



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

**RATIFICATION OF THE SPECIAL REPORT ISSUED ON 13th FEBRUARY
2023 ON THE ISSUANCE OF PREFERRED SECURITIES CONTINGENTLY
CONVERTIBLE INTO ORDINARY SHARES WITH THE EXCLUSION OF THE
PRE-EMPTIVE SUBSCRIPTION RIGHT IN THE CASE ESTABLISHED IN
ARTICLES 414, 417, 510 AND 511 OF THE AMENDED TEXT OF THE
CORPORATE ENTERPRISE ACT**

Bilbao, 12th May 2023

RATIFICATION OF THE SPECIAL REPORT ISSUED ON 13th FEBRUARY 2023 ON THE ISSUANCE OF PREFERRED SECURITIES CONTINGENTLY CONVERTIBLE INTO ORDINARY SHARES WITH THE EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHT IN THE CASE ESTABLISHED IN ARTICLES 414, 417, 510 AND 511 OF THE AMENDED TEXT OF THE CORPORATE ENTERPRISE ACT

To the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.:

On 13th February 2023, for the purposes foreseen in Articles 414, 417, 510 and 511 of the Amended Text of the Corporate Enterprise Act (hereinafter CEA) and pursuant to the engagement received from Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA, the Bank or the Entity), at the designation of the Bizkaia Company Registrar Mr Alberto Montes O'Connor, we issue this Special Report on the issuance of preferred securities contingently convertible into ordinary BBVA shares, with the exclusion of the pre-emptive subscription right, with the authorization and, consequently, the delegation conferred by the Bank's Annual General Meeting of 20th April 2021 to the Board of Directors, the conclusion of which was as follows:

"According to the work performed with the scope described above, and considering the important aspects to be considered in the interpretation of the results of our work, all with the exclusive object of complying with the requirements established in Articles 414, 417, 510 and 511 of the CEA, it is our professional opinion that:

- 1. The attached report by the Directors of Banco Bilbao Vizcaya Argentaria, S.A. on the agreement to issue preferred securities contingently convertible into Bank shares, with the exclusion of shareholders' preferential subscription right, contains the information required by articles 414 and 417 of the Amended Text of the Corporate Enterprise Act and what is applicable according to the Technical Standard for the Preparation of Special Reports on the issuance of convertible securities.*
- 2. The information contained in the Bank's Directors' Report to justify the exclusion of the preferential subscription right is reasonable, as it is appropriately documented and set out.*
- 3. The conversion rate for the preferred securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right and, where relevant, its adjustment formulae, are appropriate for giving economic compensation for any dilution of the shareholders' share, with the underlying value of the preferential subscription right associated with these securities on the date of the report being nil, considering the characteristics and context of the proposed issue operation. "*

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We have been informed by Banco Bilbao Vizcaya Argentaria, S.A. that, to date, the issuance of preferred securities contingently convertible into ordinary shares, with the exclusion of the pre-emptive subscription right, has not taken place.

In this context and in accordance with Article 347 of Company House Regulations, which indicates that *“the report issued by the expert will expire three months after its date, unless it has previously been ratified by said expert, in which case it will be valid for a further three months from the date of ratification”*, we were applied to for ratification of our Special Report dated 13th February 2023.

1. SCOPE OF THE CHECKS CONDUCTED AND PROCEDURES USED

In order to ratify our report, we have updated some of the procedures applied and detailed in our Special Report of 13th February 2023. Specifically, we conducted the following procedures:

- a) Obtaining confirmation that the Bank's Finance Division Report and the financial and legal reports issued by the Bank's advisors in relation to the foreseen transaction and the current legislation are still valid.
- b) Obtaining and reading the consolidated intermediate Financial Statements, the limited review report on the intermediate Financial Statements and the explanatory notes issued by Ernst & Young, S.L., and the consolidated intermediate Management Report for the 3-month period between 1st January and 31st March 2023.
- c) Holding different meetings and conversations with Bank's Management in order to collect all the information we believe is useful for us to perform our work.
- d) Analysis of Material Events communicated to the Spanish Stock Exchange Commission (Comisión Nacional del Mercado de Valores- CNMV) in the period since the issuance of our report of 13th February 2023 and this ratification.
- e) Reading the resolutions taken by the General Shareholders' Meeting and the available minutes of the Board of Directors' meetings held since the date of our Special Report of 13th February 2023 and the date of issuing this ratification.
- f) Analysis of the evolution of the share price of the Bank's shares determining the average price of such shares during the last representative trading period prior to the date of ratification of the Special Report (the last quarter) and of the last available share price prior to such date, considering the frequency and volume of trading during the periods under analysis.

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- g) Analysis of later material events between the formulation of the last audited consolidated annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. for financial year 2022 and the date of this ratification, which might have a significant effect on the issuance of the preferred securities contingently convertible into BBVA shares.
- h) Obtaining a letter signed by Bank Management with sufficient powers to represent BBVA, which confirms, amongst other aspects, that we have been provided with all the information necessary to prepare our report, and that there were no subsequent events until the date of our report which we have not been informed of and which might have a significant effect on the results of our work.

2. IMPORTANT ASPECTS AND SPECIAL DIFFICULTIES TO BE CONSIDERED IN THE INTERPRETATION OF THE RESULTS OF OUR WORK

We should point out that some aspects of our work, such as the interpretation of Articles 414, 417, 510 and 511 of the CEA or the opinions expressed in this ratification, implicitly contain, apart from objective factors, other factors which involve judgement and establishing working assumptions, the fulfilment of which largely depends on future events. It is not currently possible to know the final outcome of these events and, thus, we cannot guarantee that third parties would necessarily agree with the interpretation and judgements expressed in this ratification of our Special Report of 13th February 2023.

The information required for us to perform our work was provided by BBVA's Management or was obtained from public sources and it was not part of our work to contrast this information with external evidence, without prejudice to the fact that, as far as possible, we checked that the information presented is consistent with other information obtained in the course of our work.

We have no obligation to update this ratification of our report as a result of events that might occur after its date of issuance. The contents of this ratification should be understood to refer to all the information received on events which occurred prior to its date.

Moreover, we should emphasize that our work is independent and, consequently, it does not constitute any recommendation to Bank Management, its shareholders or third parties in relation to the position they should adopt in relation to the operation analysed of the issuance of preferred securities contingently convertible into BBVA shares with the exclusion of the pre-emptive subscription right.

It should be noted that the CET1 ratios observed in the annual accounts for the financial years 2021 and 2022 and in the latest interim financial statements were as follows:

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- As of 31st December 2021, according to the information contained in the Management Report which accompanies the consolidated annual accounts for financial year 2021, the phased-in CET1 ratio was 12.98%, being 12.75% fully-loaded.
- As of 31st December 2022, the phased-in CET1 ratio was 12.68%, being 12.61% fully-loaded.
- As of 31st March 2022, the phased-in CET1 ratio was 13.13%, being 13.13% fully-loaded.

Thus, considering that common equity tier 1 ratio should be less than 5.125% for the possible conversion of the Securities to take place, it is likely that the conversion will never take place.

The price per share at the close on 11th May 2023 was 6,5380 euros and the average price per share for the three-month period ended as of 11th May 2023 was 6,7012 euros, as shown in the certificate issued by Bilbao Stock Exchange to this end.

3. CONCLUSION

In accordance with the work done, the scope described in the above paragraphs and in compliance with Article 347 of Company House Regulations, we ratify the conclusion issued in our Special Report of 13th February 2023 on the issuance of preferred securities contingently convertible into ordinary shares of Banco Bilbao Vizcaya Argentaria, S.A., with the exclusion of the pre-emptive subscription right.

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This ratification of our Special Report was prepared exclusively for the purposes foreseen in Articles 414, 417, 510 and 511 of the Amended Text of the Corporate Enterprise Act and, consequently, may not be used for any other purpose.

Bilbao, 12th May 2023

PKF ATTEST Servicios Empresariales, S.L.
Entered in the ROAC with No. S1520

[Signed on the original in Spanish]

Juan Basterra
Accounts Auditor - Partner
Entered in the ROAC with No. 23.765

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Directors' Report

**Issuance of preferred securities
contingently convertible into shares
excluding preferential subscription
rights**

27 June 2023

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1. Introduction

1.1. Purpose of the report

This report was drafted by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**") pursuant to Articles 414, 417, 510 and 511 of the consolidated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July, in its current draft ("**Corporate Enterprises Act**"), in relation to the resolution to issue preferred securities contingent convertible into newly issued BBVA ordinary shares, which are issued in accordance with the stipulations of the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**"), and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**CRR**") applicable at the time of issuance, so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of EUR 1 billion, or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**") and the corresponding increase in share capital to cover the contingent conversion of the Securities, if applicable.

This resolution is adopted pursuant to the authority conferred by the Ordinary General Shareholders' Meeting of 20 April 2021 under agenda item five.

1.2. Advisory services received

This report is issued based on (i) the report issued by the BBVA Finance area, which is in turn supported by the report prepared by Barclays Bank Ireland PLC, a top-tier investment bank with recognised expertise in this type of issuances and (ii) the legal report from J&A Garrigues, S.L.P., an external legal advisor on Spanish issuance law.

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2. Issuance of the Securities

2.1. Delegation by the General Meeting

The BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, adopted under agenda item five and under the terms and conditions set forth in the aforementioned resolution to confer authority on the Board of Directors of the Bank with express powers of sub-delegation, to issue securities convertible into newly issued BBVA shares whose conversion is contingent and envisaged to meet regulatory requirements for its eligibility as capital instruments ("Contingent Convertible Issues - CoCos"), pursuant to solvency regulations applicable at any time. The Board of Directors may make issues on one or several occasions within a period of five years from its approval and up to the maximum overall amount of eight billion euros (€8,000,000,000), delegating in turn the power to exclude the preemptive subscription right of such securities issues, as well as the power to increase the Bank's share capital by the necessary amount and to amend the corresponding article of the Company's bylaws.

2.2. Regulatory environment and capital requirements

As a Spanish credit institution, the Bank is subject to the solvency and equity framework defined mainly by CRR and by Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**", and together with CRR, the "**Solvency Regulations**"), which implements Basel III in Europe.

This Solvency Regulations provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In this regard, the Solvency Regulations sets out, among other provisions, a minimum capital requirement ("**Pillar 1**") and increases the required level of capital through the "combined capital buffer requirement", which must be fulfilled with Common Equity Tier 1 ("**CET1**") capital in addition to the CET1 set out for compliance with Pillar 1.

Moreover, the European Central Bank ("**ECB**") establishes specific prudential capital requirements applicable to each credit institution ("**Pillar 2**") in the framework of the Supervisory

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Review and Evaluation Process ("**SREP**"). In all, these establish higher levels of capital than those for the minimum capital requirement of "Pillar 1" and the "combined capital buffer requirement" provided for in the Solvency Regulations.

