

# Board of Directors Report

**Item 7 of the agenda of the Annual General Shareholders' Meeting called to take place on 17 and 18 March 2022 on first and second call.**

**Reduction of share capital up to a maximum amount of 10% of BBVA's share capital through the redemption of shares acquired for this purpose.**

9 February 2022

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## 1. Introduction

This report is drawn up by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”, the “**Bank**” or the “**Company**”) pursuant to the provisions of Articles 286 and 318 of the consolidated text of the Corporate Enterprises Act, approved under Royal Legislative Decree 1/2010 of 2 July, in its current wording (the “**Corporate Enterprises Act**”), and also serves as a report for the purposes of the provisions of Article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, in relation to the proposed resolution brought before the Annual General Shareholders' Meeting under item seven of the agenda, to reduce the Bank's share capital in up to a maximum amount of 10% of the share capital at the time of the resolution (this is, in up to a maximum nominal amount of THREE HUNDRED AND TWENTY-SIX MILLION, SEVEN HUNDRED AND TWENTY-SIX THOUSAND, FOUR HUNDRED AND FORTY-TWO EUROS AND FORTY-TWO CENTS (EUR 326,726,442.42), corresponding to SIX HUNDRED AND SIXTY-SIX MILLION, SEVEN HUNDRED AND EIGHTY-EIGHT THOUSAND, SIX HUNDRED AND FIFTY-EIGHT (666,788,658) shares, each having a nominal value of FORTY-NINE EURO CENTS (EUR 0.49)), subject to the receipt, where appropriate, of the applicable regulatory authorizations, through the redemption of own shares that have been purchased derivatively by BBVA, either acquired pursuant to the authorization granted by the General Shareholders' Meeting held on 16 March 2018 under item three of the agenda, or those which may be acquired by means of the authorization granted, if the case may be, by this General Shareholders' Meeting under item six of the agenda, through any mechanism with the purpose of redemption, empowering BBVA's Board of Directors to execute the reduction in whole or in part, and on one or more occasions, or not to execute it, from the time of adoption to the time at which the next Annual General Shareholders' Meeting is held, all in accordance with the provisions of the applicable legislation and regulations, and consistent with the terms of any limitations that may be imposed by any competent authority, as indicated within this report.

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## 2. Proposed resolutions

The full text of the proposed resolutions submitted for approval by the Annual General Shareholders' meeting is as follows:

*“One.- Approve the share capital reduction of Banco Bilbao Vizcaya Argentaria, S.A. (the “Company” or “BBVA”) by up to a maximum amount of 10% of the share capital on the date of this resolution (this is, by up to a maximum nominal amount of THREE HUNDRED AND TWENTY-SIX MILLION, SEVEN HUNDRED AND TWENTY-SIX THOUSAND, FOUR HUNDRED AND FORTY-TWO EUROS AND FORTY-TWO EURO CENTS (EUR 326,726,442.42), corresponding to SIX HUNDRED AND SIXTY-SIX MILLION, SEVEN HUNDRED AND EIGHTY-EIGHT THOUSAND, SIX HUNDRED AND FIFTY-EIGHT (666,788,658) shares with a nominal value of FORTY-NINE EURO CENTS (EUR 0.49), subject to obtaining, where appropriate, the corresponding regulatory authorizations, through the redemption of own shares acquired derivatively by BBVA, both those acquired by virtue of the authorization granted by the BBVA General Shareholders’ Meeting held on 16 March 2018 under item three of the agenda, and those that may be acquired by virtue of the authorization, if appropriate, granted by this General Shareholders’ Meeting under item six of the agenda, through any mechanism whose objective or purpose is redemption, all in compliance with the provisions of the legislation or regulations in force, as well as with any limitations that any competent authorities may establish. The implementation period of this resolution will end on the date of the next Annual General Shareholders’ Meeting, being rendered null and void from that date in respect of the amount not executed.*

*The final figure for the share capital reduction will be set by the Board of Directors, within the maximum amount referred to above, based on the final number of shares that are purchased and that the Board of Directors decides to redeem in line with the delegation of powers approved below.*

