

Board of Directors Report

Item 4 of the agenda of the Annual General Shareholders' Meeting called to take place on 17 and 18 March 2022 on first and second call.

Delegation to the Board of Directors of the power to increase the share capital and exclude pre-emptive subscription rights.

9 February 2022

Table of contents

Table of contents	2
1. Introduction.....	3
2. Proposed resolutions	4
3. Grounds for the proposal to confer authority to increase share capital	6
4. Grounds for the proposal to confer authority to exclude pre-emptive subscription rights	8
5. Authority conferred by the Annual General Shareholders' Meeting on 17 March 2017.....	10

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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 “**Company**” or the “**Bank**”) pursuant to Articles 286, 297.1.b) and 506 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**”), with respect to the proposed resolution presented to the Annual General Shareholders’ Meeting under agenda item four, to confer authority on the Board of Directors to resolve, on one or several occasions, to increase the share capital up to a maximum nominal amount corresponding to 50% of the Bank’s share capital at the time of the approval of the proposed authorization and to exclude pre-emptive subscription rights, this authority being limited to no more than 10% of the Bank’s share capital at the time of the approval of the proposed authorization, in line with the indications contained in 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.-** To confer authority on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (the **“Company”** or the **“Bank”**), as broad as necessary by law, to increase the Company's share capital, subject to provisions in the law and in the Company Bylaws that may be applicable at any time and prior obtaining of the authorizations that may be necessary to such end, within the legal term of five (5) years to be counted as from the date on which this resolution is adopted, up to the maximum amount corresponding to 50% of the Bank's share capital at the time of this authorization.*

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

- (i) Resolve to increase the share capital, on one or several occasions, by the amount and at the time that the Board of Directors may decide within the limits established herein, by issuing new shares, with or without voting rights, ordinary or preferred, including redeemable shares or shares of any other type permitted by law, with or without issue premium; the countervalue of said shares comprising cash considerations. Also set the terms and conditions of the share capital increase insofar as these are not set in this resolution, including the determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, as well as, where appropriate, the inclusion of the right to redeem the shares, along with the corresponding conditions and the exercise of such right by the Company.*
- (ii) Freely offer the shares not subscribed within the period established for the exercise of pre-emptive subscription rights, should these be granted; to establish that, should it be undersubscribed, the share capital increase would be rendered null and void, pursuant to Article 507 of the Corporate Enterprises Act; with the corresponding article of the Company Bylaws being redrafted.*
- (iii) Where appropriate, request the listing of the shares issued under this authority for trading on official or unofficial, regulated or unregulated, organized or unorganized, domestic or foreign secondary markets, performing the necessary and appropriate actions and formalities for this purpose before the corresponding public and/or private bodies, including any action, statement or arrangement before the competent authorities of the United States*

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of America for the admission to trading of the shares represented by ADSs (American Depositary Shares), or before any other competent authority.

It is expressly recognized that the Company is subject to any rules existing now or in the future regarding negotiation, and especially trading, listing and delisting of the securities, and the commitment that, should application be made for subsequent delisting of the shares, this will be adopted pursuant to the formal requirements under applicable regulations.

- (iv) *Pursuant to the Corporate Enterprises Act, totally or partially exclude shareholders' pre-emptive subscription rights over any specific share issue that may be made hereunder, when the corporate interest so requires, in compliance with any legal requirements established to this end.*

However, notwithstanding compliance with any other legal limitations established for this purpose at any given time, the power to exclude pre-emptive subscription rights will be limited, such that the nominal amount of any share capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of this authority and those that may be resolved or carried out to cover the conversion of convertible issuances that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority delegated under the following agenda item five of this General Meeting (without prejudice to anti-dilution adjustments) may not exceed the nominal maximum overall amount of 10% of the Bank's share capital at the time of this authorization.

Two.- *Nullify, for the unused part, the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017, under item four of the agenda.*

Three.- *To confer authority on the Board of Directors, in the broadest terms, to exercise the authorization contained in the first resolution above and to carry out any actions, procedures, requests or applications that may be necessary or advisable for the effectiveness of the authorization, authorizing the Board of Directors to delegate to the Executive Committee (with the power to subdelegate in turn); to the Chairman of the Board of Directors; to the Chief Executive Officer; or to any other director; and to empower, in the broadest terms, any Company proxy."*

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3. Grounds for the proposal to confer authority to increase share capital

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 increase share capital 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 capital increase, providing the issuance is within the limits, terms and conditions established by the Corporate Enterprises Act and by the General Meeting when conferring such authority, all of which in accordance with the Bank's needs at any given moment.