As a result of the latest SREP carried out by the ECB, and taking into consideration that banks may partially use additional tier1 capital ("**AT1**") and Tier 2 capital instruments in order to fulfil the abovementioned Pillar 2 requirement, the Bank must maintain, at a consolidated level, a CET1 ratio of 8.75%, a Tier 1 ratio of 10.58%, which includes the CET1 requirement and of which 1.82% may be covered by AT1 instruments, and a total capital ratio of 13.00%, which includes the Tier 1 requirement and of which 2.43% may be covered by Tier 2 instruments.

According to the information available as of 31 March 2023, the Bank maintains on a consolidated basis a CET1 *phased-in* ratio of 13.13%, a Tier 1 *phased-in* ratio of 14.62%, which includes an AT1 level of 1.49% and a total capital ratio *phased-in* ratio of 16.30%, which includes a Tier 2 level of 1.68%. These ratios are above the capital requirements applicable to the Bank.

Nevertheless, the supervisor may implement additional capital buffers to those currently applicable, while the current Pillar 2 requirements will be reviewed periodically based on the conclusions drawn by the ECB in subsequent SREPs, and may be replaced with greater Pillar 2 capital requirements. In light of the foregoing, BBVA must maintain an adequate capital management buffer.

Likewise, the Bank, as a Spanish financial institution, must maintain a minimum volume of own funds and eligible liabilities, known as the regulatory MREL requirement. In addition, a subordination requirement is also established, which obliges entities to meet part of their MREL requirement with a minimum percentage of subordinated instruments. In this regard, it should be noted that instruments eligible under CRR, such as the Securities, will be "eligible" for the purposes of both the MREL requirement and the aforementioned subordination requirement and will serve to strengthen the leverage ratio, thus facilitating the Bank's compliance with its regulatory requirements.

2.3. Reasons for the Issuance

As already mentioned above, the Solvency Regulations provides to credit entities the possibility of using AT1 and Tier 2 capital instruments in certain ratios to comply with their own funds requirements, using in their absence CET1 instruments, which would be more burdensome and less efficient. Therefore, it is proposed to make the Issuance in order to allow the Bank to comply with its own funds requirements efficiently, as its cost is lower than the cost associated with CET1 instruments.

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Additionally, and even though BBVA already complies with all of its capital requirements, it is proposed to make the Issuance in order to maintain adequate management margins, above the requirements applicable from time to time, thus reinforcing the Bank's compliance with its MREL requirement and the subordination requirement mentioned in the previous section.

This type of issuances are recurrent and frequent for credit institutions, which have been carrying out numerous of these kind transactions in all world markets since, in 2013, BBVA carried out the first issuance of these characteristics to comply with Solvency Regulations in order to be able to efficiently meet its AT1 needs.

The Issuance will also allow a prospective and orderly management of market expectations as well as of the maturities and early redemption options of the AT1 issuances of the Bank currently outstanding, guaranteeing at all times the compliance with its solvency requirements in an efficient manner and taking advantage, eventually, of the market circumstances existing at any given time (notwithstanding the fact that the relevant rate situations for the purpose of determining the suitability of the early redemption of each issue are those existing at the date of exercising such early redemption or maturity options), to preserve the Bank's capital and to manage the regulatory deadlines required by the applicable regulations.

In particular, if BBVA exercises the early redemption option on instruments that currently qualify as AT1 of the Bank on an individual and consolidated basis, it would be appropriate to issue an instrument that could also qualify, at least, as AT1, in order to preserve the Bank's capital position in the most efficient manner possible and to manage the regulatory deadlines required by the applicable regulations.

Therefore, it is advisable to have a prior authorisation to make a new issuance of AT1 instruments and therefore take advantage of situations in economic and market conditions that are considered appropriate, providing the Bank with the flexibility to execute the Issuance at the moments it deems timely.

2.4. Financial conditions of the Issuance

The maximum nominal value of the Issuance is EUR 1 billion (or its equivalent in any other currency), with a nominal value of at least EUR 100,000 per Security (or its equivalent in any other currency).

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For the purpose of eligibility as AT1, the Securities must have the characteristics set out in the Solvency Regulations, including, inter alia, those stated in section 3.1 below.

The investor may receive distributions, which will be determined in the final terms and conditions of the Issuance and will be aligned with market prices for this type of instruments at the time of issuance. In this regard, as indicated in the Finance area's report, Securities are expected to be placed through a book-building procedure collectively addressed to the institutional market, through which the price of the Issuance will be determined by reference to the market offers received (investment banks advising the transaction will carry out dissemination and promotional activities, receiving thereafter offers detailing the price and amount that each investor would be willing to subscribe the Securities). This process is generally accepted as the most suitable to ensure that the issuance price matches with the market price.

As provided for in the Solvency Regulations, payment of the distributions will be conditional, among other factors, on the issuer having distributable items (as defined in article 4 of CRR), which will be described in detail in the terms and conditions of the Issuance.

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the distributions on the Securities for an unlimited period and on a non-cumulative basis, and such cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

2.5. Bases and methods of conversion

According to the proposal submitted by the Bank's Finance area, the bases and methods of conversion of the Securities will essentially be as follows:

Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the CET1 ratio of the Issuer or its consolidated group falls below 5.125 %, calculated in accordance with the Solvency Regulations or with any other regulation applicable to BBVA at any time.

The Securities may also be converted into newly-issued ordinary BBVA shares if the Issuer adopts any measure whose consequence is the approval of a share capital reduction in the terms and conditions set out in article 418.3 of the Corporate Enterprises Act.

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The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is necessary or advisable, to safeguard the Issuer's solvency or so that the Securities can be considered AT1.

Conversion ratio

The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the "**Conversion Price**").

$$ConvRatio = Nom_{convertible} / Sh_P$$

where:

- $ConvRatio$: Conversion Ratio
- $Nom_{convertible}$: Nominal Value of the convertible item
- Sh_P : Conversion Price

Consequently, the Conversion Price will be the greater of the following:

- (i) the arithmetic mean of the closing prices of the BBVA share, on the specified stock exchange or securities market, in the five trading sessions prior to the conversion event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;
- (ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in the following section (the "**Minimum Conversion Price**"); and
- (iii) the nominal value of ordinary BBVA shares at the time of conversion.

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

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The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Minimum Conversion Price in line with market practice in this type of transactions, in compliance with the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of ordinary BBVA shares at the time of conversion.

2.6. Share capital increase

In accordance with Article 414 of the Corporate Enterprises Act, when the resolution to issue Securities is adopted, it must also be resolved to increase the share capital by the amount necessary for the Securities to be converted. The maximum number of BBVA shares to be issued to cover the conversion of the Securities will therefore be determined by the quotient between the total nominal value of the Issuance and the Conversion Price.

This share capital increase will, if necessary, be executed by the Board of Directors, which may delegate this execution to the Executive Committee, with express powers of substitution, and authorise those empowered by the Board of Directors, by virtue of the resolution adopted by the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, in order to cover the potential conversion of the Securities by issuing new ordinary shares of equal nominal value, of the same class and series, and with the same rights as ordinary BBVA shares that are in circulation on the date on which the increase takes place. Should the share capital increase be executed, the corresponding article in the Company Bylaws will be reworded to adapt it to the new figure for share capital.

It is not currently possible to determine the exact value of the share capital that will be required to cover the potential future conversion of the Securities, as it will depend on the definitive nominal value of the Issuance and the Conversion Price, to be determined based on the bases and methods of conversion.

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However, taking into account that the Issuance has a maximum nominal value of EUR 1 billion (or its equivalent in any other currency) and that the Conversion Price may not be lower than EUR 3.75 (or the equivalent in any other currency), and assuming that no anti-dilution adjustment is made prior to the date on which the Securities are converted, the maximum number of new ordinary shares that must be issued is 266,666,666.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no preferential subscription rights on the resulting share capital increase.

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3. Exclusion of preferential subscription rights

3.1. Grounds for the exclusion of preferential subscription rights

As indicated above, the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, resolved, under agenda item five, to delegate to the Board of Directors the authority to issue securities convertible into shares and to increase the share capital. It also resolved to confer on the Board of Directors the authority to waive preemptive subscription rights over the convertible securities issuances covered by such delegation.

To such end, when convening the aforementioned General Shareholders' Meeting, the Board of Directors approved and gave shareholders access to a report explaining the grounds of the proposal to delegate the power to waive preemptive subscription rights, in accordance with articles 417 and 511 of the Corporate Enterprises Act.

However, for the purpose of waiving preferential subscription rights for the issuance of convertible bonds, Articles 417 and 511 of the Corporate Enterprises Act require, among other matters, that this be in the company's best interest.

BBVA's Board of Directors, by virtue of said Meeting's authorisation and based on the report issued by the Finance area—which is in turn supported by the report prepared by Barclays Bank Ireland PLC—and on the legal report from J&A Garrigues, S.L.P. as an external legal advisor helping BBVA in the legal design of this transaction, has resolved to waive preferential subscription rights relating to Issuance, as it deems such exclusion to be fully substantiated, in compliance with the requirements established by law and necessary to achieve the corporate interest, as explained below.

In accordance with section 2.3, the approval of the Issuance will provide prior authorization for a new AT1 issuance and therefore the possibility to take advantage of situations deemed appropriate in economic and market terms, providing the Bank with the flexibility to carry out the Issuance at the moment deemed timely.

In order to qualify as AT1 in accordance with Solvency Regulations, the Securities must include, among others, the following characteristics:

- (i) be perpetual;
- (ii) be ranked below Tier 2 instruments in the event of the insolvency of the institution;

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- (iii) their distributions are only paid out of distributable items and the institution has full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, without restriction to meet the rest of its obligations; and
- (iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5 above) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur when the ratio CET1 of the issuer or its group falls below 5.125 %.

Moreover, according to the provisions of Article 208.3 of the Law 6/2023, of 17 March, on Securities Market, any debt instruments which in turn are eligible liabilities for internal recapitalisation (bail-in) in the event of resolution of the issuer (as would be the case of the Securities), are considered complex instruments.

The characteristics described, which are required by the Solvency Regulations as well as this type of instruments being considered complex, mean that the Securities are currently a product that cannot be targeted towards all types of investors, especially retail clients, which form a significant portion of the BBVA shareholders. Not excluding preferential subscription rights would therefore entail offering a product that does not fit the investment profile of all of the Bank's shareholders, which could compromise the Issuance's viability.

In this regard, the Spanish National Securities Market Commission stated through its Circular 1/2018 of 12 March on warnings relating to financial instruments, that instruments eligible as additional Tier 1 capital (as is the case of the Securities) are products that, due to their particular complexity, are not suitable for retail clients.

Therefore, in order to directly allocate the Issuance to professional clients and eligible counterparties (who are also those who usually subscribe to this type of instrument, as was the case for AT1 issued by the Bank to date), and to not compromise the transaction, it is necessary that the preferential subscription rights are excluded for BBVA shareholders.