*The share capital reduction does not involve the repayment of shareholder contributions as the Company itself holds the shares to be redeemed, and the share capital reduction will be recorded as a charge to unrestricted reserves by provision of a restricted reserve for redeemed share capital in the amount equal to the nominal value of the shares redeemed, which may be disposed of only under the same requirements as those stipulated for the share capital reduction, as provided for in Article 335 c) of the Corporate Enterprises Act, by which the Company’s creditors will not be entitled to exercise their right of opposition set forth in Article 334 of the Corporate Enterprises Act.*

*To confer authority on the Board of Directors, in the broadest terms, authorizing it to subdelegate to the Executive Committee (which in turn, has subdelegation powers); to the Chairman of the Board of Directors; to the Chief Executive Officer; and to any other person to whom the Board explicitly grants powers to this effect, in order to totally or partially execute the aforementioned*

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share capital reduction, on one or more occasions, within the established timeframe and in the manner it deems most appropriate, with the power to, in particular and without limitation:

- (i) *Determine the number of shares to be redeemed in each execution, deciding whether or not to execute the resolution in whole or in part if no own shares are finally repurchased for the purpose of being redeemed or if, having been repurchased for that purpose, (a) they have not been purchased, on one or more occasions, in a sufficient number to reach 10% of the share capital limit on the date of this resolution; or (b) market conditions, Company circumstances or any event of social or economic importance make it advisable for reasons of corporate interest or prevent its execution; notifying of this decision in any case to the next Annual General Shareholders' Meeting.*
- (ii) *Declare closed each of the executions of the share capital reduction finally agreed, setting, as appropriate, the final number of shares to be redeemed in each execution and, therefore, the amount by which the Company's share capital must be reduced in each execution, in accordance with the limits established in this resolution.*
- (iii) *Redraft the article of the Bylaws governing the share capital so that it reflects the new share capital figure and the number of outstanding shares after each approved share capital reduction.*
- (iv) *Request, as appropriate, the delisting of the shares to be redeemed by virtue of this delegation in official or unofficial, regulated or unregulated, organized or not, domestic or foreign secondary markets, taking such steps and actions as may be necessary or advisable for this purpose before the relevant public and/or private bodies, including any action, declaration or management before any competent authority in any jurisdiction, including, but not limited to, the United States of America for the delisting of the shares represented by ADSs (American Depositary Shares).*
- (v) *Execute all public and/or private documents, and to enter into as many acts, legal transactions, contracts, declarations and operations that may be necessary or advisable to carry out each execution of the approved share capital reduction.*
- (vi) *Publish as many announcements as may be necessary or appropriate regarding the share capital reduction and each of its executions, and carry out any actions required for the effective redemption of the shares referred to in this resolution.*
- (vii) *Set the terms and conditions of the reduction in any matters not provided in this resolution, as well as to carry out any procedures and formalities required to obtain the consents and authorizations required for the effectiveness of this resolution.*

**Two.-** *Nullify, for the unused part, the resolution adopted by the Annual General Shareholders' Meeting held on 20 April 2021, under item six of the agenda."*

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### 3. Grounds for the proposal

The Bank's priority objective is the creation of value for its shareholders, simultaneously maintaining proper levels of solvency and profitability. As such, it must analyze the options available at any given time in the light of the applicable circumstances.

In this regard, on 26 October 2021 BBVA received the pertinent authorization from the European Central Bank to buy back up to 10% of its share capital for a maximum amount of EUR 3,500 million, in one or several installments and for a maximum period of 12 months.

Pursuant to said authorization, the Bank's Board of Directors, in use of the powers delegated by the Annual General Shareholders' Meeting held on 16 March 2018, in item three of its agenda, agreed (i) at its meeting held on 28 October 2021, to carry out: (a) a program scheme for the buyback of own shares in accordance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, and Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, for their subsequent redemption through a reduction of the share capital of BBVA, to be executed in one or several tranches and for a maximum amount of EUR 3,500 million; and (b) within the scope of the said program scheme, a first share buyback program with a maximum amount of EUR 1,500 million, a maximum number of shares to be acquired equal to 637,770,016 own shares, representing, approximately, 9.6% of BBVA's share capital as of the date of the agreement; and (ii) at its meeting held on 2 February 2022, to carry out a second share buyback program, within the scope of the said program scheme, with a maximum amount of EUR 2,000 million, a maximum number of shares to be acquired equal to the result of subtracting from 637,770,016 own shares the number of own shares finally acquired in execution of the first buyback program, execution of which will take place after completion of the execution of the first buyback program.