In this sense, it should be taken into account that regulations on solvency and equity establish the requirement that institutions endow capital instruments to fulfill their equity requirements, always in line with the size and composition of their balance sheets.

Although BBVA's current consolidated and individual capital ratios appreciably exceed the regulatory requirements applicable to it, it must be taken into account that any substantial organic or inorganic growth, as well as any significant regulatory change, could entail the need for new issues of capital instruments.

Consequently, the proposed authority allows the Company to have the adequate mechanisms in order to increase its capital when it deems most appropriate, according to the conditions at any given time, having enough agility of execution and avoiding the delays and cost increases that would be entailed by the need to take such matters to the General Shareholders' Meeting.

Also, it is worth noting that the General Meeting has habitually conferred such authority and it has been used by the Company over the last years to successfully meet the Bank's capital requirements at all times.

On the grounds of all the above, and given the expiry of the authority conferred by the General Meeting held on 17 March 2017 in similar terms to those in the proposed resolutions being presented to the Shareholders' Annual General Meeting under its agenda item four, the Board of Directors deems that the conferral of authority to it so that it may resolve to increase share capital on one or several occasions up to the maximum permitted by Law (50% of the share capital at the time authority is conferred), without first having to consult the General Shareholders' Meeting,

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is an appropriate and effective mechanism in order to suitably meet, in an agile and efficient manner, to Bank's needs that may arise at any time.

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

To ensure the Board of Directors can efficiently use the authority to increase share capital, in many cases speed and the selection of the source of funding become important. When the funding is immediately available and limited in time, it may become necessary to exclude pre-emptive subscription rights to thereby maximize corporate interests, which the Board of Directors considers a fundamental goal.

Likewise, this authority to exclude pre-emptive subscription rights can serve to address specific transactions that require rapid execution to reduce the risks stemming from both market volatility and uncertainty regarding corporate transactions to which the share could be exposed between the announcement and the closing of a capital increase. This period is substantially shorter in a capital increase where the pre-emptive subscription rights are excluded than the period legally required for an increase with pre-emptive subscription rights.

On these grounds, it is proposed that, alongside the conferral of authority to increase the Bank's share capital, on one or several occasions, the Board of Directors also be conferred power to totally or partially exclude pre-emptive subscription rights with respect to the capital increases made under such authority, pursuant to Article 506 of the Corporate Enterprises Act.

Although the authorization to increase the share capital with exclusion of pre-emptive subscription rights is currently legally limited to 20% of company's share capital at the time of authorization, the Board of Directors has deemed it appropriate, in line with international standards, market trends and best practices in corporate governance matters, that this power be limited so that the nominal amount of the capital increases effectively resolved or carried out with exclusion of pre-emptive subscription rights under the authority and of those resolved or carried out to cover the conversion of convertible issues with exclusion of pre-emptive subscription rights in use of the authority conferred under this General Meeting's agenda item five (without prejudice to anti-dilution adjustments), do not exceed the maximum nominal amount, overall, of 10% of the Bank's share capital at the time of approval of the proposed authorization.

Similarly, it should be taken into account that the power to exclude pre-emptive subscription rights may only be exercised: (i) in those cases in which the Board of Directors deems that the measure of excluding the pre-emptive subscription right is proportional to the benefits that the Company will obtain in the final instance and that, consequently, they are excluded because corporate interests so demand; and (ii) provided the nominal value of the shares to be issued plus, where

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applicable, the amount of the issue premium corresponds to the fair value, which is presumed to be the market value, this being presumed to be the market value, established by reference to the stock market price, provided that it is not more than ten percent lower than the price of said stock market price; all without prejudice to the possibility of carrying out capital increases with pre-emptive subscription rights in any case by virtue of the authorization resolution.

Thus, it should be taken into account that, on the occasion of each resolution to increase share capital with exclusion of pre-emptive subscription rights made under the authorisation, the directors must issue the relevant report. The Company may also voluntarily obtain the independent expert's report stipulated in Article 308 of the Corporate Enterprises Act. The justificatory report by the directors and, where applicable, the report by the independent expert, will be made available to shareholders and communicated to the first General Meeting to be held after the increase resolution.

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5. Authority conferred by the Annual General Shareholders' Meeting on 17 March 2017

It is noted for the record that the authority conferred by the Annual General Shareholders' Meeting held on 17 March 2017 under item four of the agenda, which it is proposed to be rescinded in the unused portion, has not been used by the Bank's Board of Directors as of the date of this report.

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Madrid, 9 February two thousand and twenty-two

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