The combination of the aforementioned factors (the characteristics of the securities, and the Issuance recipients) means that the Finance area has suggested, as the most suitable alternative to corporate interest, carrying out the Issuance at market price, targeting the Securities solely at professional clients and eligible counterparties, as they are the appropriate group to subscribe to this type of instrument. Consequently, the most suitable alternative to satisfy corporate interest and

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provide a whole and joint solution to the matters at hand is to resolve to issue Securities excluding preferential subscription rights.

The following circumstances should also be taken into account:

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the Solvency Regulations for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be noted that BBVA's solvency and equity ratios are currently much higher than the conversion trigger event, which reinforces the nature of the Securities as fixed-income instruments, being its conversion merely contingent.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument (as indicated in section 2.4 above and as stated in the Finance area's report).
- (iii) The proposed Conversion Price to cover a contingent conversion corresponds to the market price of the BBVA share at the time of conversion, except in the event that said market price is less than the Minimum Conversion Price, in which case the Conversion Price would equal the Minimum Conversion Price and the shares would therefore be issued with a premium over the market price. The maximum number of shares to be issued is therefore limited by determining the Minimum Conversion Price, which guarantees that the shares will be issued at a price equal to or higher than the market price.

Taking into account that the Securities are issued as perpetual securities, that the issue price will be in line with the market price, that the conversion trigger events are contingent and strictly limited, and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, and pursuant to the report by the Finance area and the report prepared by Barclays Bank Ireland PLC, the theoretical value of the preferential subscription rights derived from the Issuance is nil and, as a consequence, current shareholders do not lose any economic value due to their exclusion.

In light of the foregoing, the exclusion of preferential subscription rights on the proposed Issuance is necessary for its intended purpose, thus achieving corporate interest.

3.2. Persons receiving Securities

The Issuance will be targeted exclusively at professional clients and eligible counterparties, as defined in the securities market regulations, excluding retail clients or investors in any case.

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4. Resolution proposal

"FIRST" - Under the authority conferred by the Ordinary General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 20 April 2021, under agenda item five, issue contingent preference shares convertible into newly issued ordinary Company shares, in accordance with the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms applicable at the time of issuance (jointly with Law 10/2014, the "**Solvency Regulations**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of one billion euro (EUR 1,000,000,000) or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**"), in accordance with the following terms:

Nature of the Securities:	Contingent preference shares convertible into newly issued ordinary BBVA shares, in accordance with the Solvency Regulations, so that these may be considered to be additional tier 1 capital instruments.
Issuer:	BBVA.
Issuance recipients:	Exclusively professional customers and eligible counterparties or their US regulatory equivalents, excluding retail clients in any case.
Maximum Issuance amount:	One billion euro (EUR 1,000,000,000), or the equivalent in any other currency, as stipulated in the terms and conditions of the Issuance, with the possibility of a lower Issuance amount.
Nominal unit value:	The nominal unit value of the Securities will be as stipulated in the terms and conditions of the Issuance, with a minimum value of one hundred thousand euro (EUR 100,000), or the equivalent in any other currency.
Number of Securities:	The maximum number of Securities to be issued will be as a result of dividing the total nominal Issuance amount by its nominal unit value. All of the Securities will belong

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to a single series and will assume the same terms and conditions.

Distribution:

*Securities holders may receive non-cumulative distributions that will be determined based on the interest rate applicable to the nominal value of the Securities, which will be payable provided that the conditions established in the terms and conditions of the Issuance are met ("the **Distribution**").*

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the Distributions for an unlimited period, on a non-cumulative basis, and said cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

The foregoing is without prejudice to other Distribution cancellation instances that may be stipulated in the terms and conditions of the Issuance or as determined by applicable regulations.

Maturity date and early redemption:

The Issuance is perpetual and therefore has no maturity date.

The terms and conditions of the Issuance may include circumstances for early redemption in favour of the Issuer, all in accordance with the Solvency Regulations.

Representation of the Securities:

The Securities may be represented by physical certificates or book entries, as stipulated in the terms and conditions of the Issuance.

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Ranking:

The Securities are subordinated credits with the following BBVA payment ranking in the event of bankruptcy:

- (i) junior to privileged claims, claims against the insolvency estate and ordinary claims;*
- (ii) junior to subordinated credits and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*
- (iv) senior to the credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank below the Securities;*
- (v) senior to BBVA shares.*

SECOND. - *The bases and methods of the contingent conversion of the Securities will be as follows:*

a) Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the common equity tier 1 ratio of the Issuer or its consolidated group falls below 5.125%, calculated in accordance with the Solvency Regulations or with any other regulation on capital and solvency applicable to BBVA at any time.

*Similarly, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure that results in the approval of a reduction of its share capital in the terms and conditions set out in Article 418.3 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Corporate Enterprises Act**").*

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The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is required or advisable, in particular to safeguard the Issuer's solvency or so that the Securities can be considered tier 1 capital instruments.

b) Conversion Ratio

*The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the latter being the "**Conversion Price**").*

Consequently, the Conversion Price will be the greater of:

- i) the arithmetic mean of the closing prices of the BBVA share on the specified securities market or stock exchange in the five trading sessions prior to the day on which the conversion trigger event takes place, rounded to the nearest cent and, in the case of half a cent, rounded up to the nearest cent;*
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which must not be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in section d) below (the "**Minimum Conversion Price**"); and*
- iii) the nominal value of ordinary BBVA shares at the time of conversion.*

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

c) Conversion procedure

The conversion procedure will be determined in the terms and conditions of the Issuance.

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d) Anti-dilution mechanism

Pursuant to Article 418.2 of the Corporate Enterprises Act and in accordance with standard practice for this type of transaction, anti-dilution mechanisms will be established based on the Minimum Conversion Price, as per the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the bases and methods of conversion described above and the requirement that the Conversion Price is never lower than the nominal value of ordinary BBVA shares at the time of conversion.

*Notwithstanding other powers that may be conferred, the Executive Committee is empowered, with express powers of substitution, with the broadest powers conferred to Rafael Salinas Martínez de Lecea, with DNI (Spanish national identity document) 24189928T; José María Caballero Cobacho, with DNI 25154047M; Ignacio Echevarría Soriano, with DNI 00837871G; and María Gloria Couceiro Justo, with DNI 32828827F; all of legal age, of Spanish nationality and domiciled for the purposes herein at Calle Azul, No. 4, Madrid, Spain (the "**Proxies**"), so that any of them may, jointly or severally and indistinctly establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend and/or adapt other conversion trigger events, as well as to determine other conversion trigger events in addition to those provided for in this resolution, under the terms and conditions that they deem necessary or advisable in the best interest of the Issuance.*

THIRD.- *To validate the actions taken to carry out the request for the appointment of the independent expert/account auditor other than the Company's auditor to be appointed by the Mercantile Registry, for the purpose of issuing the voluntary report provided for in Articles 414, 417, 510 and 511 of the Corporate Enterprises Act.*

FOURTH.- *Based on the report prepared by the BBVA Finance area, in accordance with the report issued by J&A Garrigues, S.L.P. and pursuant to Articles 414, 417, 510 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/accounts auditor (other than the Company's auditor appointed for such purposes by the Commercial Registry) and reported to the first General Meeting held after the share capital increase resolution, expressly empowering the Corporate Secretary and Secretary of the Board of Directors and the Deputy Secretary to the Board of Directors to certify the text.*

FIFTH.- *As stated in the report by the Finance area, which is reflected in the Directors' Report approved under the above resolution, corporate interest requires the exclusion of preferential*

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subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the powers conferred by the Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, and pursuant to Articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude preferential subscription rights in this Issuance.

SIXTH.- *Increase BBVA's share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, in accordance with the Conversion Ratio.*

Taking into account that the Minimum Conversion Price must not be lower than EUR 3.75 or its equivalent in any other currency, the maximum number of ordinary BBVA shares to be issued will be 266,666,666 (each currently EUR 0.49 of the nominal unit value), assuming that no anti-dilution adjustment is made that affects the Minimum Conversion Price, and expressly foreseeing the possibility of a share capital increase with an issue premium for a lower number of shares and the possibility of undersubscription.

In the event that Securities are converted, newly issued BBVA shares that are issued to cover the conversion will be ordinary shares, of the same class and series as those that are currently in circulation, and will be represented in the same way as said ordinary shares (currently through book entries recorded by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("IBERCLEAR" — Spanish Central Securities Depository), which performs this role together with its participating entities), granting their holders the same rights as the ordinary shares that are currently in circulation. Upon execution of this resolution to increase share capital, the corresponding article in the Bylaws will be adapted accordingly.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted into newly issued shares, there would be no preferential subscription rights on the resulting share capital increase.

SEVENTH.- *Under the authority conferred by the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, empower the Executive Committee with express powers of sub- delegation and confer the broadest powers to the Proxies so that any of them may, jointly or severally and indistinctly, within the limits established in the above resolutions, execute the Issuance and:*

- a) Determine when the Issuance should take place and even abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and Securities to be issued, including, but not limited to, the final amount of the Issuance within*

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the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest rate accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate; include new bases and methods of conversion and/or amend those that already exist, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as establishing any additional conversion and/or amortisation trigger events and any other terms or conditions deemed necessary or appropriate in the best interest of the Issuance, expressing the amount available in terms of the limits of the authorisation conferred to the Board of Directors by the Ordinary General Shareholders' Meeting and the amount to be made available, also authorising the Board, where appropriate, to redeem the Securities in advance, performing any procedures deemed necessary or advisable.

- c) Declare the Distribution of the Securities, whether wholly or partially, and declare the whole or partial cancellation of the Distribution, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, conclude, execute, sign, grant, modify, terminate or cancel all contracts, securities, agreements and documents, whether public or private, that are necessary or deemed appropriate with regard to the Issuance (in particular, including, but not limited to, information leaflets, base prospectuses, offering circulars, information documents, supplements, supplement prospectuses, term sheets, security forms, liquidity contracts, subscription contracts, placement and/or underwriting agreements, agency agreements, requests, communications, announcements or notices, as well as any other contracts formalising the Issuance or that are necessary to issue the Securities), with authority to determine the legal and economic conditions for them all and to make the necessary or appropriate designations or appointments, as well as other supplementary acts that may be required or advisable to implement the resolutions.*
- f) In relation to the Issuance or Securities, appear, personally or through the representative or agent authorised in writing by any of the Proxies, before all the representatives, committees or bodies of any securities market or stock exchange, or any supervisor, regulator or registry, including, but not limited to the Spanish National Securities Market Commission, the Securities and Exchange Commission, the Irish Stock Exchange, Euronext Dublin, the New York Stock Exchange, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market,*

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as well as any book-entry, registration, clearing and/or settlement company for securities, with authority to underwrite, issue, sign, grant, modify, resolve and cancel any contracts, certificates and documents as deemed necessary or appropriate, in the manner in which any of the Proxies deems necessary or advisable in order to comply with the applicable requirements imposed at any time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement companies, including, but not limited to, DTC or IBERCLEAR, as deemed necessary or advisable in the best interest of the Issuance.

