supervisory Committee
2006-2009	Head of Monetary, Capital Markets Department and Financial Counselor and General Manager at the International Monetary Fund (IMF)
2009-2017	General Manager of the Bank of International Settlements (BIS)

Other positions:

2004-2009	Member of the International Advisory Committee of the CBRC (China Banking Regulatory Commission)
2003-2017	Member of the Financial Stability Board (previously, Financial Stability Forum)
2013-2017	Member of the Group of Trustees of the Principles for Stable Capital Flows and Fair Debt Restructuring
Since 2003	Member of the Group of 30 (G-30)
Since 2011	Sponsor (<i>patrono</i>) of the Aspen Institute España Foundation
Since 2019	President of the International Center for Monetary and Banking Studies' (ICMB) Foundation Board
Since 2019	Member of the China Banking and Insurance Regulatory Commission's (CBIRC) International Advisory Committee

He was appointed director of BBVA on 16 March 2018.