Considering that the execution of the first buyback program began on 22 November 2021, that it is scheduled for completion no earlier than 16 February and no later than 5 April 2022, following which the execution of the second buyback program will commence, and that the timeframes and dates for redemption of the own shares acquired pursuant to each program have not been determined, it is not possible to determine the date on which these may be redeemed in accordance with the resolution to reduce the Bank's share capital adopted by the Annual General Shareholders' Meeting held on 20 April 2021 in agenda item six, the execution timeframe for which terminates with this Annual General Shareholders' Meeting.

By virtue of the foregoing, it is necessary to submit a proposal to the General Shareholders' Meeting to adopt a new resolution for a share capital reduction such as that proposed. In this way,

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the Company will have all the necessary mechanisms for the effective implementation of the buyback programs, both in terms of the launch of the successive tranches and of the effective redemption of the acquired shares and the corresponding share capital reduction, without the need to call and hold a General Shareholders' Meeting for the purpose of carrying out each execution, albeit doing so in accordance with the limitations, terms and conditions established by the Corporate Enterprises Act and any resolutions proposed at this General Shareholders' Meeting.

Moreover, depending on the number of shares that are finally acquired by means of the buyback programs, it may not be necessary to implement the share capital reduction in its entirety, and in such case it may be implemented partially. Moreover, in a potential scenario in which conditions advise or prevent execution, including, but not limited to, the capital position, the regulatory framework or requirements applicable to the Bank, the Board of Directors may determine not to make use of the delegation of authority, in which case it must report this decision at the next Annual General Shareholders' Meeting.

In the light of the foregoing, since the timeframe for execution of the resolution adopted for this purpose by the General Meeting held on 20 April 2021 on agenda item six, in similar terms to those of the proposed resolutions submitted to this Annual General Shareholders' Meeting on agenda item seven, will have expired upon holding this General Meeting, the Board of Directors considers that approval of a reduction of the Bank's share capital through the redemption of own shares acquired for this purpose, with delegation to the Board of the powers necessary to implement the resolution in whole or in part and on one or more occasions, with no need for consultations with the General Shareholders' Meeting, is a suitable mechanism permitting the Bank to properly and swiftly effectively implement the program scheme for the share buyback agreed by the Board of Directors in order to properly create value for shareholders.

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## 4. Exclusion of creditors' right of opposition

The share capital reduction will be carried out as a charge to freely distributable reserves by means of the provision of a restricted reserve for redeemed share capital in an amount equal to the nominal value of the redeemed shares. The disposition of this restricted reserve may be carried out subject to the same requirements as those applicable to the share capital reduction, as provided for in article 335 c) of the Corporate Enterprises Act, and, as such, the Company's creditors will not have the right of opposition set forth in Article 334 of the Corporate Enterprises Act.

For the purposes of Article 411.1 of the Corporate Enterprises Act, it is noted that the consent of the holders of outstanding securities issued by the Company will not be required, in accordance with the terms of this article and of Additional Provision 1, section 9 of Act 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions.

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## 5. Resolution adopted by the Annual General Shareholders' Meeting on 20 April 2021

It is noted that the resolution to reduce share capital approved by the Annual General Shareholders' Meeting on 20 April 2021 on agenda item six, the timeframe for execution of which comes to an end upon the holding of this Annual General Shareholders' Meeting, rendered null and void (in terms of the remaining part) as of this date, has not been utilized by the Bank's Board of Directors at the date of this report, nor does it have the intention of utilizing it prior to the Annual General Shareholders' Meeting.

\* \* \*

Madrid, 9 February two thousand and twenty-two

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