- g) Request or communicate, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other applicable category, in accordance with the regulations in force at any given time.*
- h) Authorise and underwrite any public or private documents as required, with authority to appear before a notary public, raise these resolutions to public, authorise all notary deeds and acts considered necessary by the Proxies, including deeds of issue, rectification, clarification, correction or cancellation, those for whole or partial Issuance subscription and those for whole or partial amortisation or modification and, where appropriate, authorise any other public or private documents that may be necessary or advisable in relation to the Issuance, and complete all relevant procedures, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when required. Where applicable and if required, draft the declaration referred to in Article 318 of the Regulations of the Commercial Registry or any other rule amending or superseding it.*
- i) Set up, if necessary, the syndicate of bondholders for the Issuance and appoint its commissioner or, if deemed necessary or advisable, establish the mechanisms for the collective association or organisation and/or representation and protection of Securities holders, including the determination of their characteristics and operating rules, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and said holders, all in accordance with the terms and conditions deemed necessary or advisable, and convening on behalf of BBVA any meetings when deemed necessary or convenient.*
- j) Establish all other terms not determined by this Board of Directors relating to the Issuance, including any modifications if necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or appropriate in relation to the above powers, authorising any private or public documents deemed necessary or advisable for this purpose.*

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- k) *With regard to the contingent conversion of the Securities into newly issued ordinary BBVA shares, where appropriate, establish the Conversion Price and, where applicable, the premium, the Minimum Conversion Price and the definitive Conversion Ratio of the Issuance, determine the number of shares by which BBVA's capital is to be increased, declaring undersubscription in such an event, and perform necessary acts, including, but not limited to, authorising any public or private documents that may be necessary to implement the share capital increase and amend, if applicable, the wording of the corresponding article in the Bylaws to adapt it to the new share capital figure, with authority to appear for such purposes before any public or private bodies, including, but not limited to, a notary public or the Commercial Registry, and authorise any deeds considered necessary or advisable for this purpose.*

- l) *Request, where appropriate, the admission to trading or listing of the Securities and/or ordinary BBVA shares issued to cover the contingent conversion of the Securities, if applicable, on regulated or non-regulated, organised or non-organised secondary markets, Spanish or foreign multilateral trading systems, including, but not limited to the Irish Stock Exchange, Euronext Dublin, the New York Stock Exchange, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Spanish securities markets, the London Stock Exchange or the Bolsa Mexicana de Valores and carry out any procedures or actions deemed necessary or advisable in any jurisdiction where the Securities and/or the newly issued BBVA shares to cover the contingent conversion of the Securities are offered or traded or requested to trade. Without limitation:*
 - (i) *Draft, approve, formulate, underwrite and sign any documents, contracts, prospectuses, information documents, requests, communications, certificates or notifications deemed necessary or advisable for these purposes and grant their subsequent amendment where appropriate.*

 - (ii) *Take any necessary actions before competent authorities in each jurisdiction and approve and formalise any public or private documents as may be necessary or advisable for the full effectiveness of the resolutions, in any aspects or content.*

To conclude, and for the purpose of the applicable regulations on the issuance of securities, it is hereby resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public or private body. They will take responsibility for the content of the prospectuses of issue, information documents or any other similar documents, where applicable, and are similarly authorised to sign any additional public or private contracts and documents that are deemed necessary or advisable in the best interest of the Issuance.”



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

**SPECIAL REPORT ON THE ISSUANCE OF PREFERRED SECURITIES
CONTINGENTLY CONVERTIBLE INTO ORDINARY SHARES WITH THE
EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHT IN THE CASE
ESTABLISHED IN ARTICLES 414, 417, 510 AND 511 OF THE AMENDED TEXT
OF THE CORPORATE ENTERPRISES ACT**

Bilbao, 3rd July 2023

SPECIAL REPORT ON THE ISSUANCE OF PREFERRED SECURITIES CONTINGENTLY CONVERTIBLE INTO ORDINARY SHARES WITH THE EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHT IN THE CASE ESTABLISHED IN ARTICLES 414, 417, 510 AND 511 OF THE AMENDED TEXT OF THE CORPORATE ENTERPRISE ACT

To the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.:

For the purposes foreseen in articles 414, 417, 510 and 511 of the Amended Text of the Corporate Enterprise Act (hereinafter, CEA) and pursuant to the engagement received from Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA, the Bank or the Issuer), at the designation of the Bizkaia Company Registrar Mr Alberto Montes O'Connor, we issue this Special Report on the issuance of preferred securities contingently convertible into ordinary BBVA shares, with the exclusion of the preferential subscription right, with the authorization and, consequently, the delegation conferred by the Bank's Annual General Meeting of 20th April 2021 to the Board of Directors.

1. BACKGROUND AND OBJECT OF OUR WORK

Banco Bilbao Vizcaya Argentaria, S.A. is a Spanish entity under private law subject to the rules and regulations for banking institutions operating in Spain. The Bank's shares are listed on the Computer Assisted Trading system on Spanish Stock Exchanges, and on other international markets. In addition to the operations it conducts directly, the Bank is the head of a group of dependent entities which engage in a range of activities and which, with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the Group or BBVA Group). All the Bank's shares have the same economic and voting rights and there are no different voting rights for any shareholder.

The articles of association and other public information can be consulted at the Bank's registered office (Plaza San Nicolás, 4, Bilbao, Spain) and on its webpage (www.bbva.com).

According to the information and documentation received, BBVA's Annual General Meeting, held on 20th April 2021, resolved under point five of its agenda to delegate powers to BBVA's Board of Directors to issue securities contingently convertible into new Bank shares. The conversion of these securities would be contingent and is foreseen as a means of meeting the regulatory requirements for them to be counted as capital instruments, in accordance with the solvency regulations, subject to legal and article of association provisions and after obtaining, where relevant, any authorizations that might be required for the purpose. The issues could be conducted once or several times within a maximum period of five years from the date the said resolution was taken, for a total joint maximum amount of 8,000 million euros, or the equivalent amount in any other currency.

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The delegation to the Board of Directors included the power to agree, establish and determine:

- The terms, characteristics and conditions of each of the issues of securities convertible into new shares.
- The manner, time and cases for conversion and/or payment and the terms and conditions of conversion and the conversion methods.
- Conversion rates, which can be either fixed or variable.
- Increases in the Bank's share capital in the amounts required to meet investment commitments.
- Total or partial exclusion of the preferential subscription right for shareholders in the framework of convertible security issuances.

In the exercise of the authorization conferred on 20th April 2021, BBVA's Board of Directors agreed to conduct a second issue of preferred securities contingently convertible into new BBVA shares (hereinafter also the Securities), for a maximum nominal amount of 1,000 million euros, or its equivalent amount in any other currency, with possible incomplete subscription foreseen, and with the exclusion of the preferential subscription right.

According to the information obtained, the issue will be conducted in the manner established in the terms and conditions set out in the Directors' Report, approved by BBVA's Board of Directors at the meeting held on 27th June 2023 and attached (hereinafter, Directors' Report) and which justifies the proposal and the rate for conversion into shares for the securities to be issued, along with the justification of the suppression of Bank shareholders' preferential subscription right.

The objects of our work are exclusively:

- To show, by using the procedures established in the Technical Standard for the preparation of the Special Report published in the Resolution of 16th June 2004 issued by the Instituto de Contabilidad y Auditoría de Cuentas-ICAC in relation to the exclusion of the preferential subscription right, whether the BBVA Directors' Report attached to this report contains the minimum information required, set out in the said Standard, which includes the explanation of the terms and conditions and conversion methods corresponding to perpetual Securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right.
- To issue a technical opinion, as independent experts and auditors, on the reasonableness of the information contained in the attached BBVA Directors' Report in relation to the issuance of perpetual Securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right, and on the appropriateness of their conversion rate and, where relevant, of their adjustment formulae to offset a possible dilution of shareholders' economic share, all in accordance with what is set out in Article 417 of the CEA, basing ourselves, by analogy where relevant, on any applicable

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procedures established in the Technical Standard for the preparation of special reports in relation to the exclusion of the preferential subscription right.

The purpose of our work is not to certify the issuance or conversion price of the perpetual Securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right.

The accounting information used was obtained from:

- BBVA's individual and consolidated accounts for the financial year ended as of 31st December 2022, audited by Ernst & Young, S.L., who issued their audit reports on 13th February 2023, which expressed unqualified opinions, and the accompanying management reports.
- BBVA's condensed interim consolidated financial statements (which incorporate the individual interim financial statements as Appendix I), and the limited review report on the interim consolidated financial statements issued by Ernst & Young, S.L., and the interim consolidated management report as of and for the 3-month period between 1st January and 31st March 2023.
- Other financial information as of 31st December 2022 and 31st March 2023 of the Bank and its group's consolidated accounts and the information in relation to the capital ratios on those dates.

2. CHARACTERISTICS OF THE ISSUE

The agreed issue of preferred securities contingently convertible into the Bank's ordinary shares totals a maximum amount of 1,000 million euros, or its equivalent in any other currency, and will have a minimum unit nominal value of 100,000 euros or its equivalent in any other currency. All the shares will belong to a sole series, with the possibility of incomplete subscription expressly foreseen, and the preferential subscription right will be suppressed. The characteristics of this issue imply that it can be considered as a Tier 1 capital instrument.

The issue is perpetual, has no maturity date and the holders of the Securities may receive non-cumulative remuneration according to the interest rate applicable to the nominal value of the Securities, which will be payable provided that the terms and conditions of the Issue are met. The Issuer may totally or partially cancel payment of the remuneration for an indefinite period, in a non-cumulative manner and without this cancellation implying any restriction to the fulfilment of the rest of its obligations.

The Securities may be totally or partially amortized if the Issuer so chooses according to the final terms and conditions of the issue, provided that at least 5 years have passed since their issuance and provided that, where relevant, prior authorization has been granted by the supervisory body

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competent. Other cases of early amortization for the Issuer may be included in the terms and conditions of the Issue.

Moreover, the Securities are contractually subordinated loans and, consequently, the order of priority resulting from what is established in additional clause fourteen of Act 11/2015, of 18th June, on the recovery and wind-up of financial institutions and investment services companies, corresponds to them.

In respect of potential investors, the Issue will be exclusively aimed at professional clients and eligible counterparties. This type of Security may not be aimed at all types of clients, in the sense established by the Spanish Stock Market Commission, the CNMV, in its Circular 1/2018 of 12th March, on warnings about financial instruments, where it establishes that instruments which can be counted as additional Tier 1 capital (as is the case of the Securities) are products which are not suitable for retail clients owing to their special complexity.

In accordance with article 208.3 of Act 6/2023, of 17th March on Securities Markets and Investment Services, debt instruments that are also eligible liabilities for internal recapitalisation in accordance with the Section 4 of Chapter VI of Act 11/2015 of 18th June, such as the Securities, are classified as complex instruments.

3. ASSESSMENT OF THE CONVERSION RATE AND ITS ADJUSTMENT FORMULAE

The conversion rate for the perpetual Securities contingently convertible into Bank shares included in the Directors' Report is variable. The conversion rate will vary according to the market value of the Bank's shares, although a maximum limit will be established for the number of shares to be delivered in the conversion.

The terms and conditions and methods of the contingent conversion are as follows:

3.1. In respect of cases for the contingent conversion of Securities into shares

If the common equity tier 1 (CET1) ratio of the Issuer or its consolidated group is below 5.125%, calculated according to Regulation EU 575/2013 or to the solvency standards applicable to the Bank at each moment in time, the Securities will be converted into shares. Moreover, if BBVA were to adopt any measure the consequence of which is the approval of a decrease in its share capital in the terms foreseen in Article 418.3 of the Amended Text of the Corporate Enterprise Act, the Securities could be converted into new ordinary BBVA shares.

In addition, the terms and conditions of the Issue could establish additional cases for total or partial conversion if it were necessary or advisable to safeguard the Issuer's solvency or for the Securities to be considered as Tier 1 capital instruments.

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3.2. In respect of the potential rate for converting the Securities into shares

The Directors' Report indicates the conversion rate for the perpetual Securities contingently convertible into new ordinary BBVA shares. The conversion rate of the Securities will be the rate resulting from the coefficient between the unit nominal value and the unit value attributed to ordinary BBVA shares for the purposes of conversion, with the conversion price being the greater of:

- a. The arithmetical mean of the closing prices of the BBVA share, on the stock exchange or equity market that may be decided, corresponding to the five stock market sessions prior to the day when the conversion is to take place, rounding off to the nearest cent and, in the case of half a cent, to the next cent immediately above.
- b. The so-called Minimum Conversion Price, established at a minimum of 3.75 euros or its equivalent in any other currency, the same as in other outstanding issues of similar preferred Bank securities. This without prejudice to the changes this amount might undergo as a result of the application of the foreseen anti-dilution mechanisms.
- c. The nominal value of BBVA shares at the time of conversion, as foreseen in Article 415 of the CEA.

In this way, the number of shares corresponding to each holder of Securities as a result of the conversion will be the result of multiplying the conversion rate by the number of Securities they own.

The price per share at the close on 3rd July 2023 was 7.0900 euros and the average price per share for the three-month period ended as of 3rd July 2023 was 6.5740 euros, as shown in the certificate issued by Bilbao Stock Exchange to this end.

The conversion rate agreed is appropriate for giving economic compensation for any possible dilution in shareholders' share. In respect of this, if the conversion rate were established on the basis of the price of the Bank share, the conversion would be taking place at its market value and would not produce any economic effect whatsoever. Moreover, if the value of the share were below the Minimum Conversion Price (3.75 euros), the economic effect in this case would be positive, as the conversion price would exceed the market value of the Bank's shares. This Minimum Conversion Price would be adjusted if necessary, in application of the usual anti-dilution clauses in issues of convertible securities, but it could not fall below the nominal value of the share at the time of the conversion (currently 0.49 euros). Consequently, none of the alternatives foreseen produce a negative economic effect on the Bank's shareholders in the event of dilution.

According to the above, the Conversion Price proposed by the Directors will at least correspond to the fair value of the Bank's shares on the conversion date and, consequently, the underlying value of the preferential subscription rights, the suppression of the exercise of which is proposed, would be nil.

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In addition to the above, it should be noted that as of 31st December 2022, according to the information contained in the management report which accompanies the consolidated annual accounts for financial year 2022, the phased-in CET1 ratio was 12.68%, being 12.61% fully-loaded. On the other hand, as of 31st March 2023 the phased-in CET1 ratio was 13.13%, being 13.13% fully-loaded. Thus, considering that common equity tier 1 ratio should be less than 5.125% for the possible conversion of the Securities to take place, it is likely that the conversion will never take place.

4. SCOPE OF THE CHECKS CONDUCTED AND PROCEDURES USED

Pursuant to the objectives of our work and with the procedures established in the applicable Technical Standards mentioned above, we analysed the following documents and performed the following checks:

- a) Obtaining the document requesting the appointment of an independent expert presented by BBVA at Bizkaia Company Registry.
- b) Obtaining and analysing in accordance with BBVA's Annual General Meeting on 20th April 2021 the delegation of powers to BBVA's Board of Directors to issue securities convertible into Bank shares and excluding the preferential subscription right, and verifying the period of validity of its contents.
- c) Obtaining the BBVA Directors' Report which is attached to this report, explaining the terms and conditions and conversion methods and the justification of the exclusion of the preferential subscription right.
- d) Obtaining and analysing the Bank's Finance Division's Report, which contains the terms and conditions of the issue and conversion of the perpetual Securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right.
- e) Obtaining and analysing other legal and financial reports issued by the Bank's advisors in relation to the issue operation.
- f) Obtaining and analysing the BBVA group's consolidated annual accounts and the individual annual accounts for financial year 2022, along with the corresponding audit reports and management reports.
- g) Obtaining and analysing the BBVA's condensed interim consolidated financial statements (which incorporate the individual interim financial statements as Appendix I), and the limited review report on the interim consolidated financial statements issued by Ernst & Young, S.L., and the interim consolidated management report as of and for the 3-month period between 1st January and 31st March 2023.
- h) Checking that the Directors' Report on the agreement to issue perpetual Securities contingently convertible into new BBVA shares with the exclusion of the preferential

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subscription right, contains the information regarded as sufficient and necessary for its adequate interpretation and understanding by those it is addressed to, as indicated in the Technical Standard for the preparation of the special report in the case established in Article 414 of the Amended Text of the CEA.

- i) Holding different meetings and conversations with the Bank's Management in order to collect all the information we believe is useful for us to perform our work.
- j) Checking the calculations and valuation methods used by BBVA's Directors in determining the terms and conditions and methods of conversion and other rights, where relevant, corresponding to the perpetual Securities contingently convertible into BBVA shares.
- k) Checking that the Minimum Conversion Price is greater than the price of the nominal value of BBVA shares.
- l) Assessing the reasonableness of the information contained in the Directors' Report to justify the issuance of perpetual Securities contingently convertible into BBVA shares and the reasons justifying the suppression of shareholders' preferential subscription right.
- m) Assessing the appropriateness of the conversion rate and, where relevant, of its adjustment formulae, to offset any possible dilution of shareholders' economic share.
- n) Analysing the remaining outstanding issues of the Bank's similar preferred securities.
- o) Checking that the accounting information contained in the Directors' Report coincides with the Bank's accounting data that served as the basis for preparing BBVA's interim consolidated financial statements as of 31st March 2023.
- p) Reading the Bank's quarterly, semi-annual and annual reports for financial year 2022, and from the first quarter of 2023, analyzing the main economic events that have impacted the capital requirement ratios.
- q) Analysis of Material Events communicated by the Bank to the Spanish Stock Exchange Commission (*Comisión Nacional del Mercado de Valores- CNMV*) in financial year 2023 up to the date of this report.
- r) Reading the resolutions taken by the General Shareholders' Meeting and the available minutes of the Board of Directors' meetings held since 1st January 2023 and up to the date this report was issued.
- s) Obtaining a letter signed by Bank Management with sufficient powers to represent BBVA, which confirms, amongst other aspects, that we have been provided with all the information necessary to prepare our report, and that there were no subsequent events until the date of our report which we have not been informed of and which might have a significant effect on the result of our work, or that could affect the proposed issuance.

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5. IMPORTANT ASPECTS AND SPECIAL DIFFICULTIES TO BE CONSIDERED IN THE INTERPRETATION OF THE RESULTS OF OUR WORK

We should point out that some aspects of our work, such as the interpretation of Articles 414, 417, 510 and 511 of the CEA or the opinions expressed in this Special Report, implicitly contain, apart from objective factors, other factors which involve judgement and establishing working assumptions, the fulfilment of which largely depends on future events. It is not currently possible to know the final outcome of these events and, thus, we cannot guarantee that third parties would necessarily agree with the interpretation and judgements expressed in this report.

The information required for us to perform our work was provided by BBVA's Management or was obtained from public sources and it was not part of our work to contrast this information with external evidence, without prejudice to the fact that, as far as possible, we checked that the information presented is consistent with other information obtained in the course of our work.

We should mention that, as established in the Directors' Report, the conversion rate for the Bank's Securities will be determined by reference to the market values of the BBVA share at the time of the conversion, or at a fixed price per share of at least 3.75 euros if the market value were lower. The conversion price may never be lower than the nominal value of BBVA shares at the time of conversion. For this reason and considering the other characteristics of the proposed issue and the context of the same, the underlying value of the preferential subscription right associated with the Securities would be nil.

We assumed that all the authorizations and registrations which, where relevant, may be pertinent in Spain and in the other jurisdictions where BBVA is present for the effectiveness of the operation and which might have a significant effect on our work, will be obtained with no adverse effects on the object of the operation we have analysed.

Moreover, it is important to highlight that our work is independent and, consequently, is not a recommendation to the Bank's Management, the Bank's shareholders or to third parties in relation to the position they should take in relation to the operation analysed to issue preferred securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right.

6. CONCLUSIONS

According to the work performed with the scope described above, and considering the important aspects to be considered in the interpretation of the results of our work, all with the exclusive object of complying with the requirements established in Articles 414, 417, 510 and 511 of the CEA, it is our professional opinion that:

- 1. The attached report by the Directors of Banco Bilbao Vizcaya Argentaria, S.A. on the agreement to issue preferred securities contingently convertible into Bank shares, with the exclusion of shareholders' preferential subscription right, contains the information**

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required by articles 414 and 417 of the Amended Text of the Corporate Enterprise Act and what is applicable according to the Technical Standard for the Preparation of Special Reports on the issuance of convertible securities.

2. The information contained in the Bank's Directors' Report to justify the exclusion of the preferential subscription right is reasonable, as it is appropriately documented and set out.
3. The conversion rate for the preferred securities contingently convertible into BBVA shares, with the exclusion of the preferential subscription right and, where relevant, its adjustment formulae, are appropriate for giving economic compensation for any dilution of the shareholders' share, with the underlying value of the preferential subscription right associated with these securities on the date of the report being nil, considering the characteristics and context of the proposed issue operation.

This Special Report was prepared solely for the purpose foreseen in Articles 414, 417, 510 and 511 of the Amended Text of the Corporate Enterprise Act and, consequently, should not be used for any other purpose.

Bilbao, 3rd July 2023

PKF ATTEST Servicios Empresariales, S.L.
Entered in the ROAC with No. S1520

[Signed on the original in Spanish]

Juan Basterra
Accounts Auditor Partner
Entered in the ROAC with No. 23.765

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Directors' Report

**Issuance of preferred securities
contingently convertible into shares
excluding preferential subscription
rights**

27 June 2023

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1. Introduction

1.1. Purpose of the report

This report was drafted by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**", the "**Bank**" or the "**Issuer**") pursuant to Articles 414, 417, 510 and 511 of the consolidated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July, in its current draft ("**Corporate Enterprises Act**"), in relation to the resolution to issue preferred securities contingent convertible into newly issued BBVA ordinary shares, which are issued in accordance with the stipulations of the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**"), and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("**CRR**") applicable at the time of issuance, so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of EUR 1 billion, or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**") and the corresponding increase in share capital to cover the contingent conversion of the Securities, if applicable.

This resolution is adopted pursuant to the authority conferred by the Ordinary General Shareholders' Meeting of 20 April 2021 under agenda item five.

1.2. Advisory services received

This report is issued based on (i) the report issued by the BBVA Finance area, which is in turn supported by the report prepared by Barclays Bank Ireland PLC, a top-tier investment bank with recognised expertise in this type of issuances and (ii) the legal report from J&A Garrigues, S.L.P., an external legal advisor on Spanish issuance law.

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2. Issuance of the Securities

2.1. Delegation by the General Meeting

The BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, adopted under agenda item five and under the terms and conditions set forth in the aforementioned resolution to confer authority on the Board of Directors of the Bank with express powers of sub-delegation, to issue securities convertible into newly issued BBVA shares whose conversion is contingent and envisaged to meet regulatory requirements for its eligibility as capital instruments ("Contingent Convertible Issues - CoCos"), pursuant to solvency regulations applicable at any time. The Board of Directors may make issues on one or several occasions within a period of five years from its approval and up to the maximum overall amount of eight billion euros (€8,000,000,000), delegating in turn the power to exclude the preemptive subscription right of such securities issues, as well as the power to increase the Bank's share capital by the necessary amount and to amend the corresponding article of the Company's bylaws.

2.2. Regulatory environment and capital requirements

As a Spanish credit institution, the Bank is subject to the solvency and equity framework defined mainly by CRR and by Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**", and together with CRR, the "**Solvency Regulations**"), which implements Basel III in Europe.

This Solvency Regulations provides for the possibility that credit institutions have different capital instruments to effectively cover the different categories of regulatory capital that comprise their capital requirement in certain proportions, according to the composition and size of their balance sheets.

In this regard, the Solvency Regulations sets out, among other provisions, a minimum capital requirement ("**Pillar 1**") and increases the required level of capital through the "combined capital buffer requirement", which must be fulfilled with Common Equity Tier 1 ("**CET1**") capital in addition to the CET1 set out for compliance with Pillar 1.

Moreover, the European Central Bank ("**ECB**") establishes specific prudential capital requirements applicable to each credit institution ("**Pillar 2**") in the framework of the Supervisory

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Review and Evaluation Process ("**SREP**"). In all, these establish higher levels of capital than those for the minimum capital requirement of "Pillar 1" and the "combined capital buffer requirement" provided for in the Solvency Regulations.

As a result of the latest SREP carried out by the ECB, and taking into consideration that banks may partially use additional tier1 capital ("**AT1**") and Tier 2 capital instruments in order to fulfil the abovementioned Pillar 2 requirement, the Bank must maintain, at a consolidated level, a CET1 ratio of 8.75%, a Tier 1 ratio of 10.58%, which includes the CET1 requirement and of which 1.82% may be covered by AT1 instruments, and a total capital ratio of 13.00%, which includes the Tier 1 requirement and of which 2.43% may be covered by Tier 2 instruments.

According to the information available as of 31 March 2023, the Bank maintains on a consolidated basis a CET1 *phased-in* ratio of 13.13%, a Tier 1 *phased-in* ratio of 14.62%, which includes an AT1 level of 1.49% and a total capital ratio *phased-in* ratio of 16.30%, which includes a Tier 2 level of 1.68%. These ratios are above the capital requirements applicable to the Bank.

Nevertheless, the supervisor may implement additional capital buffers to those currently applicable, while the current Pillar 2 requirements will be reviewed periodically based on the conclusions drawn by the ECB in subsequent SREPs, and may be replaced with greater Pillar 2 capital requirements. In light of the foregoing, BBVA must maintain an adequate capital management buffer.

Likewise, the Bank, as a Spanish financial institution, must maintain a minimum volume of own funds and eligible liabilities, known as the regulatory MREL requirement. In addition, a subordination requirement is also established, which obliges entities to meet part of their MREL requirement with a minimum percentage of subordinated instruments. In this regard, it should be noted that instruments eligible under CRR, such as the Securities, will be "eligible" for the purposes of both the MREL requirement and the aforementioned subordination requirement and will serve to strengthen the leverage ratio, thus facilitating the Bank's compliance with its regulatory requirements.

2.3. Reasons for the Issuance

As already mentioned above, the Solvency Regulations provides to credit entities the possibility of using AT1 and Tier 2 capital instruments in certain ratios to comply with their own funds requirements, using in their absence CET1 instruments, which would be more burdensome and less efficient. Therefore, it is proposed to make the Issuance in order to allow the Bank to comply with its own funds requirements efficiently, as its cost is lower than the cost associated with CET1 instruments.

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Additionally, and even though BBVA already complies with all of its capital requirements, it is proposed to make the Issuance in order to maintain adequate management margins, above the requirements applicable from time to time, thus reinforcing the Bank's compliance with its MREL requirement and the subordination requirement mentioned in the previous section.

This type of issuances are recurrent and frequent for credit institutions, which have been carrying out numerous of these kind transactions in all world markets since, in 2013, BBVA carried out the first issuance of these characteristics to comply with Solvency Regulations in order to be able to efficiently meet its AT1 needs.

The Issuance will also allow a prospective and orderly management of market expectations as well as of the maturities and early redemption options of the AT1 issuances of the Bank currently outstanding, guaranteeing at all times the compliance with its solvency requirements in an efficient manner and taking advantage, eventually, of the market circumstances existing at any given time (notwithstanding the fact that the relevant rate situations for the purpose of determining the suitability of the early redemption of each issue are those existing at the date of exercising such early redemption or maturity options), to preserve the Bank's capital and to manage the regulatory deadlines required by the applicable regulations.

In particular, if BBVA exercises the early redemption option on instruments that currently qualify as AT1 of the Bank on an individual and consolidated basis, it would be appropriate to issue an instrument that could also qualify, at least, as AT1, in order to preserve the Bank's capital position in the most efficient manner possible and to manage the regulatory deadlines required by the applicable regulations.

Therefore, it is advisable to have a prior authorisation to make a new issuance of AT1 instruments and therefore take advantage of situations in economic and market conditions that are considered appropriate, providing the Bank with the flexibility to execute the Issuance at the moments it deems timely.

2.4. Financial conditions of the Issuance

The maximum nominal value of the Issuance is EUR 1 billion (or its equivalent in any other currency), with a nominal value of at least EUR 100,000 per Security (or its equivalent in any other currency).

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For the purpose of eligibility as AT1, the Securities must have the characteristics set out in the Solvency Regulations, including, inter alia, those stated in section 3.1 below.

The investor may receive distributions, which will be determined in the final terms and conditions of the Issuance and will be aligned with market prices for this type of instruments at the time of issuance. In this regard, as indicated in the Finance area's report, Securities are expected to be placed through a book-building procedure collectively addressed to the institutional market, through which the price of the Issuance will be determined by reference to the market offers received (investment banks advising the transaction will carry out dissemination and promotional activities, receiving thereafter offers detailing the price and amount that each investor would be willing to subscribe the Securities). This process is generally accepted as the most suitable to ensure that the issuance price matches with the market price.

As provided for in the Solvency Regulations, payment of the distributions will be conditional, among other factors, on the issuer having distributable items (as defined in article 4 of CRR), which will be described in detail in the terms and conditions of the Issuance.

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the distributions on the Securities for an unlimited period and on a non-cumulative basis, and such cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

2.5. Bases and methods of conversion

According to the proposal submitted by the Bank's Finance area, the bases and methods of conversion of the Securities will essentially be as follows:

Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the CET1 ratio of the Issuer or its consolidated group falls below 5.125 %, calculated in accordance with the Solvency Regulations or with any other regulation applicable to BBVA at any time.

The Securities may also be converted into newly-issued ordinary BBVA shares if the Issuer adopts any measure whose consequence is the approval of a share capital reduction in the terms and conditions set out in article 418.3 of the Corporate Enterprises Act.

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The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is necessary or advisable, to safeguard the Issuer's solvency or so that the Securities can be considered AT1.

Conversion ratio

The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the "**Conversion Price**").

$$ConvRatio = Nom_{convertible} / Sh_P$$

where:

- $ConvRatio$: Conversion Ratio
- $Nom_{convertible}$: Nominal Value of the convertible item
- Sh_P : Conversion Price

Consequently, the Conversion Price will be the greater of the following:

- (i) the arithmetic mean of the closing prices of the BBVA share, on the specified stock exchange or securities market, in the five trading sessions prior to the conversion event, rounded to the nearest cent and, in the case of half a cent, up to the nearest cent;
- (ii) the minimum conversion price set out in the terms and conditions of the Issuance, which cannot be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in the following section (the "**Minimum Conversion Price**"); and
- (iii) the nominal value of ordinary BBVA shares at the time of conversion.

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

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The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

Anti-dilution mechanism

Pursuant to article 418.2 of the Corporate Enterprises Act, anti-dilution mechanisms will be established on the Minimum Conversion Price in line with market practice in this type of transactions, in compliance with the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the conversion terms and methods determined above and the fact that the Conversion Price must never be less than the nominal value of ordinary BBVA shares at the time of conversion.

2.6. Share capital increase

In accordance with Article 414 of the Corporate Enterprises Act, when the resolution to issue Securities is adopted, it must also be resolved to increase the share capital by the amount necessary for the Securities to be converted. The maximum number of BBVA shares to be issued to cover the conversion of the Securities will therefore be determined by the quotient between the total nominal value of the Issuance and the Conversion Price.

This share capital increase will, if necessary, be executed by the Board of Directors, which may delegate this execution to the Executive Committee, with express powers of substitution, and authorise those empowered by the Board of Directors, by virtue of the resolution adopted by the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, in order to cover the potential conversion of the Securities by issuing new ordinary shares of equal nominal value, of the same class and series, and with the same rights as ordinary BBVA shares that are in circulation on the date on which the increase takes place. Should the share capital increase be executed, the corresponding article in the Company Bylaws will be reworded to adapt it to the new figure for share capital.

It is not currently possible to determine the exact value of the share capital that will be required to cover the potential future conversion of the Securities, as it will depend on the definitive nominal value of the Issuance and the Conversion Price, to be determined based on the bases and methods of conversion.

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However, taking into account that the Issuance has a maximum nominal value of EUR 1 billion (or its equivalent in any other currency) and that the Conversion Price may not be lower than EUR 3.75 (or the equivalent in any other currency), and assuming that no anti-dilution adjustment is made prior to the date on which the Securities are converted, the maximum number of new ordinary shares that must be issued is 266,666,666.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted, there would be no preferential subscription rights on the resulting share capital increase.

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3. Exclusion of preferential subscription rights

3.1. Grounds for the exclusion of preferential subscription rights

As indicated above, the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, resolved, under agenda item five, to delegate to the Board of Directors the authority to issue securities convertible into shares and to increase the share capital. It also resolved to confer on the Board of Directors the authority to waive preemptive subscription rights over the convertible securities issuances covered by such delegation.

To such end, when convening the aforementioned General Shareholders' Meeting, the Board of Directors approved and gave shareholders access to a report explaining the grounds of the proposal to delegate the power to waive preemptive subscription rights, in accordance with articles 417 and 511 of the Corporate Enterprises Act.

However, for the purpose of waiving preferential subscription rights for the issuance of convertible bonds, Articles 417 and 511 of the Corporate Enterprises Act require, among other matters, that this be in the company's best interest.

BBVA's Board of Directors, by virtue of said Meeting's authorisation and based on the report issued by the Finance area—which is in turn supported by the report prepared by Barclays Bank Ireland PLC—and on the legal report from J&A Garrigues, S.L.P. as an external legal advisor helping BBVA in the legal design of this transaction, has resolved to waive preferential subscription rights relating to Issuance, as it deems such exclusion to be fully substantiated, in compliance with the requirements established by law and necessary to achieve the corporate interest, as explained below.

In accordance with section 2.3, the approval of the Issuance will provide prior authorization for a new AT1 issuance and therefore the possibility to take advantage of situations deemed appropriate in economic and market terms, providing the Bank with the flexibility to carry out the Issuance at the moment deemed timely.

In order to qualify as AT1 in accordance with Solvency Regulations, the Securities must include, among others, the following characteristics:

- (i) be perpetual;
- (ii) be ranked below Tier 2 instruments in the event of the insolvency of the institution;

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- (iii) their distributions are only paid out of distributable items and the institution has full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, without restriction to meet the rest of its obligations; and
- (iv) they include a mechanism for contingent conversion into entity shares when the trigger event set out in said regulation occurs (as described in section 2.5 above) and thus they are able to effectively absorb losses in a context of solvency stress of the issuer. Nevertheless, this contingent trigger event would only occur when the ratio CET1 of the issuer or its group falls below 5.125 %.

Moreover, according to the provisions of Article 208.3 of the Law 6/2023, of 17 March, on Securities Market, any debt instruments which in turn are eligible liabilities for internal recapitalisation (bail-in) in the event of resolution of the issuer (as would be the case of the Securities), are considered complex instruments.

The characteristics described, which are required by the Solvency Regulations as well as this type of instruments being considered complex, mean that the Securities are currently a product that cannot be targeted towards all types of investors, especially retail clients, which form a significant portion of the BBVA shareholders. Not excluding preferential subscription rights would therefore entail offering a product that does not fit the investment profile of all of the Bank's shareholders, which could compromise the Issuance's viability.

In this regard, the Spanish National Securities Market Commission stated through its Circular 1/2018 of 12 March on warnings relating to financial instruments, that instruments eligible as additional Tier 1 capital (as is the case of the Securities) are products that, due to their particular complexity, are not suitable for retail clients.

Therefore, in order to directly allocate the Issuance to professional clients and eligible counterparties (who are also those who usually subscribe to this type of instrument, as was the case for AT1 issued by the Bank to date), and to not compromise the transaction, it is necessary that the preferential subscription rights are excluded for BBVA shareholders.

The combination of the aforementioned factors (the characteristics of the securities, and the Issuance recipients) means that the Finance area has suggested, as the most suitable alternative to corporate interest, carrying out the Issuance at market price, targeting the Securities solely at professional clients and eligible counterparties, as they are the appropriate group to subscribe to this type of instrument. Consequently, the most suitable alternative to satisfy corporate interest and

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provide a whole and joint solution to the matters at hand is to resolve to issue Securities excluding preferential subscription rights.

The following circumstances should also be taken into account:

- (i) The nature of the Securities is that of a perpetual fixed-income instrument, whose contingent convertibility is required by the Solvency Regulations for their eligibility as AT1 capital, but which is only foreseen for very specific cases of a regulatory capital shortfall. In this regard, it should be noted that BBVA's solvency and equity ratios are currently much higher than the conversion trigger event, which reinforces the nature of the Securities as fixed-income instruments, being its conversion merely contingent.
- (ii) The issue price for the Securities will be in line with the market prices for this type of instrument (as indicated in section 2.4 above and as stated in the Finance area's report).
- (iii) The proposed Conversion Price to cover a contingent conversion corresponds to the market price of the BBVA share at the time of conversion, except in the event that said market price is less than the Minimum Conversion Price, in which case the Conversion Price would equal the Minimum Conversion Price and the shares would therefore be issued with a premium over the market price. The maximum number of shares to be issued is therefore limited by determining the Minimum Conversion Price, which guarantees that the shares will be issued at a price equal to or higher than the market price.

Taking into account that the Securities are issued as perpetual securities, that the issue price will be in line with the market price, that the conversion trigger events are contingent and strictly limited, and that the Conversion Price would be the market price or, where appropriate, include a premium over the market price, and pursuant to the report by the Finance area and the report prepared by Barclays Bank Ireland PLC, the theoretical value of the preferential subscription rights derived from the Issuance is nil and, as a consequence, current shareholders do not lose any economic value due to their exclusion.

In light of the foregoing, the exclusion of preferential subscription rights on the proposed Issuance is necessary for its intended purpose, thus achieving corporate interest.

3.2. Persons receiving Securities

The Issuance will be targeted exclusively at professional clients and eligible counterparties, as defined in the securities market regulations, excluding retail clients or investors in any case.

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4. Resolution proposal

"FIRST" - Under the authority conferred by the Ordinary General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Issuer**") held on 20 April 2021, under agenda item five, issue contingent preference shares convertible into newly issued ordinary Company shares, in accordance with the first additional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms applicable at the time of issuance (jointly with Law 10/2014, the "**Solvency Regulations**") so that they may be considered to be additional tier 1 capital instruments ("**Securities**"), for a maximum nominal amount of one billion euro (EUR 1,000,000,000) or the equivalent in any other currency, excluding preferential subscription rights ("**Issuance**"), in accordance with the following terms:

Nature of the Securities:	Contingent preference shares convertible into newly issued ordinary BBVA shares, in accordance with the Solvency Regulations, so that these may be considered to be additional tier 1 capital instruments.
Issuer:	BBVA.
Issuance recipients:	Exclusively professional customers and eligible counterparties or their US regulatory equivalents, excluding retail clients in any case.
Maximum Issuance amount:	One billion euro (EUR 1,000,000,000), or the equivalent in any other currency, as stipulated in the terms and conditions of the Issuance, with the possibility of a lower Issuance amount.
Nominal unit value:	The nominal unit value of the Securities will be as stipulated in the terms and conditions of the Issuance, with a minimum value of one hundred thousand euro (EUR 100,000), or the equivalent in any other currency.
Number of Securities:	The maximum number of Securities to be issued will be as a result of dividing the total nominal Issuance amount by its nominal unit value. All of the Securities will belong

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to a single series and will assume the same terms and conditions.

Distribution:

*Securities holders may receive non-cumulative distributions that will be determined based on the interest rate applicable to the nominal value of the Securities, which will be payable provided that the conditions established in the terms and conditions of the Issuance are met ("the **Distribution**").*

Nevertheless, the Issuer will have full discretion at all times to fully or partially cancel the payment of the Distributions for an unlimited period, on a non-cumulative basis, and said cancellation will not restrict the Issuer's ability to fulfil its other obligations in any way.

The foregoing is without prejudice to other Distribution cancellation instances that may be stipulated in the terms and conditions of the Issuance or as determined by applicable regulations.

Maturity date and early redemption:

The Issuance is perpetual and therefore has no maturity date.

The terms and conditions of the Issuance may include circumstances for early redemption in favour of the Issuer, all in accordance with the Solvency Regulations.

Representation of the Securities:

The Securities may be represented by physical certificates or book entries, as stipulated in the terms and conditions of the Issuance.

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Ranking:

The Securities are subordinated credits with the following BBVA payment ranking in the event of bankruptcy:

- (i) junior to privileged claims, claims against the insolvency estate and ordinary claims;*
- (ii) junior to subordinated credits and subordinated securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank above the Securities;*
- (iii) pari passu with credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank pari passu with the Securities;*
- (iv) senior to the credits and securities issued or guaranteed by BBVA, or that may be issued or guaranteed by BBVA, that rank below the Securities;*
- (v) senior to BBVA shares.*

SECOND. - *The bases and methods of the contingent conversion of the Securities will be as follows:*

a) Conversion trigger events

The Securities will be converted into newly issued ordinary BBVA shares when the common equity tier 1 ratio of the Issuer or its consolidated group falls below 5.125%, calculated in accordance with the Solvency Regulations or with any other regulation on capital and solvency applicable to BBVA at any time.

*Similarly, the Securities may be converted into newly issued ordinary BBVA shares if the Issuer adopts any measure that results in the approval of a reduction of its share capital in the terms and conditions set out in Article 418.3 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Corporate Enterprises Act**").*

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The terms and conditions of the Issuance may set out additional whole or partial trigger events if this is required or advisable, in particular to safeguard the Issuer's solvency or so that the Securities can be considered tier 1 capital instruments.

b) Conversion Ratio

*The ratio for converting Securities into newly issued ordinary BBVA shares (the "**Conversion Ratio**") will be the quotient between the nominal unit value of the Securities (at least EUR 100,000 or its equivalent in any other currency) and the unit value linked to ordinary BBVA shares for conversion (the latter being the "**Conversion Price**").*

Consequently, the Conversion Price will be the greater of:

- i) the arithmetic mean of the closing prices of the BBVA share on the specified securities market or stock exchange in the five trading sessions prior to the day on which the conversion trigger event takes place, rounded to the nearest cent and, in the case of half a cent, rounded up to the nearest cent;*
- ii) the minimum conversion price set out in the terms and conditions of the Issuance, which must not be lower than EUR 3.75 or its equivalent in any other currency, notwithstanding any modifications made to this amount as a result of implementing the anti-dilution mechanism provided for in section d) below (the "**Minimum Conversion Price**"); and*
- iii) the nominal value of ordinary BBVA shares at the time of conversion.*

Based on the above, the Conversion Price will be equal to or higher than the market price of the BBVA share at the time the Securities are converted and may never be lower than the nominal unit value of ordinary BBVA shares at the time of conversion, so that, in any case, it will be compliant with Article 415.2 of the Corporate Enterprises Act.

The number of shares corresponding to each Securities holder after the conversion will be the result of multiplying the Conversion Ratio by the number of Securities he or she holds. If said calculation results in a fraction, this will be determined in accordance with the terms and conditions of the Issuance.

c) Conversion procedure

The conversion procedure will be determined in the terms and conditions of the Issuance.

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d) Anti-dilution mechanism

Pursuant to Article 418.2 of the Corporate Enterprises Act and in accordance with standard practice for this type of transaction, anti-dilution mechanisms will be established based on the Minimum Conversion Price, as per the terms and conditions of the Issuance.

These anti-dilution mechanisms must take into account the bases and methods of conversion described above and the requirement that the Conversion Price is never lower than the nominal value of ordinary BBVA shares at the time of conversion.

*Notwithstanding other powers that may be conferred, the Executive Committee is empowered, with express powers of substitution, with the broadest powers conferred to Rafael Salinas Martínez de Lecea, with DNI (Spanish national identity document) 24189928T; José María Caballero Cobacho, with DNI 25154047M; Ignacio Echevarría Soriano, with DNI 00837871G; and María Gloria Couceiro Justo, with DNI 32828827F; all of legal age, of Spanish nationality and domiciled for the purposes herein at Calle Azul, No. 4, Madrid, Spain (the "**Proxies**"), so that any of them may, jointly or severally and indistinctly establish, develop or amend the terms and conditions of the Issuance, as well as determine or develop any matter not established by this resolution, including, but not limited to, sufficient powers to amend and/or adapt other conversion trigger events, as well as to determine other conversion trigger events in addition to those provided for in this resolution, under the terms and conditions that they deem necessary or advisable in the best interest of the Issuance.*

THIRD.- *To validate the actions taken to carry out the request for the appointment of the independent expert/account auditor other than the Company's auditor to be appointed by the Mercantile Registry, for the purpose of issuing the voluntary report provided for in Articles 414, 417, 510 and 511 of the Corporate Enterprises Act.*

FOURTH.- *Based on the report prepared by the BBVA Finance area, in accordance with the report issued by J&A Garrigues, S.L.P. and pursuant to Articles 414, 417, 510 and 511 of the Corporate Enterprises Act, approve the Directors' Report on the Issuance, which will be made available to shareholders along with the report issued by the independent expert/accounts auditor (other than the Company's auditor appointed for such purposes by the Commercial Registry) and reported to the first General Meeting held after the share capital increase resolution, expressly empowering the Corporate Secretary and Secretary of the Board of Directors and the Deputy Secretary to the Board of Directors to certify the text.*

FIFTH.- *As stated in the report by the Finance area, which is reflected in the Directors' Report approved under the above resolution, corporate interest requires the exclusion of preferential*

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subscription rights in this Issuance. Consequently, the Board of Directors, pursuant to the powers conferred by the Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, and pursuant to Articles 417 and 511 of the Corporate Enterprises Act, hereby resolves to exclude preferential subscription rights in this Issuance.

SIXTH.- *Increase BBVA's share capital by the amount and number of shares necessary to cover the contingent conversion of the Securities, in accordance with the Conversion Ratio.*

Taking into account that the Minimum Conversion Price must not be lower than EUR 3.75 or its equivalent in any other currency, the maximum number of ordinary BBVA shares to be issued will be 266,666,666 (each currently EUR 0.49 of the nominal unit value), assuming that no anti-dilution adjustment is made that affects the Minimum Conversion Price, and expressly foreseeing the possibility of a share capital increase with an issue premium for a lower number of shares and the possibility of undersubscription.

In the event that Securities are converted, newly issued BBVA shares that are issued to cover the conversion will be ordinary shares, of the same class and series as those that are currently in circulation, and will be represented in the same way as said ordinary shares (currently through book entries recorded by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("IBERCLEAR" — Spanish Central Securities Depository), which performs this role together with its participating entities), granting their holders the same rights as the ordinary shares that are currently in circulation. Upon execution of this resolution to increase share capital, the corresponding article in the Bylaws will be adapted accordingly.

In accordance with Article 304.2 of the Corporate Enterprises Act, should the Securities be converted into newly issued shares, there would be no preferential subscription rights on the resulting share capital increase.

SEVENTH.- *Under the authority conferred by the BBVA Ordinary General Shareholders' Meeting held on 20 April 2021, under agenda item five, empower the Executive Committee with express powers of sub- delegation and confer the broadest powers to the Proxies so that any of them may, jointly or severally and indistinctly, within the limits established in the above resolutions, execute the Issuance and:*

- a) Determine when the Issuance should take place and even abstain from executing the Issuance if deemed necessary or advisable.*
- b) Determine the terms, characteristics and conditions applicable to the Issuance and Securities to be issued, including, but not limited to, the final amount of the Issuance within*

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the limits established under resolution ONE above, the currency of the Issuance and the nominal value of each Security, the nominal interest rate applicable to the Securities, the interest rate accrual periods and the applicable payment procedure, the placement system and, when applicable, the effective placement rate; include new bases and methods of conversion and/or amend those that already exist, including amending the Conversion Ratio, determining the Minimum Conversion Price or determining the terms and conditions of the anti-dilution mechanism, as well as establishing any additional conversion and/or amortisation trigger events and any other terms or conditions deemed necessary or appropriate in the best interest of the Issuance, expressing the amount available in terms of the limits of the authorisation conferred to the Board of Directors by the Ordinary General Shareholders' Meeting and the amount to be made available, also authorising the Board, where appropriate, to redeem the Securities in advance, performing any procedures deemed necessary or advisable.

- c) Declare the Distribution of the Securities, whether wholly or partially, and declare the whole or partial cancellation of the Distribution, as determined in the terms and conditions of the Issuance.*
- d) Apply, where appropriate, the anti-dilution mechanism as determined in the terms and conditions of the Issuance.*
- e) Negotiate, examine, conclude, execute, sign, grant, modify, terminate or cancel all contracts, securities, agreements and documents, whether public or private, that are necessary or deemed appropriate with regard to the Issuance (in particular, including, but not limited to, information leaflets, base prospectuses, offering circulars, information documents, supplements, supplement prospectuses, term sheets, security forms, liquidity contracts, subscription contracts, placement and/or underwriting agreements, agency agreements, requests, communications, announcements or notices, as well as any other contracts formalising the Issuance or that are necessary to issue the Securities), with authority to determine the legal and economic conditions for them all and to make the necessary or appropriate designations or appointments, as well as other supplementary acts that may be required or advisable to implement the resolutions.*
- f) In relation to the Issuance or Securities, appear, personally or through the representative or agent authorised in writing by any of the Proxies, before all the representatives, committees or bodies of any securities market or stock exchange, or any supervisor, regulator or registry, including, but not limited to the Spanish National Securities Market Commission, the Securities and Exchange Commission, the Irish Stock Exchange, Euronext Dublin, the New York Stock Exchange, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market,*

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as well as any book-entry, registration, clearing and/or settlement company for securities, with authority to underwrite, issue, sign, grant, modify, resolve and cancel any contracts, certificates and documents as deemed necessary or appropriate, in the manner in which any of the Proxies deems necessary or advisable in order to comply with the applicable requirements imposed at any time by each supervisor, regulator, registry, securities exchange or market or securities registration, clearing and/or settlement companies, including, but not limited to, DTC or IBERCLEAR, as deemed necessary or advisable in the best interest of the Issuance.

- g) Request or communicate, where applicable, the eligibility of the Securities as additional tier 1 capital, or any other applicable category, in accordance with the regulations in force at any given time.*
- h) Authorise and underwrite any public or private documents as required, with authority to appear before a notary public, raise these resolutions to public, authorise all notary deeds and acts considered necessary by the Proxies, including deeds of issue, rectification, clarification, correction or cancellation, those for whole or partial Issuance subscription and those for whole or partial amortisation or modification and, where appropriate, authorise any other public or private documents that may be necessary or advisable in relation to the Issuance, and complete all relevant procedures, with the possibility of acting through agents and/or representatives, to achieve their registration at the Commercial Registry, when required. Where applicable and if required, draft the declaration referred to in Article 318 of the Regulations of the Commercial Registry or any other rule amending or superseding it.*
- i) Set up, if necessary, the syndicate of bondholders for the Issuance and appoint its commissioner or, if deemed necessary or advisable, establish the mechanisms for the collective association or organisation and/or representation and protection of Securities holders, including the determination of their characteristics and operating rules, and, where appropriate, the appointment of their representatives and the rules that are to govern the relationships between the Company and said holders, all in accordance with the terms and conditions deemed necessary or advisable, and convening on behalf of BBVA any meetings when deemed necessary or convenient.*
- j) Establish all other terms not determined by this Board of Directors relating to the Issuance, including any modifications if necessary or advisable, and determine any other aspect of the Issuance or implement any other measures deemed necessary or appropriate in relation to the above powers, authorising any private or public documents deemed necessary or advisable for this purpose.*

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- k) *With regard to the contingent conversion of the Securities into newly issued ordinary BBVA shares, where appropriate, establish the Conversion Price and, where applicable, the premium, the Minimum Conversion Price and the definitive Conversion Ratio of the Issuance, determine the number of shares by which BBVA's capital is to be increased, declaring undersubscription in such an event, and perform necessary acts, including, but not limited to, authorising any public or private documents that may be necessary to implement the share capital increase and amend, if applicable, the wording of the corresponding article in the Bylaws to adapt it to the new share capital figure, with authority to appear for such purposes before any public or private bodies, including, but not limited to, a notary public or the Commercial Registry, and authorise any deeds considered necessary or advisable for this purpose.*

- l) *Request, where appropriate, the admission to trading or listing of the Securities and/or ordinary BBVA shares issued to cover the contingent conversion of the Securities, if applicable, on regulated or non-regulated, organised or non-organised secondary markets, Spanish or foreign multilateral trading systems, including, but not limited to the Irish Stock Exchange, Euronext Dublin, the New York Stock Exchange, the AIAF Fixed-Income Market, the Alternative Fixed-Income Market, the Spanish securities markets, the London Stock Exchange or the Bolsa Mexicana de Valores and carry out any procedures or actions deemed necessary or advisable in any jurisdiction where the Securities and/or the newly issued BBVA shares to cover the contingent conversion of the Securities are offered or traded or requested to trade. Without limitation:*
 - (i) *Draft, approve, formulate, underwrite and sign any documents, contracts, prospectuses, information documents, requests, communications, certificates or notifications deemed necessary or advisable for these purposes and grant their subsequent amendment where appropriate.*

 - (ii) *Take any necessary actions before competent authorities in each jurisdiction and approve and formalise any public or private documents as may be necessary or advisable for the full effectiveness of the resolutions, in any aspects or content.*

To conclude, and for the purpose of the applicable regulations on the issuance of securities, it is hereby resolved to appoint the Proxies as representatives of the Company, jointly and severally, before any public or private body. They will take responsibility for the content of the prospectuses of issue, information documents or any other similar documents, where applicable, and are similarly authorised to sign any additional public or private contracts and documents that are deemed necessary or advisable in the best interest of the Issuance.”